THE ROLE OF GOVERNMENT IN POST CONFLICT RECONSTRUCTION

THE CASE OF IVORY COAST

MASTHER THESIS 2008

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INTRODUCTION

Violence is all over the world and conflicts are spreading from one continent to another. According to the Heidelberg Institution on International Conflict Research, there have been 230 political conflicts in year 2004, 249 in 2005, 278 in 2006 and 328 in 2007 for the whole world. In year 2007, 25 are severe crisis and 31 conflicts that are carried out with a massive amount of violence. In the same year, 99 conflicts are levelled as crises; meaning violence is used only occasionally. With a total of 109, Asia and Oceania come first. In second rank, comes Africa with 78 conflicts in which 9 are classified highly violent. According to WIDER (World Institute for Development Economic Research) there were armed conflicts in 16 of Africa’s 54 countries in 1999 and since 1970 Africa has suffered more than 30 wars; most of these have had intrastate origins. In addition a recent study has documented that from 1990 to 1997, 16 wars took place in Africa. Fourteen were intrastate conflicts (Algeria, Angola, Sudan, Uganda, Western Sahara, and Zaire); only two were interstate (Chad/Libya and Rwanda/Uganda). However, a large number of these African countries have emerged from civil war and they are facing the difficult task to merge the development challenge with the additional burden of reconstruction. Countries that emerge from civil war face various tasks in rehabilitation, peace building, reinsertion and humanitarian relief. Each of these steps calls for urgent attention and should be the priority for national government agenda. However there are still development challenges such as economic growth, education, health care, gender inequalities, unemployment and poverty reduction that are also as much as important. How do such tasks relate to each other and how can they be prioritised? One of the first tasks is to make a list of what needs to be done. The most critical challenges are in the economic sphere where governments need to take the preliminary stock of available resources and tools left to deal with such issues.

This situation put a heavy burden not only on the international communities, but also on the countries themselves particularly national government that are called upon to play a critical role in facilitating reconciliation, financing reconstruction programs and designing policies. Therefore, more than ever, peace building and post-conflict reconstruction are becoming central to the global community.

In line with the economic assessment is the overall strategies, which themselves are a challenge because government should determine which policy instrument, should be developed to launch the

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1 See Appendix 1
2 Heidelberg Institution on International Conflict Research – Conflict Barometer 2007 – See appendix 1
3 WIDER (World Institute for Development Economics research) discussion Paper No.2001/18 in “Reconstruction from War in Africa: Communities, Entrepreneurs, and States” Tony Addison June 2001
4 Michael J. Dziedzie, “Policing the New World Disorder”
long process of post conflict reconstruction. Equally important is the need of mechanisms, which can help generate clarity and understanding of the interconnections between various policies and government actions in the areas of economic reconstruction. Last but not least is the role of technology.

There is a growing consensus that microeconomic factors must be taken into consideration when trying to analyse post conflict economic development (Collier and Gunning, 1997). Also in policy-making there has recently been an increasing focus on Private Sector Development programmes designing to foster productivity and competitiveness in post conflict economies through intervention and support at the micro level. One of the ways to increase local firms’ productivity is to attract FDI with the hope that knowledge brought by multinational will have positive spillovers. It becomes more and more evident that FDI inflows bring capital, technologies, marketing techniques, and management skills. While all of these potential benefits of FDI are important, emphasis should be particularly placed on the contribution of FDI to increasing productivity and competitiveness of local industry and firm.

Therefore the thesis will also examines the role of Private Sector and Foreign Direct Investment in post conflict reconstruction and uses them to help governments resolve issues that brought the country in to a conflict. By doing so, we will also examine the causes of the conflict in relation to political stability. For political stability to take place, economic growth and equal distribution of wealth must be completed. Therefore one of the top priorities of this thesis is the formulation of a clear vision of policies and strategies in the context of national competitiveness and industry / local firm, for; in the long run they will remain the main source of new investment, jobs, and an expanding resource base in the community. While substantial research papers has grown on the productivity and competitiveness of African economies there is still little on the theories or models from competitiveness that relate to the concept of post conflict reconstruction. Most of the existing research has been confined to case studies based on normal development challenge. Drawing on such research, I will use a microeconomic theoretical framework to illuminate the opportunities and challenge of Post conflict societies and demonstrate how they can compete in an increasingly globalized world economy. In particular, the analysis will be structured around Michael Porter’s microeconomic model on National Competitive Advantage, often called the Diamond Model of national Competitiveness (1990). Furthermore this thesis will take microeconomic approach to analyse productivity and competitiveness of the Ivorian industry and provide avenues of improvement. Finally in correlation to technological change and agriculture policy, the role of government in post conflict societies will be highlighted.
As it has been mentioned above the overall goal of this thesis is to analyse the issues of economic reconstruction in connection with national competitiveness, which include the local firms/national industries. The research questions to be answered are as followed:

**What is the role of Government in post conflict reconstruction?**

- *a.* What are the causes of the Ivorian conflict?
- *b.* What is the competitive advantages of the Ivorian economy and how can that be utilised in the post conflict reconstruction?
- *c.* What policies are needed to attract FDI and how these policies need to be implemented to be successful?

**Elucidation of Research Question**

To answer the main research question we will examine general theories and concepts in areas of economic development, poverty reduction, foreign direct investment and private sector development. These theories often applied to stable political environment as a precondition. However governments of unstable political environment face the same tasks and the same development challenges.

**Part (a)** explores the different set ups leading to conflict such as State creation, Ethnicity, and religion, which remain central to explain violence and wars. Hence, its purpose is to illuminate the various set ups of conflict, which later shall be used to categorize the Ivorian conflict. This part also outlined the broad political and economical issues which have to be addressed in the process of post conflict reconstruction if political stability has to be sustainable.

**Part (b) identifies** economic challenges and issues of the reconstruction process that the Ivorian government faces. A study of local firms is been conducted for the purpose of measuring the competitiveness of Ivorian firms. This part also describes the structure of the Ivorian industry, the private sector and the impact of the conflict. The objectives here are to assess the strengths and the weaknesses of the Ivorian economy and areas of improvements.

**Part (c) provides** a broad view of policies in areas of agriculture, technology and human capital.
METHODOLOGY

Highlight of the Thesis

Generally speaking the thesis has both an empirical and theoretical objective.

Section 1 of the analysis presents Ivory Coast’s location, ethnic features and religion while section 2 describes and analyses the origin and the causes of the Ivorian conflict. The purpose is to provide a full understanding of the causes of the conflict and take them into consideration when we are formulating strategy and policy for the country post conflict reconstruction.

The methodology and theories sections of the thesis introduce the analytical approach of the study and present the theoretical platform. These sections provide an overview of both macro and micro economic theories on competitiveness. The main theory, the “Competitive Advantage of Nation” by Porter Michael is systematically related to national productivity and the role of government. The key element in Porter’s theory that settles my choice is that countries that are successful in competing internationally are the countries that were heavily involved during the war. It assumes that countries become aware of developing their national productivity after a post-war period. This assumption is very valuable for my thesis in which I discuss the role of Government in post conflict society.

While the focus of porter’s theory is on relatively advanced nations, the principles can be applied to developing nations as well. To complement “The Competitive Advantage of Nations” I will discuss the NLS5 (Eduardo Viotti) which will give us a better understanding of national government intervention in economic performance and technology change. Michael Porter in his theory has a lot of implications on the way government policies influence nation’s competitiveness. He argues that technology change, in the broad sense of the term, accounts for much of economic growth where the role of the government in innovation process is central. The NLS is a conceptual and theoretical framework that explains technical change in late industrializing economies and the role of government. This theory is extremely relevant for this paper because while Michael Porter focuses on how industrialized economies6 innovate Viotti, presents a new approach for late industrializing economies7 to learn technology. They both agreed that technical change is crucial factor to economic growth and development. While Porter talks about the importance and the benefits of technical change, Viotti goes further on in his model by demonstrating how developing countries

5 National Learning System (Eduardo Viotti 2001)
6 Developed countries
7 Developing countries
can actually achieved technical change. He argues that the process of technical change to developing countries is essentially a process of learning\textsuperscript{8}, rather than innovation.

For post conflict societies to benefit from economic growth, they need the skills and the capacity to raise their productivity as smallholder farmers and micro-entrepreneurs. Yet, the population in post conflict societies seldom receives a satisfactory education especially in the area of technology which is one of the crucial elements in the Ivorian reconstruction but also in increasing outward investment and in the transformation of their raw materials.

**Section 3 and 4** are the foundation of the main analysis. **Section 3** describes the industrialization process of Ivory Coast and the Ivorian competitive advantage. It also explores the historical development which included both the industry and the private sector development stage. In this section, we present important economic policies, which had had a strong influence on the structure of the country economy and the quality of the generalised factor of production\textsuperscript{9}. We will also use the tools provided by the IDP to locate the Investment development path of the country for the last past 40 years.

**Section 4** presents the impact of the conflict on agriculture, workforce, infrastructure and the economy. The purpose of this part is to assess the strengths and the weaknesses of the Ivorian economy\textsuperscript{10} and to discuss the competitive advantage of the country and propose ways of improvement.

In the continuum of Michael Porter Theory, **section 5** examines concepts such as productivity and competitiveness which will determine whether Ivory Coast can be a competitive nation. **Section 6** analyses the role of the government from factor driven to investment driven. In the same line Viotti with the National Learning Systems (NLSs) will help us examine the way Ivory Coast can implement technical change and use it as the foundation for competitiveness and economic development.

Through the main analysis, the contribution of private sector in economic reconstruction in areas such as investment and income inflow, employment, goods and services, infrastructure, technology, standards and business practices, local firm development and access to international market will be enlightened. Because resources are limited, government needs to partnership with the private sector

\textsuperscript{8} **LEARNING** is defined as the process of technical change achieved by the absorption of already existing techniques, i.e., of innovations engendered elsewhere, and the generation of improvements in the vicinity of the acquired innovations. In other words learning is the process of technical change achieved by diffusion and incremental innovation.

\textsuperscript{9} Factors of production are the nation human and physical resources. It will be more elaborated on in the theoretical part.

\textsuperscript{10} This included the industry, the private sector and foreign direct investment
and must carefully plan and efficiently manage such investments. We will try to demonstrate that if the right policies and strategies are implemented, private sector contribution can enhance national economy and supports social and political stability. Altenburg gives broad possibility to achieve success in partnership with the private sector. The use of Altenburg model will be limited. However the essential points will be mentioned.

The following model shows the common point of the four theories. However the principal focus of this section is on Michael Porter’ theory which serve as a framework for the analysis by illustrating how the State of Ivory Coast meets the challenge of post-conflict reconstruction. Finally the section will conclude with recommendations and will put forward the importance of government role in agriculture policy as a core element in rebuilding the Ivorian economy.

The common point of the four theories

![Diagram](image-url)

Figure 1: Merging point
**Inductive and Deductive Approach**

The research questions were formed through an inductive approach. This implies that the initial idea had an explorative character, where goals and objectives of the research paper were discussed and decided. The research questions are discussed through a deductive approach, which implies that existing theories have influenced the choice and management of empirical data. This has somehow impacted the conclusion of the thesis. The conclusion might have been different, if other theories had been applied as other theories could have called for different empirical data and a different management of the data.

**Exploratory Research**

The thesis is conducted through an *exploratory research* because the real scope (the role of government) is as yet unclear. It allows the reader to familiarize with concepts and implications to be studied, and perhaps generate hypotheses to be tested. The Exploratory research framework help determine the appropriate theory, research design, data collection method and selection of subjects, and some parts it will conclude that the explanation used does not fit the context\(^\text{11}\)!

Another common reason for conducting exploratory research in this thesis is to test concepts and theories. In my thesis, I provide new revised strategy, policy and paradigm (way of look at). Part of my exploratory research is informal, which relies on secondary data such as literature, internet websites and qualitative approaches such as informal discussions with government officers, experts in the field of post conflict, and more formal approaches through in-depth interviews, focus groups, case studies or pilot studies. The results of my exploratory research shall not imperatively be used for decision-making. The purpose is to provide significant insight into a given situation such as the cause of Ivorian conflict and the role of government in post conflict reconstruction.

**The Quantitative and Qualitative Data**

In this general context of crisis and major changes, often unfavourable to industrial activities, The Ivorian firms have achieved remarkable performances on the domestic market and sometimes on export markets. I have studied the reasons for these success stories in the hope of finding measures, which would consolidate their present performances and revitalize its industrial firms. This analysis

\(^{11}\) The cause of the Ivorian Conflict base on ethnics diversity
is based on a study review of a sample of manufacturing firms selected for their capacity to illustrate the competitiveness of the Ivorian firms. The methodology is based on 1) a qualitative analysis of the characteristics of some Ivorian industries. This included a study of their history, human resources management and acquisition and development of technologies, 2) a quantitative approach based on financial analysis, incentive and comparative advantage. The financial data for the quantitative analysis was collected either directly from the firms, or from the Financial database (Banque des Données Financières - “BDF“) of the Ministry of Finance and Planning. This part is meant to answer research question (b). Although the results of qualitative data can give some indication as to the "why", "how" and "when" something has occurred in the economy development process of Ivory Coast, it still has its limitations in providing “how much” and “how many”. In other words, the results can neither be generalized; they are not representative of whole case being studied. People have different way of interpreting situations and different approach. My qualitative data should not be taken as “the absolute solution”. The Explorative research also encounters Quantitative data, which deals with numbers, logic and the objective, while qualitative data treats words, images and the subjective. The traditional empirical quantitative technique is survey questionnaire, which enables me to draw assumption regarding the behaviour and activities of a given sector or industry.

The qualitative data is also used to explain the causes of the Ivorian conflict and thereby answering parts (a)\(^\text{12}\). The first part of my qualitative research technique is to generate hypothesis on the cause of conflict in general and the second part is the survey questionnaire, which enabled me to draw the cause of the Ivorian conflict in particular.

This research technique help me in my analysis of the government policy and the development process of post-war nations, namely on Ivory Coast. My qualitative research will be used to formulate conclusive assumptions.

The quantitative data will help in evaluating the Ivorian economy performance and the impact of foreign direct investment. The quantitative data will be used to analysis FDI and its impact on economic development. It will also be used in certain case to show the results or the objectives of certain government policies. While the qualitative research answers questions such as “who”, “how much” and “how many”, it often lacks the ability to answer “why”, and “how.”

\(^{12}\) Introduction section, page 2: Research Question 1: *What role Government should play in post conflict reconstruction?* And Part a: *What are the causes of Conflict?*


**Primary Research**

This part discusses the primary data collected through interviews with Post conflict project assistant in Ivory Coast and different ministers (reconstruction, finance & economy, Industry). Furthermore, it explains how primary data from brochures and documents from different ministries and government’s offices have been utilised. In primary research, the data are collected specifically for the study at hand. It has been obtained either by observing government interventions in post conflict societies in Africa and around the world (failures and success) or the role of government being studied or being directly communicating either by different people that I have interviewed or cases being studied.

**Statistical Primary Data**

The following sources are utilized to provide statistics on the country foreign direct investment and economy.

- IMF (International Monetary Fund) economic survey of Ivory Coast
- World bank document and articles
- Country report from Ivory Coast conducted by the Ministry of Finance
- The Ivorian Ministry of Industry and Private Sector Development. Report and articles
- The Ivorian Ministry of Economy and Finance Report
- Banque des Données Financières' (BDF) of the Ministry of Planning and social development
- INS (The National Statistics Institute of Ivory Coast)
- Presidential Programme: Ivory Coast’ Objectives and Strategies Development 2000-2005 Volume I and II, made by the cabinet of the Prime Minister Office.

To provide statistics on the macro-environment that was used in the country economical analysis some economic development articles and document from the World Bank and IMF statistics were used. For conducting the comparative advantage analysis on the Ivory Coast economy, specific statistics on GDP, gross fixed investment, private consumption, exports and imports, interest rate, employment, unemployment, population, population growth, population by income and population demographics, The INS was used. The following figure illustrates how the thesis was structured and conducted.
Figure 2, The Methodology map - The structure of the thesis
COUNTRY PROFILE

Choice of the country

The study focuses on a single country, Ivory Coast. This country is an interesting case because it was viewed as the most prosperous and stable country of West Africans states from the 1960s up to 1999\textsuperscript{13}. For more than two decades Ivory Coast remained the model of political stability and economic growth. Industrialization has constituted a major objective of its development strategy and economic growth. However living conditions of Ivorian before the crisis was seriously affected and these conditions did not get better during the transition. The expected improvement of living conditions after the peace agreement made by the president of South Africa and the stakeholder of the conflict in year 2005 has not come either. A lot need to be done to improve poor living standard that the civil war has generated. Nevertheless, compared to other African countries emerging form civil war, Ivory Coast succeeds to keep a certain level of living standard economically. Its gross domestic product (GDP) per capita was 1,300 US dollar in 2005\textsuperscript{14}. This was achieved under political instability. This means that without the conflict Ivory Coast would have double or triple its GDP. So the country being studying here still has an economy almost well as its neighbouring countries (Burkina Faso, Mali, Guinea, Ghana) if not better. However 5 years of civil war can weaken a country economy and population.

Location

Ivory Coast' location is one of its competitive advantages. With a coastline of more than 480 kilometres long and a territory area of 322,462 Kilometres, Ivory Coast boundaries to the north reach Mali and Burkina Faso, east Ghana, south the Gulf of Guinea, the southwest Liberia, and to the northwest Guinea.

According to the World Bank the Ivorian population is estimated at 18,153,867 and the GNI per capita is 840 USA dollars for 2006. The country is classified as a low income.

\textsuperscript{13} Chamber de Commerce et de l'industrie de Côte d'Ivoire (Chamber of commerce and industry) “the role of industrialization in Peace building “06 May 2000 – Abidjan. Most of the books and internet site about West Africa agreed with.

\textsuperscript{14} World Bank webpage, Countries statistics data 2007
Ivory Coast has far been the main supplier in goods and services (electricity and water supply) for neighbouring (Mali and Burkina Faso) that have no access to the sea. Due to its location many foreign investors considered Ivory Coast as the door to West African countries. Foreign firms tend to start their operations in Ivory Coast and then in case of success expand to the neighbouring countries. They often penetrate the Ivorian market and expand their activities outside to neighbouring countries and still keeping their main activities in Ivory Coast. Doing business in Ivory Coast is a good opportunity for foreign firms to study and analyse the neighbouring markets. It is also an opportunity for neighbouring countries to test foreign products.

**Infrastructure**

Despite 4 years of civil conflict, Ivory Coast has still an outstanding infrastructure by developing countries standards. There is a network of more than 8,000 miles of paved roads; modern telecommunications services, including a public data communications network; mobile phone; and access to internet; two active ports (Abidjan and San-Pedro). The port of Abidjan is the most European in West Africa. The railway link is in the process of being upgraded—both within the country and to Burkina Faso because of supply goods and services from Ivory Coast. There are also regular air services within the region and to and from Europe. There are also real estate developments for commercial, industrial, retail, and residential use. Ivory Coast's location and
connections to neighbouring countries makes it a preferred platform from which Europeans conduct West African business operations. The city of Abidjan is one of the most modern and a liveable city in the region for wealthy European expatriates especially the French.

The government's public investment plan puts priority on investment in human capital, but also provides significant budget funds for economic infrastructure understanding their need for sustainable economic growth. Continued infrastructure development is also expected to occur because of private sector activity. Nevertheless a lot need to be done in this sector because of the war many infrastructures even though existing is in bad shape and not maintained.

**Ethnic features**

Why do certain observers of the Ivorian crisis bring ethnicity as a key factor to explain the conflict while the country has centuries of developing ethnic identity? The population of Ivory Coast is ethnically diverse. More than fifty-five ethnic groups are registered\(^\text{15}\). The fifty-five ethnic groups can be classified into 5 units on the basis of common cultural and historical characteristics and the differences are in terms of environment, economic activity, language, and overall cultural characteristics. However the official language is French.

1. **Eastern (primarily Akan)**

The largest Akan populations in Ivory Coast are the Baoulé. Much larger Akan populations live in Ghana and Togo. The total ethnic group of Akan is estimated at 29, 3 % of the total population in 1997.\(^\text{16}\)

2. **Western (primarily Krou),**

The largest Krou population in Ivory Coast is the Bété. Ancestors of the Krou live in Liberia. They represent 10, 2 % the population in the 1997s\(^\text{17}\).

3. **Northern (Voltaic)**

The largest Voltaic population is the Sénoufo. They represent around 11,4 % of the total population\(^\text{18}\).

4. **Northern Mandé**

\(^{15}\) Ministère de l’Economie et des Finances : La Côte d’Ivoire en Chiffre, edition 96-97, page 6
\(^{16}\) Ministère de l’Economie et des Finances : La Côte d’Ivoire en Chiffres édition 96-97, page 6
\(^{17}\) Ministère de l’Economie et des Finances : La Côte d’Ivoire en Chiffres édition 96-97, page 11
\(^{18}\) Ministère de l’Economie et des Finances : La Côte d’Ivoire en Chiffres édition 96-97, page 11
Descendants of early Mandé conquerors occupy the northwest and stretched to the north of Guinea and Mali. Indeed, the nation of Mali took its name from one of the largest of this ethnic group called Malinké. North Mandé groups represent 11.1% of the population in 1997.19

5. Southern Mandé

They made up slightly less than 8% percent of the total population in the late 199720. The Dan, Gouro, and smaller, related groups of west central of the Ivory Coast are sometimes classified as Southern Mandé because of their cultural similarities.

As we realise each of Ivory Coast's large ethnic group has more members outside the nation than within. As a result, many Ivorian have strong cultural and social ties with people in neighbouring countries. As many ethnic groups go beyond present borders, their citizenship and ethnic loyalties are in conflict, and some foreigners have remained in Ivory Coast long enough to feel they are Ivorian. This is the case of Burkina be, Malian and Ghanaian. Eventually this confusing situation can be very challenging for the Ivorian political leaders. Therefore some observers drew the conclusion that the present conflict might have its source from the ethnic diversity. The next part will examine each of these elements.

In addition to ethnic diversity is the presence of a large foreign population estimated to be 9,952,500 million which is around 40% of the total population in 200221 and continue to increase year after year. Despite these complications, the government has attempted to codify the legal distinction between citizen and non-citizen, and this distinction is becoming increasingly important to many people.

In 1987, Lebanese immigrants are officially estimated to 60,000 (but possibly numbering close to 200,000) worked in commerce and business in many towns of the country. The French population, once as high as 60,000, had declined to 30,000. Other Europeans and Africans are also found in this complex and cosmopolitan nation.22

This complex nation is changing, and attitudes toward change vary among and within these groups. The various oppositions that characterized Ivorian society affected the period of change in the 80s. Some of the oppositions are: rich-poor, urban-rural, modern-traditional, and south-north. From This

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19 Ministère de l’Economie et des Finances : La Côte d’Ivoire en Chiffres édition 96-97, page 11
20 Ministère de l’Economie et des Finances : La Côte d’Ivoire en Chiffres édition 96-97, page 11
21 Ministère de l’Economie et des Finances : La Côte d’Ivoire en Chiffres édition 96-97, page 11
period Ivory Coast starts to develop its own balance of tensions, with a result far more complex than a simple combination of ethnic issues or colonial legacies.

**Religion**

Religion in Ivory Coast can be divided into three parts: Local religious practices “African religion”, Christianity and Islam. Religious communities generally coexist peacefully, partly because no specific religion has been imposed by government. In most cases, conversion is an individual matter, and many families include Muslims and Christians are living together. Religious tolerance is also part of government policy. The First president was a fervent catholic and personally contributed to the cost of building mosques and churches, and he encouraged both Muslims and Christians to assist in projects undertaken by other religious communities. The current president is passionate Pentecost Christian who believes in the power of God to solve the conflict. Religious leaders have also earned lately significant support through the services they offer to their communities, especially in health and education, and by their overall contribution to social harmony. Christian groups and community have played a key role in the conflict resolution. Therefore Christianity became the strongest religion between educated Ivorian and those who seek advancement through European contact. Christian holidays are officially recognized, but Muslim celebrations are also held, and, as in many areas of national life, tolerance is the general attitude toward the practice of religion.

Local religious practices have also maintained their credibility because they provide concrete explanations for many of life's dilemmas in ways that can only be understood in the cultural context. Local religions assure people that they are living in harmony with the universe and that; this harmony can be preserved by maintaining proper relationships with all beings. According to most local belief, spiritual beings (a creator or ancestral spirits) associated with places and objects can influence a person's life and luck. This is the major premise on which belief and practice are based. However, due to the conflict less people are practicing local religious rituals and prefer to join the growing Christian circle. The next part presents an overview of the Ivorian economy and discusses its economic development over the last 40 years.
The causes of the Ivorian Conflict

What causes conflict around the world? A common frequent theme in the literature on causes of African conflicts has been ethnicity and religion. This attribution becomes the supreme assumption largely because most of African conflicts have ethnic and religious coloration. It seems self-evident to many, because too often, African rebel movements are ethnically defined. More over multiethnic and multinational states are the norms in Africa. History tells us that Africa nations and states are the result of geographical units created by European imperialist who divided up Africa at the congress of Berlin in 1885, separating Africa into entirely artificial territorial units. This configuration of states has its genesis in the colonial period. It is true that the process of state creation and nation building in Africa has been most unnatural, leading to very unstable nation-states compared to Europe where the absence of imperial intervention in nation formation led to a process of nation and state formation that was more natural and organic. Moreover, Europe national identities were developed before the creation of the state. In postcolonial in Africa a reverse process was at work. The state – preferably a strong – centrally controlled state – was to be created first. Attention would be given to building the nation afterwards.

Despite these facts, recent studies have revealed that such statement is simplistic and that contrary to popular belief, Africa's civil wars are not due to its ethnic and religious diversity. Rather, most conflicts in Africa are due to high levels of poverty, failed political institutions and economic dependence on natural resources. In addition, little attention is on African leaders and their responsibility in warfare in Africa. In 1963, the Organization of African Unity (OUA) made a decision to accept the borders that the colonial powers have defined. This opportunity could have been the perfect occasion for Africans leaders to show their discontentment and conquer the unity of Africa. Sadly they walked in the path of European imperialist and bow down. Their reason for accepting was that state creation was needed to assure immediate political survival; nation building would have to be addressed later. For Crawford, this immediate goal of state creation and consolidation was understandable in the long term but proven to be destabilizing. The colonial borders were accepted because, it was a huge opportunity for African leaders to exploit their countries natural resources and satisfy their own greediness. Crawford Young and Francis Deng analysed how ethnicity and race continuing to divide Africans societies. Crawford Young’s article

23 Refer to the introduction
24 Just to name Rwanda, Uganda, Sudan and etc
25 Ricador René Laremont, ”The causes of warfare and the implication of peacekeeping in Africa” p5
26 Ricador René Laremont, ”The causes of warfare and the implication of peacekeeping in Africa” p5
27 Ali Mazrui and Robert Ostergaard “From Pax Europe to pax Africana” 1996
28 Crawford Young, ”The Heritage of Colonialism,” in Africa in World Politics: Post-Cold War Challenge, p.29
takes a pan African standard of analysis while Francis Deng’s article focuses on the Sudan. The civil war that has occasionally raged in the Sudan since independence in 1956 is, according to Francis Deng, a conflict of contrasting and apparently incompatible identities in the Northern and Southern parts of the country. Identity is seen as a function of how people identify themselves and are identified in racial, ethnic, cultural, linguistic, and religious terms. The identity question related to how such concepts determine or influence participation and distribution in the political, economic, social, and cultural life of the country. However, their articles haven’t taken into consideration the actions and visions that each government or African leader implement during the last past decade. Were they really committed to improve and raise the living standard of their people? How did they use the natural resources of their country? What have they done to avoid turning Africa into a war zone? It is easy and less painful to blame European imperialist for Africa’s problems. And it easier to relate conflicts that occurs in Africa to identity and religion. To those who explain the Ivorian conflict on state creation, nation building, I argued that while the legacy of imposed borders (State creation) is often pointed to as a significant cause of Africa’s conflict, the Ivorian conflict, ironically, was not about those borders. In fact, those borders were embraced by African Leaders (one of these leader was Felix Houphouet-Boigny, former President of the Ivory Coast) themselves and they never took the challenge to defend the questions of these borders and territorial integrity when it was brought to them at the independence period. Moreover the territorial borders themselves have not been always the issue in the Ivorian Case because the conflict was within border rather than across it.

The concept of ethnic conflict or religion differences (Muslim / Christians) used to explain the Ivorian conflict does not necessarily hold because each ethnic group except one has its origin in neighbouring countries and for over two decades, the religious communities have coexisted in peace and harmony. In addition the war is not about government imposing a specific religion to the overall population and many Muslim and Christian government officers are working together in peace and harmony. Thus we find ethnic diversity in political parties like PDCI\textsuperscript{29} or FPI\textsuperscript{30}. It is very rare to find a political party in Ivory Coast who is solely constituted of one single ethnic, not even the rebel’s movements! Therefore, in light of political turmoil and economic crises in the post conflict of Ivory Coast, the major question is who are called to keep the peace in the country and by which means? The roots to the civil war in Ivory Coast go deeper than colonial time issues and the

\textsuperscript{29} Party Democratique de Côte D’Ivoire (The Democratic party of Ivory Coast). This party has been the single party for more than two decades.

\textsuperscript{30} Front Populaire Ivoirien. They are now ruling the country.
territorial borders. It is no exaggeration to say that the problem of leadership and increasing poverty was as much the root cause of the conflict that started in 1999.

The coming parts closely evaluate and diagnose the economic and implementation of development program of the Ivorian government since the assertion of independent and will help change the focus on all these distractive reasons or excuses to deal and focus on the real issues which is poverty, resource allocation and wealth distribution, often at the heart of conflict. These elements of conflict in many African countries are essentially the struggle for political power who wants to acquire control over resources and the means of production without any vision for sustainable development and equal distribution of wealth.

According to UNECA (United Nations Economic Commission for Africa) there is little doubt or no doubt that there is a direct correlation between civil strife and poverty. In fact, it is noted that the lower the per capita GDP the higher is the likelihood of civil wars. Also, based on their recent work it was observed that poverty or lack of alternative economic opportunities is one of three major policy-related risk factors that can lead to conflict or re-start conflict. The other two factors are the extent of dependence of a country on natural resource rents, and ethnic dominance. Let’s see how this work in the case of Ivory Coast.

Most of the documents and articles related to the Ivorian conflict describe it as an ethnic and religion conflict (North-South or Muslim-Christian). The objective of this part is to explain the origin and the roots of the conflict in a deeper way than just ethnical differences. This part describes the theories of stability as distinct from the assumption that multiethnic is the cause of conflict in Africa. These theories represent the traditional components of stability, which have been utilized by colonial powers in Ivory Coast. The Ivorian stability can be related to number of prominent concepts in early days of Africa independence. The understanding, however, lies not in the support for past explanations but in the way the terms of these explanations can be used in the situation that they had not foreseen and not be prepared of. As new challenges arise, these components of stability will turn to be the central problem. The uniqueness of this approach is the shift of paradigm from ethnic and religion factors to economic factors. What I will try to explain is that in any given society, economic factors can become a source of conflict or division.

In the case of Ivory Coast, I will focus the explanation on legitimacy (leadership), mobilization (single party), and resources. Each approach point at each element of the Ivorian conflict such as:

1. A transitional charismatic leader.
2. A single party that absorbs rather than mobilizes politics,
3. An economy of both growth and distribution that provides the payoffs for politicians and government’s members only and exclude the population.

While the two first elements will briefly be discussed, I will however go deeper in National Resources Management. It’s often assumed that the relation runs from stability to economic growth, with little investigation of the reverse. Much writings have underlined the correlation between domestic unrest and development, showing that poor societies tend to be un-mobilized and low enough in their horizons of expectation to be unable to sustain rebellion, whereas, disorder comes with a rise in expectations, an uprooting from a well established social system, and the appearance of ideological difference over the resources (William Zartman and Christopher Delgado, 1984).

Paradoxically, none of these notions is necessarily in conflict with a reverse interpretation that growing resources allow for successful cooptation of new elites, for satisfaction of otherwise disruptive demands, for cushioning the transition from tradition to modern systems and values, and for softening the competition among social groups for not-so-scare resources (William Zartman and Christopher Delgado, 1984). Expending resources can also be used to purchase stability, only when it is skilfully used and when those at the other end of the process accept to cooperate. This cooperation must be sustained, since they may be a training ground for accentuated instability if each other expectation does not continue to be met. While the Ivorian case does not reject some of these notions, it does illustrate the stability effects of economic growth under proper conditions for over two decades\(^3\). It is interesting to see and recall that political uses of economic growth can contribute to stability. There is no doubt that the Ivorian economy growth was fostered and used to handle and absorb source of dissatisfaction in the country, and to focus energies on economic and material goals instead of focusing on political competition for best performance (William Zartman and Christopher Delgado, 1984). More interesting, is the fact that this strategy operates at four levels; individual, ethnic-regional, Class and international regional level

Economic incentives are first to handle individuals, either to restrain potential sources of instability or reintegrate them when they are considering challenging the system. As an example, all rival leaders have found a place in the Ivorian government. Furthermore economic benefits or gratifications are subject of competition among regional politicians and administrative officers and are distributed in the perspective of regional and ethnic balance as well as reward. Economic benefits or gratifications have also been used to create or at least to expand a middle class (bourgeoisie) as the motor of development (Faure and Medard 1982). This middle class that

\(^{3}\)The economic growth of Ivory Coast is discussed in depth later on in “The Ivorian Economic development” section of this master where also are shown different aspects of economic policy and income distribution.
combines education, money and urban private residence represents the bridge of ethnic division and reinforce national identity. Not only, this class dimension is growing in wealth, but it is also growing in size, continually drawing in more people; part of this growth includes new members and families dragged in from outside the bourgeoisie. Such strategies underlie stability as long as material benefits are available, but they also leave society ill prepared to voice its frustrations in times of economic crisis (belt-tightening).

As Ivory Coast approached a new turning point, each element of its economy and political sphere faced a new challenge. When changes in economic and social are not resolved, with time the population will eventually ask for political changes. The future stability of Ivory Coast in that period depended largely upon creative responses to number of policy challenges in the economic sphere. As Ivory Coast entered the third millennium, a new generation asked for economic and social changes. Government was then confronted to four critical choices in the realm of social and economics. The way government reacted to this challenges/choices have determined both the rate of economic expansion and the degree of the future political stability of Ivory Coast.

**The first challenge** concerned the means and results of succession by a transparent presidential election.

**The second challenge** was the rate and manner of reducing the European presence (France power over economic, social and political issues) but also in state owned companies and ministries. Whether, or not this choice was an economic challenge was depending upon the ability of education and incentive policies to produce national replacements knowing that the growth of the country has been achieved by foreigners from neighbouring countries and expatriates.

**The third challenge involved** the adoption of a clear position with respect to the status of resident African from non-Ivorian origins. The lack of job and the increased poverty of the population made foreigners responsible for the economic situation of the country. As economic pressures generate a feeling of xenophobia, discontentment grew. To make it worse migration from neighbouring (Burkina Faso) countries to Ivory Coast kept increasing. Consequently authorities were also tempted to divert attention from other key problems by blaming misfortunes on “the foreigners.”

**The fourth critical choice/challenge** facing Ivory Coast involved finding the means to reduce public debts and increase the level and stability of domestic savings that were available for development purposes. **This challenge** was also related to policies that alter the balance of incentive between rural and urban areas including the concerns evoked by the World Bank and the IMF on trade and budgeting policies. The issue relates to the ability of farmer’s interests to secure favourable agriculture development, which will surely be at risk. Since growth and stability in Ivory
Coast depended in an important way upon these agricultural policies it was vital for the new successor to deal early on with these issues.

This new paradigm helps us understand factors that created the political instability that the country went through for the last past years! The different sets ups leading to conflict such as pre-colonial period, state creation, nation building, religion, ethnicity and so forth as a central explanation for violence and crisis are obviously not the absolute reason of the Ivorian Conflict.

Four critical challenges were and remained the main elements of the Ivorian conflict and should be prioritized first in the reconstruction.

As mentioned with one exception, they are all economic related and must be dealt with economic policies. Reconstruction must be achieved in a broad based sense and this requires economic reform. Economic crisis arose because the country failed to broadening and upgrading the competitive advantages of the nation. Economic crisis also manifests itself when there is drastic fall of the living condition. When the world prices for crops felt down, government failed to shift the patterns of national competitive advantage which was at that time the export of agricultural raw material. One of the shifts could have been policy and action to upgrade the goods from raw material to semi-transformed and furthermore produce high quality products.

At the end of 2008, Gbagbo continued to retain the presidency position, but he still faced the ongoing problems that have plagued once, the stable country namely, a weak economy that only rely on the export of raw material, unequal distribution of growth and lack of strong national industries. In the world of change, the key to remain a country politically stable requires flexibility and dynamic from national leader but also the ability to handle change. How Gbagbo and his government will respond to these challenges will determine his place in the history of the country. The coming pages discuss the way the Ivorian government can reach the challenge. However lets us first describe the economic development of Ivory Coast
The Ivorian Economic Development

The Ivorian economy is very diverse in comparison to other Sub-African countries. Agriculture and mining remain the major economic activity. Between 70 and 80 percent of the population in Ivory Coast that lives in rural areas is engaged in farming or agriculture. According to the World Bank estimation, the share of agriculture output in GDP was 26.5 in 1995 and 21.7 per cent in 2005. The share of industry has increase from 19.7 in 1995 to 21.2 in 2005 (in time of civil war) per cent of GDP. The same goes with manufacturing with 14.6 in 1995 to 17.1 in 2005 per cent of GDP. Despite its diverse economy, Ivory Coast has a long way before reaching rapid and sustainable industrial growth. A major priority and challenge for the Ivorian government after the civil war is to develop an economy based on manufacturing sector, which is considered to have the greatest potential for job creation and economic growth.

The informal sector is also playing a constructive role in the rebuilding process of economic reconstruction. A large portion of the urban population relies on informal sectors of economic activity because employment opportunities in formal, public sector are limited. Therefore supporting and fostering small industries in the informal sector related to Porter’s theory is at the core of this thesis.

Industrial strategy and policy

From the time of Ivory Coast’s Independence Day in 1960, the country focused its development on economic liberalisation, private initiative and open market. Through this strategy, good performance has been made during the period of 1960 to 1979 and 1980 with an average annual growth rate of 7 to 8 percent.

In this strategy was the emergence for expanding domestic market to support potential consumer for industrial goods. The Government used revenues generated from agricultural exports to improve infrastructure, roads, ports, railroads, power generation, and schools. The government also turned to foreign direct investment and imported technology to increase agricultural production and industrial development. Much of the manual labor was supplied by non-Ivorian Africans (Mali, Burkina Faso, and Guinea).

In the same strategy plan was the preservation of economic ties to France, almost as strong and extensive as the pre independence period. Before the independence, French public and private

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capital helped the government to ensure the internal and external convertibility of the currency, and financed most major commercial enterprises, and supported the country's banking and credit structure. French enterprises in Ivory Coast were a major employer of Ivorian labor, and France purchased often at rates higher than market value most of the country's exports commodities. In addition, French managers held most of the key positions in business, and French advisers had higher function in many government ministries.

Between 1960 and 1980, the total French population in Ivory Coast nearly doubled, from about 30,000 to close to 60,000 (this number has certainly increased since then,) forming the largest French expatriate, and one third of them are also Ivorian citizens. French citizens filled technical and advisory positions in the government and were also evident throughout the private sector. Until 1985 Ivory Coast also had the highest number of French multinational companies in the all Africa and the largest percentage of French imports to and exports from Africa, and, along with Senegal, received the largest French aid package in Africa.

Ivory Coast’ economy is market- based and heavily depends on the agricultural sector. In year 1996, 49, 5% of the Ivorian population are engaged in some form of agricultural activity and 1994 66%. The economy performed poorly from 1980s to 1997s and agriculture exports decreased from 50% of exports in 1980 to 39% in 1997. High population growth together with economic decline resulted in a fall of living standards of the majority Ivorian population which remains dependent on smallholder cash crop production and principal exports that are cocoa, coffee, cotton, pineapples, tuna, and tropical woods. Gross national product per capita was $727 in 1996 but had fallen to $669 by 2003. It was substantially higher two decades ago.

**Ivorian Industry**

Ivory Coast is considered as the most advanced country in industrialization and the export of manufactured products in French speaking countries. Ivorian industry was very dynamic until the end of the 1970s. In 1960 there were fewer than one hundred firms with a combined turnover of 13 Billion F.CFA. By 1978 this had grown to more than 500 firms with a total turnover of 600 billion. By 1984 the number of firms had again increased, to some 750, with a turnover of 1 250

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33 Journal Metafilter November 20, 2004 - Community Weblog ‘French massacre in Ivory Coast’
34 World Bank Statistic on Development assistance 1990
35 The political economy of Ivory Coast by William Zartman &Christopher Delgado 1984, page
36 Presidential program of Ivory Coast by sector: Objectives and development strategy– volume 1 2000-2005, page 28
38 Exporting Africa: Technology, Trade and Industrialization in Sub-Saharan-Africa (Samuel M. Wangwe 1995)
39 Franc de la Communauté Financière D’Afrique; convertibility 1 euro=655,957 FCFA
billion. Average annual industrial growth was 13 per cent until 1973, and 85 per cent between 1974 and 1981. Manufacturing value added (MVA)\textsuperscript{40} grew by 3.7 per cent between 1975 and 1985. In 1960 the industrial sector represented only 14 per cent of the gross national product: this increased to an average of 23 per cent between 1971 and 1981\textsuperscript{41}. But this growth in Ivorian industry began to reverse at the beginning of the 1980s. The financial and economic crisis the country experienced a knock down in its industrial activity and exposed its structural weaknesses. There was in fact a sharp drop in industrial growth (minus 8 per cent between 1981 and 1983), a collapse in investments and accelerated obsolescence of productive capacity. Annual gross investment decreased by 50 per cent between 1981 and 1987. The crisis also meant slower growth in sales (+18 per cent a year between 1978 and 1984, +14 per cent between 1984 and 1986) and serious degeneration in the financial situation of industrial firms. Between 1981 and 1983 the debt level of industrial firms increased from 1.3 billion to 1.8 billion. From 1981 onward, the effects of the adjustment measures adopted by the government were added to the difficulties linked to the crisis. MVA of firms fell by 1.6 per cent per year between 1985 and 1990. The main measures affecting industry related to changes in the protection system (removal of non-tariff barriers and the reduction of tariff protection) and efforts to lower taxation and factor prices as well as the introduction of an export subsidy scheme. All these measures were intended to revitalize the industrial sector, so as to correct its weaknesses, increase its competitiveness and promote exports. These measures did boost the Ivorian industry, which accounts for 23% of GDP. The Industrial sector counts 400 large manufacturing industries\textsuperscript{42}, which are essentially, located in Abidjan, the capital. Foreign investors own 80% of these large manufacturing enterprises\textsuperscript{43}. Besides these larges-manufacturing industries is a less structured network of small industries which weight less in the national economy balance. These small industries contribute around 18% of added value with 12% of the investment and 25% of modern employments. These small industries are the potential of a sustainable development because experts see them as the key for endogenous and sustain industrialisation. Unfortunately, very little research and studies have been made on this area. In the coming page the role of government in how to reduce or regulate the control of foreign investment will be discussed.

\textsuperscript{40} Market value Added (A full description of the MVA is on the definition part.)
\textsuperscript{41} Exporting Africa: Technology, Trade and Industrialization in Sub-Saharan-Africa (Samuel M. Wangwe 1995)
\textsuperscript{42} Most of the data and statistics information have their source in the yearly report of the Ministère de l'Industrie et du développement du secteur privé (28-06-03)
\textsuperscript{43} Some of the reasons why large firms are owned by foreigners and which sector of the Ivorian industry is more developed are listed in page 27 and 28 of this Master Thesis.
The agro-industry is the main component of the industrial sector. Alone it represents half of added value (49.6% in 1997) and employment (50.0% in 1997). It’s 7% of GDP and contributes to 40% of manufactured exportations. Other activities are more diverse and focus on domestic market (packing, chemistry, building materials, mechanic and metallurgy etc.)

The agro food, alone constitutes half of the agro industries activities (coffee and cacao transformation, canned food for tuna fish, beverage, tobacco etc.) It is almost the center of the industrial activities in Ivory Coast.

**Export:** Despite progress made in industrial product, diversification remains low. Export is still focused on major agricultural raw materials (cacao, coffee, cotton, pineapple, and copper). These raw materials constitute 47% of country’s export in 1998 and 48% in 1996, 1997. Here again there is a huge potential to improve and develop the export opportunities. The “industrial development framework “, a document made by the country reveals an enormous agricultural and mining (Diamante, Gold, natural gas, iron…) potential for business opportunity in Ivory Coast (*CD ROM*). The transformation rate is less than 25% in most of areas, which give lot of opportunity of creation of job.

**Weakness of the Ivorian Industry**

The development of the Ivorian Industry is still suffers from numbers of structural obstacles despite actions taken to make it the engine of the national economy. The obstacles found by entrepreneurs and professional (organisations) are diverse:

- Weak investment in the industrial sector.
- Weak export activities and non-existence of industrial development schema or framework, which is adapted in the actual economic context.
- Inadequate institution and regulations device to promote the industrial sector
- Weak local firms competitiveness
- Weak contribution from Small Medium sized enterprises on value-added.
- Law promotion of quality, technology and innovation.
- Inadequacy physical infrastructure (insufficient of Greenfield areas).
- Difficult for national industries to supply themselves in raw materials.
- Insufficient funds to finance industries and small medium sized enterprises.
Weakness of the Ivorian Private Sector

Likewise to the Ivorian Industry, the private sector suffers from numbers of obstacles:

- Weak structural framework (Office of Intellectual Property Right, CEPICI, Fund for National enterprises in Ivory Coast)
- Weak institutional framework (Government, regulatory framework, Banking).
- High rate of foreigner ownership in local firms
- Political instability

To illustrate the weakness of institutional framework, let’s imagine that a new client comes to a textile company and orders shirts. The client and the company manager sign a contract for payment on delivery. But at the delivery, the client refuses to pay in full. What happens next? **In Denmark**, the company manager will show the client the contact and ask for payment. The client is likely to pay. **In Poland** the company will show the client the contract and ask for payment. The client is likely to refuse to pay. **In Ivory Coast** the company manager would probably not deal with the new client unless the client could provide references from other textile companies or from companies that operated in the same region. This example shows the inadequacy or inefficiency of courts, which are the main institution enforcing contracts. The court is weak and almost no entrepreneurs use it. In the absence of efficient courts, fewer transactions take place, and those transactions involve only small group of people linked through parentage, ethnic origin, and previous dealings. In addition the business environment and the whole organisational framework of the private sector have been weakened by the conflict and the strong cultural dependencies.

Strengths of the Industry and Private sector

However there some important factors that can attract Foreign Direct Investment:

- Availability of raw materials
- Human capital is young, qualified, and competitive
- Cheap labour
- National market of 16 millions of inhabitants integrated in others sub region markets (UEMOA: 68 millions of consumers and ECOWAS: 210 millions)
- Availability of economic infrastructures. The Ivory Coast has two important harbours, three airports and a diversity of financial institutions (national and international Banks)
3 stages of the Ivorian Economy

Ivory Coast has several stages of economic development. It is obvious that the idea of stages is highly simplified here and will not go into details due to difficulties delineating the boundaries between the different stages.

Given these limitations let’s analyse the development process of Ivory Coast by dividing it into periods from the Independence Day to the crisis:

1. From 1960 to 1979 - Break Through (The expansion of Factories and industries)
2. From 1980 to 1993 – The recession phase
3. From 1994-2000 – The revival and the break down

The Breakthrough (1960 - 1979)

This period of the Ivorian economy is qualified as “the Ivorian Miracle” – “Le miracle Ivoirien”.

The economy is characterised by rapid growth and this is essentially due to:

- The expansion of agricultural products (coffee and cacao) exportation
- Policy on agricultural diversification and industrial-agro promotion.

The process of economic development of Ivory Coast\(^44\) has been characterised as export led growth and is based heavily on the production of Cacao and coffee. The economy grows at a remarkable speed as coffee, cocoa, and timber exports increased. Surpluses from exports speeded growth in the secondary (industrial) and tertiary (services, administration, and defence) sectors.

Evolution of the cacao prices (in dollars) from 1975 to 1990

\(^{44}\) The country’s GDP grew by 7.3 per cent
production was organised by French power to supply foreign market. The nature of such a production at that time didn’t incorporate the process of industrialisation of the goods for export. The export was based on raw material. Nevertheless, from 1960, at the independence certain conditions such as the existence of infrastructure, the availability of local products and inexpensive labour provided an incentive for French multinational in investing in industrial sector. The emphasis is put on goods production that can substitute imported good. At the end of this stage certain production industries and units will be established for products that can compete on the French market (textile) or to introduce new local products that are not manufactured in France (palm-oil).

This period (exporting- economy based on agriculture) has been characterised by an extremely rapid growth rate since the 1950s. The estimations of growth rate from 1960 to 1979 vary according to the source, but in every case they are very high. According to the Ivorian Research Office of Economic and Social Development (La Société d’Etude du Développement Economique et Social - SEDES) the growth rate for this period was between 7 and 8 per cent per year while Samir Amin estimation was around 19, 5.45

The recession

This period is characterised by major economical and financial difficulties. External changes in the world economic system affected the country and after the coffee and cacao boom in 1976 and 1978, series of external shocks produced a 40 percent decline in terms of trade through:

- The sharp drop in coffee and cacao prices in 1978 and the subsequent increase in the price of imported oil and followed be the sharp increases in real interest rates on international financial markets46.
- The fragile and unstable balance of payments in public finances

These shocks have led to rapid financial deterioration, a slowdown of economic activity, and two consecutive years of recession in 1981 and 1982. The rising prices of coffee and cocoa in the 1976-78 period as a result of poor harvests in Latin America, is now declined. The government which, had responded to the boom phase by vigorously expanding public investment, was by 1980 forced to rely on foreign borrowing to sustain growth. Moreover under the favourable years of economic growth, the government embarked on an ambitious investment program financed through external borrowing. The loan was made possible because of the coffee and cacao boom in the 1970s world prices and led to large surpluses for the Stabilization Funds (the national office that controls and

46 The Political economy of Ivory Coast page 85, ph3
regulates all cacao and coffee activities) with a positive balance of payments for the country. At the same time, the declining value of the United States dollar, the currency in which Ivory Coast’s loans were denominated negatively affected the country's current accounts balance. Finally, oil production did not expand as expected, reaching a level of 1, 3 million tons in 1982 against the expected 3, 5 millions of tons. By the end of the second phase, Ivory Coast was at the edge of a financial crisis.

The economy weakens as terms of trade declined, interest rates increased, and prospects of new offshore oil development is already forgotten. Agricultural income dropped. However, the continuous falling price of cacao quickly forced the country to use any profit they had hoped to achieve. In 1987 President Felix Houphouet-Boigny rushed for further payments on foreign debt. Consequently, Ivory Coast was forced to adopt a structural adjustment program (SAP) made by the International Monetary Fund (IMF) and the World Bank. The purpose of SAP was to limit imports, subsidize exports, and reduce government spending. President Felix Houphouet-Boigny was not at the end of this trouble. The World Bank and the IMF supported by French government put pressure on the president to devaluate the FCFA. In addition to economic troubles the president has to deal with, social and political issues started to rise. As of late 1988, Felix Houphouet-Boigny had served as president since independence. He had not named a successor, encouraging rivalry between the president of parliament Henri Konan Bedier and the Prime Minister Alassane Dramane Ouattara.

Economic austerity, calls for multiparty system, and increasing discontent became potential threats to stability. In 1990 the president is now forced to grant political reforms such as allowing multi party system. In 1993, President Felix Houphouet-Boigny died and Henri Konan Bedier (His son) takes over. The year after in 1994, the FCFA is devaluated.

All these shocks added to the huge amount of external borrowing led to a sharp fall in the internal and external financial situation and have affected Ivory Coast at a critical phase of its development. These shocks are the core of what will become the Ivorian conflict.

Additional to these shocks was the development strategy that the country has adopted. Two decades of growth were essentially based on the exploitation of the most obvious areas of competitive advantage, the agriculture sector. However the growth potential of the country has suffered from inadequate support in its development. Although agriculture has been the key to the country successful economic performance, agricultural development projects have remained a small part of public investment program in recent years. Yet the definition of a coherent development strategy for the agriculture sector is to emphasize the medium to long-term comparative advantage of the country (Jean Nasini and Mario Lanzarotti).
The revival and the break down (1994-2000)

This period is characterised by an accelerated revival from 1994 to 1998 followed by a break down in 1999. The privatisation of public enterprises in 1990, open economy policies and devaluation of national currency, FCFA have contributed to the growth of private investments in the Ivory Coast. The growth of investment in the period of 1990-1996 is due to the amount of foreign direct investment put into privatisation of public enterprises exercising in the transformation of cacao, mining, energy, oil and telecommunication. Privatisation has played an important role in increasing FDI since 1990s in Ivory Coast. Foreign direct investments accounted for 10% of GDP in 1996 and 9% in 1995 and 4% in 1993. However the positive effects did not last long and the devaluation could not sustain and nurture the competitiveness of the country’s industries and enterprises. FDI then decreased from 1997 to 2003 due to political instability (Table below); lack of incentives for private investments and others bad factors linked to business environment. The Structural Adjustment Programme effects (which was meant to improve the competitiveness of the country) reinforce by devaluation of FCFA in 1994 helped boosting the industrial sector where huge production was available, notably the textile and agro-food industries.

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>FDI in Ivory Coast</td>
<td>212.6</td>
<td>165.3</td>
<td>283</td>
<td>311.9</td>
<td>315</td>
</tr>
<tr>
<td>FDI abroad</td>
<td>-4</td>
<td>23</td>
<td>-26</td>
<td>-7</td>
<td>-6</td>
</tr>
<tr>
<td>Inward Investment</td>
<td>24.5</td>
<td>-33.8</td>
<td>-37.5</td>
<td>-50</td>
<td>-40</td>
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The industrial sector growth is around 9% per year since 1994. Due to the political instability (coup d’état) in 1999 industrial activities felt down in export and private investment decreased. In the past six years, economic growth from the non-oil sector has been minimal due to the affects of the country’s civil war. However, the oil industry, which is primarily located offshore, has been relatively unaffected by the civil conflict. New fields are coming, which will help strengthen the economic growth in the country. In 2005, analysts estimated the country’s inflation to be 3.0 percent and it is expected to hold at 3.0 percent through 2006. As to conclude, the break down is he result of failed policies such as structural adjustment programs, privatization, and devaluation which was supposed to improve the economy and sustain the living standard.

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47 See appendix 1 of list of state-owned companies who are on the way to be privatized
49 EIA (Energy information Administration) Report 2006, also can be found in http://www.eia.doe.gov/contactus.html
The challenges of post conflict reconstruction have been identified in the previous chapter as a very daunting task for government to carry on. I started to prove in the first chapter that the causes of the Ivorian conflict are not based solely on ethnicity, state creation or religion, as many will argue but on increasing poverty, unequal distribution of wealth, corruption and lack of democracy. It is done through the Ivorian components of stability, which are used to explain the sources of the Ivorian political instability. Furthermore in the second chapter, I explained how in the case of Ivory Coast national economic prosperity sustains stability. While many might argue that stability is a prerequisite or pre-condition for economic growth, I demonstrated how the stability of Ivory Coast was sustained as long as the economy was doing fine. Finally I elaborated on economic shocks which had had a strong impact on the Ivorian economy:

- The drop in prices for Cacao and Coffee
- The increase in price of imported oil
- The Increase in real interest rates in financial markets
- The weak balance in public finance

I also concluded by saying that the political and economical situation of Ivory Coast got worse when “rescue policies and programs” failed to deliver economic growth. Why? Because the only meaningful way for keeping stability at the breakdown period of Ivory Coast is the ability to provide a reasonable and rising standard of living. Devaluation, Structural adjustment programs, privatization help in the establishment of temporary stability. However to sustain stability, economic growth and equal distribution of wealth should take place. Equally important to sustain stability is the rebuild of sectors such as agriculture, local private sector and technology. In the post conflict reconstruction of Ivory Coast it’s imperative for government not only to address political issues but equally important, economical and social issues and policies. The success of this process largely depends on the degree to which government is involved and committed.

Therefore in the next chapters, I will explore and study the role of government in restoring the national prosperity. The following part will illustrate through an analysis of the Ivory Coast’s conflict, how the state can meet the challenge of Post-conflict reconstruction.

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This is done by describing the impact of the conflict on the Ivorian Economy to begin with and later on by:

a) Clarifying and analysing the concept of Productivity and competitiveness;
b) Examining government policies with the implication of the determinant of national competitive advantage in relation to agriculture;
c) Exploring the process from factor driven to investment driven stage with the role of government in relation to local private sector/industry and;
d) Applying the framework of national learning system in relation to technology and education as a foundation for national competitiveness.

**Impact of the conflict on Industrial production and Macroeconomic**

The industrial production sharply dropped in production to finally stop totally. Thus the global production felt drastically due to the lost of domestic markets (war Zone) and regional markets (Burkina Faso, Mali, Niger, and Guinea) from 35% to 75% according to the market. Bouaké, the second industrial city of the country was under the rebel control. The war zone remained a zone of “none production” and do not account in the national industry due to the split of the country and the fall of industrial activities in this part of the country. The close down of many industries in the war zone inevitably led to a huge lost in fiscal and an increased unemployment in technical post for the taxes collectors.

The impact of the crisis at the macroeconomic and social levels has been considerable. In 2004, despite the events of November 2004, which affected industrial production, preliminary estimates indicate that real GDP increased by 1.6 percent from an extremely depressed base. The fiscal balance improved from -2.6 percent in 2003 to -1.7 percent in 2004 due to higher cocoa and coffee exports. For 2005, growth rate is projected at 1 percent in the best-case scenario. The fiscal balance is expected to improve to -0.2 percent of GDP as expenditures are tightly constrained. However, some key issues related to extra-budgetary expenditures still must be addressed. On November 2, 2004, the country fell into inactivity. Arrears to the Bank currently total about $199 million. The country’s large debt service payments and arrears will continue to complicate cash management (IMF 2007).

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52 World Bank (2006)
Impact of the conflict on Human capital

The Ivorian government has put focus on its school system, which is highly regarded and includes an excellent international school based on a U.S. curriculum and several excellent French-based schools. However because of the crisis and political instability, Ivory Coast was confronted by the reduction of its active population who flow out of the country as refugees. Moreover the flight of its elite worsens the reduction of its highly educated human resources. At this time human capital and skilled labour constitute a principle weakness in Ivory Coast.

Impact of the conflict on Infrastructure

The conflict has not really altered the Ivorian infrastructures, which compared to other neighbouring countries are still outstanding. The problem lies in delay for further constructions and the use of infrastructures funds to other priorities such as military expenditure. Ivory Coast constitutes 40 percent of UEMOA’s (Union Economique et Monétaire Ouest Africaine) GDP, and neighbouring countries depend heavily on its transport facilities for imports and exports. Transport in Ivory Coast remains an important mean in the production and distribution process and the conflict had heavy consequences on the industrial activities. As an example, ports have seen the decrease of their ships particularly the port of Abidjan, which is the heart of the Ivorian economy. However infrastructure should not be neglected by government when designing industrial policies because well functioning infrastructure is an important element for revitalize the private sector and enable industries to compete internationally.

Impact of the conflict on Social

On the social front, the crisis resulted in poverty rising to an estimated 42-44 percent, massive population displacement, and a worsening composition of public expenditures. Achievement of most MDGs is off track. Security and political uncertainties, and delays in the implementation of the DDR program, as well as a depressed private sector climate, do not promise a strong economic recovery in 2005 and 2006. Because of the conflict, Ivory Coast is delayed in HIPC Initiative in late 2002 as originally envisaged, but the preparation of the PRSP has been delayed.

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54 Port of Abidjan and San-Pedro, see map
55 Millennium Development Goals
56 Disarmament, Demobilization and Rehabilitation
57 Heavily Indebted Poor Countries
58 Poverty Reduction Strategy Paper
Given the current political situation, the domestic economy is collapsing with GDP growth expected to contract to 1.5 percent in 2005, and to stagnate at 0.4 percent in 2006. As a result, all meaningful efforts for private sector recovery are currently postponed until strong signs of peace and stability resurfaced. Until then, the International Finance Corporations will focus its efforts in assisting its existing clients to cope with this difficult time, and thereby maintain its current portfolio of US$88.9 million (more than 50 percent of which is in the oil, gas & mining sector and another 32 percent in the utilities sector). If the elections are successful, IFC has been asked to take an active role in the post-conflict private sector (World Bank 2007).

Recent events in the political sphere have also paralysed foreign investor interest in the country. Multinational Investment Guaranty Agency (MIGA) currently does not have any on-going activities, pending political normalization. This Agency did not have any projects in its pipeline for year 2006. Their outstanding portfolio in Ivory Coast consisted of one project (two contracts of guarantee) in the manufacturing sector, with a total gross and net exposure of US$15.05 million. (World Bank 2007)
THEORY

The Competitive Advantage of Nations (Michael E. Porter)

According to Michael Porter, the whole notion of a “competitive nation” as a term has very little thing to do with economic prosperity. If we assume that the principle goal of a nation in the case of post conflict society is to provide a reasonable or high and rising standard of living for its citizens, then in Porter view the ability to do so depends not on the notion of competitiveness but on the productivity with which a nation’s resources (labor and capital) are employed. If the only meaningful concept of competitiveness at the national level is national productivity, who, then has the ability and resources to achieve productivity? According to Porter, it depends on the capacity of nation’s firms but also the support and ownership of government.

So this theory is the perfect ground to discuss the role of the government in post conflict societies but also the policies needed to utilise effectively national resources/local firms for economic growth and for the benefit of the population.

The determinants factors of National competitive advantage

The determinants factors help government to understand the context in which local firms are born and compete, which is:

- The availability of resources and skills necessary for competitive advantage in an industry.
- The information that shapes what opportunities are perceived and the directions in which resources and skills are deployed
- The goal of the owners, managers, and employees that are involved in or carry out competition;
- And most importantly, the pressures of firms to invest and innovate.\(^{59}\)

Porter lists four broad attributes of nation that shapes the environment in which local firms promote or impede the creation of competitive advantage:

1. Factors of production

The competitive advantage from factors depends on how efficiently and effectively they are deployed. This reflects the choices made by government about how to mobilize factors as well as the technology used to do so. Basic factors include natural resources, climate, location, unskilled and skilled labor and debt capital. Basic factors are passively inherited, or their creation requires

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\(^{59}\) Michael Porter, Competitive Advantage of Nation, page 71
relatively modest or unsophisticated private and social investment. Basic factors remain important in extractive or agriculturally based industries and in those where technological and skill requirements are modest. However advanced factors include modern digital data communications infrastructure, highly educated personnel such as graduate engineers and computer scientists, and university research institutes in sophisticated disciplines.

2. Demand conditions
The second broad determinant of national competitive advantage in an industry is home demand character of improvement and innovation by a nation’s firms. There are three broad attributes of home demand that are very significant (Home demand composition is the mix and character of homebuyers’ needs which influence home demand on competitive advantage of the country). The composition of this home demand shapes how firms perceive, interpret, and respond to buyer needs. According to Porter there a number of reasons why home market usually has a disproportionate impact on the ability of firms to perceive and interpret buyer needs. One of the reasons is attention. First, attention to nearby needs is the most sensitive, and understanding them is the least costly. Second, product development teams, as well as the managers, who approve new product, are often based in the home market. Thirdly, pride and ego also focus attention on success in meeting the needs in the home market. Finally, Pressures from buyers to improve products are most acutely felt in the home market, where proximity and cultural similarity make for clear communication. Another reason as Porter mention lay in the fact that firms are better able to perceive, understand, and act on buyer needs in their home market and tend to be more confident in doing so. The understanding of the home market requires access to buyers, open communication between them and top technical and managerial personnel and an intuitive grasp of buyers’ circumstances. This is hard enough with local (home) buyers. It is extremely difficult to achieve, in practice, with foreign buyers because of distance from headquarters and because the firm is not truly an insider with full acceptance and access. Even if a subsidiary is able to gain sufficient access to fully understand foreign buyer needs and how they are changing, it is a daunting task to communicate them credibly to headquarters.

- Demand size and pattern of growth of home demand: The size of the home market has been prominent in discussion of national competitiveness.

Some authors argue that a large home market, it is a strength, because of the existence of economies of scale. Other see it as a weakness, because limited local demand forces firms to export which is an

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60 Michael Porter 1990, page 77, ph 1
important point of competitive advantage in global industries. Switzerland, Sweden, Korea, and even Japan are often referred to nations where limited local demand led to pressures to export.

- **Internationalization of domestic demand** is a mechanism by which nation’s domestic demand internationalizes and pulls country’s products and services abroad.

   *Mobile or Multinational Local Buyers:* Porter Michael argues that if the nation’s buyers for a product or service are mobile or are multinational companies, an advantage is created for the local firms because the domestic buyers are also foreign buyers.

   *Influence on foreign Needs:* Another way in which domestic demand conditions can pull through foreign sales is when local needs and desires get transmitted to or inculcated in foreign buyer. One obvious way is when foreigners come to nation for training. They are taught approaches and values reflecting local conditions, and have a tendency to carry them back home. A typical result is the desire to use the same goods and services they were trained on.

   Domestic buyer needs are also transmitted abroad through exports that disseminate culture, such as movie and television programs.

   Emigration creates a base of foreign demand and a demonstration effect for certain types of products, and tourism, which exposes foreigners to national tastes and norms that may prove appealing. Of course none of these elements are significant unless home demand is advanced and sophisticated.

   Another means by which home demand is transmitted is via political alliances or historical ties. Nations such as France and Japan are adept at using foreign aid to increase demand for their firms’ products and services. However for the receiving country to be captive in foreign business as the case of Ivory Coast can undermine competitive advantage and thereby reducing the pressure to improve, innovate and be creative.

   - **Interplay of demand condition:** The most important attributes of home demand are those that provide initial and ongoing stimulus for investment and innovation as well as competing over time in more and more sophisticated segments.

   Without the presence of appropriate supporting industries, firms may lack the ability to respond to demanding homebuyers. The “diamond” is a system in which the role of any determinant cannot be viewed in isolation.

3. **Related and supporting industries**

   The third broad determinant of national advantage in an industry is the presence in the nation of supplier industries or related industries that are internationally competitive.
4. Firm’s strategy, structure, and rivalry.

The goal, strategies, and ways of organizing firms in industries vary widely among nations. The way firms are managed and choose to compete is affected by national circumstances. There is no appropriate universal system managerial. Some of the most important aspects are attitudes toward authority, norms of interpersonal interaction, attitudes of workers toward management and vice versa, social norms of individualistic or group behaviour, and professional standards. These in turn grow out of the educational system, social and religious history, family structures, and many others often intangible but unique national conditions.

Language skills and attitudes toward learning new languages are also significant in influencing whether firms adopt a global attitude. With 66 ethnics Ivory Coast has succeed to impose French not only in schools and administration offices but also as a national language. Ivory Coast has also integrated English as a compulsory language in school but also students are obliged to choose between German and Spanish as a third language. The difficulty for government at this point is to encourage and support students not only to have a notion in these languages but also to be able to do business with it. The linguistic barrier is one of the most obvious obstacles for Ivorian firms to expand internationally.

This part of the theory will help us answer the following question: What are the determinants factors of National competitive advantage of Ivory? This will be achieved by making an inventory of the country resources and skills necessary to increase the competitiveness of its industry.
The role of chance

In the most successful industries, chance events have played a role. Chance events have very little to do with the circumstances in a country and often are not influenced neither by the national government nor the power of firms. Chance events are important because they create discontinuities that allow shifts in competitive position. According to Porter they can nullify the advantages of previous established competitors and create the potential that new local firms can supplant them to achieve competitive advantage in response to new and different conditions.

Chance events have asymmetric impacts on different countries. Wars often have very different effects on winners and losers. It is interesting that the defeated powers, Germany, Japan, and Italy are perhaps the three most successful nations in the post-war period in terms of broadly based success in international competition. Countries that feel the effects of a chance event first, or most severely, may move early to deal with it.

This section examines the different elements needs to upgrade a post conflict economy. The goal of this section is to answer the following question: **On what economic prosperity and the ability to upgrade an economy in post conflict depends on?**
Four stages of national competitive development

The four stages provide a framework to revisit Ivory Coast from an additional perspective. This will help us understand the economic development process of the country. They will also serve as a starting point to identify the next stage of Ivory Coast in the future. They are:

1. Factors-Driven
2. Investment-Driven
3. Innovation-Driven
4. Wealth-Driven

![Diagram of Four Stages of National Competitive Development (NCD)](image)

**Figure 2: Four Stages of National Competitive Development (NCD)**

In this section we will identify the current stage of Ivory Coast and will provide guidelines for policy and strategy that will help the country move from their current stage to the next stage.

This part will answer the following question: *What role government play in moving toward the Investment driven stage?*

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61 Michael Porter 1990, page 566, Figure 10-7 Estimated evolution of national competitive development during the post-war period.
Productivity and competitiveness

This part explores and presents some insights into the process of creating and maintaining the capabilities, which are needed for attaining, and maintaining competitiveness. Capabilities are vital for post conflict reconstruction and demand careful attention. Hence the purpose of this part is to study and clarify the concepts of 'capability' and competitiveness in export markets. Competitiveness in export markets implies high levels of productivity. In order to understand the concept of international competitiveness it is useful to revisit the concepts of productivity and efficiency which, are often taken for granted.

Not only is a high and rising level of productivity a necessary condition for increasing firms’ international competitiveness, it is also the very basis of high and rising living standards within nations. Firstly, rising productivity results in higher living standards because it ensures better products and services, using the same amount of time, capital and natural resources. Better products can be sold at higher prices, boosting national income and thereby also the tax-income of the state, allowing it to spend more money on public services. Secondly, rising productivity also results in more products and services, using the same level of time and capital. Or alternatively, we can spend less time producing the same amount of products and services, hence giving us more time for leisure. The productivity of a production unit is the ratio of its output to its input. The efficiency of a production unit is the ratio between the observed and the potential maximum output obtainable from a given input, or the ratio of minimum potential input to the observed input required to produce a given output (Koopmans 1951). Productivity differences are accounted for by differences in production technology, differences in the efficiency of the production process and differences in the environment in which production occurs. Increasing productivity has increasingly become the main parameter of competitive advantage within most industries. Traditional factors have gradually become less important for achieving competitive advantage, as globalisation and technological development have progressed and as consumer tastes have widened. The consequence is that many of the same factors underlying increasing productivity and, thus, rising living standards have become core factors of international competitiveness (Ibid: 10).

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62 Michael Poter (1990)
63 Michael Poter (1990)
Competitiveness in market-export

Which factors or elements, then, will determine the competitiveness of Ivory Coast? Is being ‘competitive’ means low prices for your products in international markets? Is it the possession of bountiful and variety of natural resources? Or cheap labor? Or even to have highly educated human resources? Is competitiveness the ability to export or generate trade surpluses through exchange rate action or the reduction of domestic expenditures? According to Porter, none of these definitions is fully satisfactory and none of them can stand alone in explanation of the competitive position of a nation. In other words how a ‘competitive nation’ looks like? Would it be one in which every firm or industry is competitive? One with a rising shares of world exports? Or is it a nation that creates jobs for all its citizens? What are the success criteria to be categorized as ‘a competitive nation’? The experience of South Korea has shown that although export performance has been the main practical measure of progress towards competitiveness, it has not been sufficient in itself. There are also various dynamic considerations such as the need to accept reformulations in the light of information gained (market signals, perceptions about industrial operations and potentials) during implementation (Pack and Westphal, 1986). Ant this is what this paper will try to do.

Competitiveness cannot adequately be explained in terms of low labour costs, especially considering the recent experience of countries such as Germany and Switzerland, which are maintaining international competitiveness in spite of their high labour costs. Explanations based on natural resource endowments are put in doubt by the success of resource-poor countries such as South Korea, Japan. Explanations based on the level of productivity alone fail to deal with the problems the US economy is facing in some export markets, in spite of being the world leader in productivity levels. The widely employed approach to the measurement of competitiveness based on prices, costs and exchange rates is losing ground, following a study by Kaldor (1978) and other studies which show that a drop in relative unit wage costs and in export prices had occurred simultaneously with losses in world export market shares for manufacturing. For the US, the Brookings Institution confirmed this finding.

Here is the core definition of competitiveness: In Porter’s view, basically being successful in selling your products or services at home or in international markets does not make much sense for a nation, if this success does not translate into continuously rising living standards for the nation’s citizens. In the Economic performance part of the thesis, I demonstrated that Ivory Coast is a

64 See appendix about South Korea and Japan
market-export economy. We also talked about some elements of the Ivorian conflict that point at issues in the sphere of economic where government failed in providing and increasing the living standards of its citizens. Therefore both the Structural Adjustments Programs and the devaluation of the FCFA in Ivory Coast were to increase capabilities to produce the national products such as cacao and coffee. By doing so, ensure better quality products that can be sold at high prices thereby boosting the Ivorian national income and competitiveness. Unfortunately, the result expected did no manifest itself in a sustainable way because the export structure, strategy and concept were left unchanged. Moreover living standard of the Ivorian did not improve but rather deteriorated.

For government to achieve a price advantage for a country’s exports through interventions such as holding down domestic wages, subsidizing industry or devaluating currency as it has been the case of Ivory Coast is detrimental to long term economic growth and does not support an attractive standard of living. Moreover this kind of competitiveness achieved through such measures is not in line with Porter’s perception of competitiveness. Competitiveness is a multi-dimensional concept embracing the ability to export, the efficient use of resources and increasing productivity, which ensures rising living standards for a nation. The success criteria for Ivory Cost to be categorized as a competitive nation will be measured by its ability to produce goods and services that meet the requirements of international markets under conditions of fair trade while maintaining and raising the real incomes of its citizens (Wangue 1995). It was also found by some researchers included Michael Porter that the main factors of competitiveness was technological advancement and the ability to compete on delivery.

Porter emphases that, many countries have experienced rising living standards despite balanced or even chronically falling trade balances. Also, nations with stable or slowly falling shares of world exports have experienced strong per capita income growth. Finally, just creating jobs (although important) is not as significant for a nation as creating the right kind of jobs, i.e. the ones that are associated with rising living standards. In alignment with Wangue, Porter mentioned how competitiveness can be attained at various levels and classified them in three clusters:

1. **Actions** taken at firm level (firms as competitors and factors that are internal to firms),
2. **Actions and policies** adopted at industry level (active industrial policy) and
3. **Policies** adopted at national or government level (macroeconomic policies).

It is clear that competitiveness is influenced by three factors:

1. The macroeconomic environment,
2. The ability to use and develop technology to reduce costs,
3. Improve product quality and generate new products and the ability to market products successfully.

Real competitiveness, in Porter’s view, depends on the productivity with which a country’s human, capital and natural resources are deployed in the process of producing goods and services. Firms increase their productivity either by producing goods and services more efficiently or by producing goods and services of a higher quality or with new features. Productivity is important to competitiveness because, 1) by being more efficient, companies are able to produce the same product or service using less human, capital and natural resources (low cost advantage) or 2) by creating products and services of a higher quality or with new features, using the same amount of human, capital and natural resources, companies can sell their products at higher prices (differentiation advantage) (Ibid: 37).

However, the debate on competitiveness implies a role and responsibility for government, not only in ensuring a stable macroeconomic environment but also in influencing technological development and marketing. In spite of these findings, much of government policy is still based on cost price, neglecting the role of technology investment and organizational change. Having defined competitiveness, it becomes important to clarify an issue, which has tended to blur public debate on competitiveness for long; namely the unit that we think of as being competitive. The next section will discuss whether a whole nation can rightly be said to be competitive or whether the focus rather should be on a nation’s industries. We will explore the different actions taken to attained competitiveness at firm and industry level.

**Unit of analysis - can Ivory Coast be competitive?**

With the above discussion in mind, seeking to explain ‘competitiveness’ in Ivory Coast in the form of low labour costs, favourable exchange rate or bountiful natural resources, become the wrong approach. The right approach is to examine and understand the determinants of productivity and productivity growth of the nation. Even though previous efforts to explain productivity, such as New Trade Theory, e.g. have focused on the need for improving a nation’s human resources or technology, these explanations though part of the solution, are very broad and provide little guidance for policy-makers.
Very little attention is put on “why and how meaningful and commercially valuable skills and technology are created”\textsuperscript{65}. In Porter’s view, this can be done not by looking at the national economy as a whole, but on \textit{specific industries and industry segments and the role of government}. Let’s have an overview of the Ivorian industry segments and analysed the role that played government. We will try to identify specific industries in the agricultural sector. Here are the main agricultural products that the country exports: Cacao, Coffee, Cotton, Banana and Pineapple. The cacao and coffee channels employ around 700.000 workers and support around 4 to 5 million people. Beside the main products, Ivory Coast is also exporting many others agricultural product such as sugar, palm oil, rubber, acajou nuts, mangoes, oranges and green beans but these products occupied a very limited part of the international market. For these agricultural products, an industry has been created from which derived a segment industry called \textbf{Agro-food processing}. The agro-food processing represents 25\% of the GDP. This sector is often called the manufacturing sector. The sector is diverse and well developed. The activity of this sector is related to the transformation of raw material namely coffee/cacao, wheat, fruit and oil produced.

According to Porter, it does not make much sense to speak about ‘a competitive nation’ based upon its bountiful natural resources as we can see in the case of Ivory Coast. Countries can have bountiful natural resources while having within their borders many \textit{industries}, i.e. groups of businesses that produce similar goods and services, which are not internationally competitive. In Ivory Coast the main groups of business that are operating in the Agro food sector and produce similar goods are subsidiaries of two US commodities Companies, \textbf{Archer Daniels Midland} (ADM) and \textbf{Cargill}; a SWISS group, \textbf{Barry Callebaut}; and \textbf{Cantalou-cemoi} of France. Their main activity is the grinding of cacao and coffee. They are extremely specialized in cacao and coffee processing. The majority of the output of this sub-sector is destined for export markets whereas local consumption remained very low, less than 10\%\textsuperscript{66}. ADM bought a majority share in an Ivorian group, \textbf{Sifca}, in 2000. Sifca’s main cocoa-processing plant, can process 86,000 tons of cocoa per year. Cargill is processing in Abidjan, and its annual grinding capacity is 65,000-100,000 tons of cocoa beans. Ivory Cost annual grinding capacity is 350,000 tons\textsuperscript{67}.

The Ivorian government has substantial stakes in all these companies and many policies were meant to support them. As Porter says, government policy has many influences on the ways firms are created, managed and organized. Government policy also influences firms’ goals and the way they compete. This is true in the case of all the subsidiaries named above but as an example we are going

\textsuperscript{65} Michael Porter (The competitive Advantage of Nation ) page 9
\textsuperscript{66} Exporting Africa: Technology and Industrialization in Sub-Saharan Africa (1994) – Samuel M. Wangue
\textsuperscript{67} See Appendix 10 – Ivorian Agro Food processing industries
to analyze Capral which is one of the five main companies that operates in the coffee processing. Capral is controlled by the Swiss group Nestlé.

CAPRAL (Compagnie Africaine de Préparation Alimentaire)

Capral-Nestlé was founded in 1962 to undertake the local processing of coffee. It started with an initial investment of about 5 billion F.CFA\(^{68}\), an installed capacity of 45 000 of tons per year and a total staff of fewer than 100 employees. The state and some private individuals provided some of Capral's capital, which is dominated by Nestlé's 80 per cent holding\(^{69}\). Its main product is instant coffee and Capral has been an exporting firm since its creation. Its export rate was already around 80 per cent at the end of the 1970s. The firm has also enjoyed a rapid increase in sales, which have risen from 7 billion F.CFA in 1977 to more than 25 billion\(^{70}\) today due to the fiscal advantages provided by the 1959 investment code, a setting-up agreement signed with the government allowed the firm to buy green coffee at local prices, which are sometimes as low as one third or one quarter of world prices. Its production capacity has also grown very rapidly, reaching more than 9000 tons per year at the end of the 1970s\(^{71}\); The Company thus has more than 60 per cent of the green coffee processing capacity in the Ivory Coast.

**The firm as a unit of analysis**

In this research I will be very cautious not to explain the success of this firm to the success of the Ivorian economy in the 70s. I will only try to understand the conditions which influenced the process by which Capral accumulated its capabilities to compete, with a view to assessing its sustainability and consistency with other aspects of development such as the development of indigenous skills, infrastructure and technological change. The study attempts to make a distinction between firms on the 'high road' to efficiency (based on improved technology, organization and marketing while maintaining or increasing real wages) and those on the 'low road' to efficiency (based on reducing real wages, tax revenues and the reward to other local factors). The guiding hypothesis here is that the sustainability of rising factor rewards will be ensured where the capacity to generate appropriate technology is developed on a continuous basis.

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\(^{68}\) 5 Billion in F.FCA is around \textbf{47.966.612 DKr} as an initial investment in 1962  
\(^{69}\) Capral Yearly Statement 1994  
\(^{70}\) 25 Billion in F.FCA is around \textbf{239.833.062 DKr} in sales for year 1994  
\(^{71}\) Capral-Nestlé Financial report 2000
The focus of the study is at firm level. It examines the internal and external influences on the process of acquiring and building technological and other capabilities of firms as seen from the standpoint of firms.

**Firm performance**

What can we say about Capral performance? Capral has close relations with its mother firm, especially regarding the international promotion and distribution of its products, technology and training (Nestlé's training centre provides training for Capral's executives). But the firm has total freedom in the management of human resources, the purchase of local materials and supplies and minor adjustments to the machinery. Capral devotes considerable resources to financing investments. Investment in physical capital, which represented less than 20 per cent of the total in 1975, rose to 70 per cent and 67 per cent in 1985 and 1990 respectively. These peaks in the acquisition of physical capital are linked to the capacity increases of the 1980s but also sustained the national position in the production and the export of Coffee and Cacao.

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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Investment in Physical Assets</td>
<td>23.7</td>
<td>80.9</td>
<td>242.5</td>
<td>1394.8</td>
</tr>
<tr>
<td>Total Investment</td>
<td>242.6</td>
<td>459.8</td>
<td>343.5</td>
<td>2078</td>
</tr>
</tbody>
</table>

*Source: Capral Investment strategy indicators (in million F.CFA)*

1DKr=104,239 F.CFA and 1US Dollar= 510, 97 F.CFA

The company shows here the characteristics of a subsidiary which produces under licence and also devotes significant resources to foreign technical assistance. In fact Capral, producing instant coffee under a Nestlé licence, pays heavy fees for that. Moreover, the company needs regular technical assistance from the mother firm to carry out these activities, for the selection, installation and maintenance of machinery and the training of executives (training of employees being generally done on the spot). Training to improve the local mastery of the working processes is one of the company's main concerns. Capral's management gives a great deal of attention to the definition of workers' tasks, to workers' skills and their progress in gaining proficiency and the systematic retraining of the whole workforce (employees, supervisory staff and executives). Spending in this area increased from 13 million FCFA, 1980 to 17 million in 1985 and 21 million in 1990.

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72 Performance is understood here as the firm’s capacity to increase or consolidate its market share in foreign or domestic markets

73 For full definition look into the Definition section which is after the final conclusion. Short definition: A subsidiary, in business matters, is an entity that is controlled by a bigger and more powerful Company or Corporation

74 This is the name of the Ivorian currency. FCFA: Franc de la Communauté Financière d’Afrique. For more information on the F.CFA look into the Definition section.
Capral has limited possibilities in terms of marketing strategy: its exports (the main part of the firm's sales) are handled by “Nestlé-Trade” the trading subsidiary of the Nestlé group. Nestlé Trade manages the export markets and is in charge of the international promotion of Capral products, while Capral manages the domestic market. High commissions paid on sales, more than the advertising expenses. Nevertheless, there has been a steady growth in advertising expenses, while these commissions have not increased. This revealed consistence efforts made by the company to strengthen its position on the domestic market while also striving for strong positions on the export market.

<table>
<thead>
<tr>
<th></th>
<th>1980</th>
<th>1985</th>
<th>1990</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licences and Patents</td>
<td>732,4</td>
<td>1491,5</td>
<td>1337,8</td>
</tr>
<tr>
<td>Disinvestment</td>
<td>1,7</td>
<td>9,5</td>
<td>1,1</td>
</tr>
<tr>
<td>Training Cost</td>
<td>13,3</td>
<td>17,4</td>
<td>21,2</td>
</tr>
<tr>
<td>*</td>
<td>-1,20%</td>
<td>-1%</td>
<td>-9%</td>
</tr>
<tr>
<td>Technical Assistance Fees</td>
<td>23,4</td>
<td>20,5</td>
<td>36,4</td>
</tr>
<tr>
<td>*</td>
<td>200%</td>
<td>1,20%</td>
<td>1,60%</td>
</tr>
</tbody>
</table>

Source: Indicators of the management of technology and human resources for Capral (In Million of F.CFA)
This sign (*) represents percentage of total wages.

<table>
<thead>
<tr>
<th></th>
<th>1980</th>
<th>1985</th>
<th>1990</th>
</tr>
</thead>
<tbody>
<tr>
<td>Productivity per Employee</td>
<td>11,2</td>
<td>9,18</td>
<td>20,5</td>
</tr>
<tr>
<td>Productivity of physical assets</td>
<td>1,4</td>
<td>1,8</td>
<td>1,45</td>
</tr>
<tr>
<td>Average Staff Unit Cost (FCFA X 1700)</td>
<td>1,7</td>
<td>0,93</td>
<td>1,63</td>
</tr>
</tbody>
</table>

Source: Performance of the factors of production at Capral
Note: Production/employee = Tax-free value added/Total staff. Productivity of physical assets = Tax-free value added/Net physical capital. Average staff unit cost = Total wages Total staff.

Productivity per employee increased regularly (except in 1985) and reached high levels with a peak of 20.5 in 1990. This productivity level is well above the average staff unit cost, which averages 1, 4. The goals of firms are also influenced by government most importantly through policies that affect the goals of investors, the nature of corporate governance, and the goals of senior managers (Porter 1990). Some of these investment policies are direct public investment in the production firm’s activities. This gives the possibility to buy raw material (green coffee) at local price which can be one quarter of world price. It also includes fiscal advantage for more than 20 years.

Despite the crisis Ivory Coast maintains its position as the first big producer of Cacao with 40% of the total world production.\(^75\) Since its independence in the 60s Ivory Coast has focused its agricultural policy and strategy in this specific industry but not enough and not on a consistency

\(^75\) Ministère de l’Economie et des Finances, Direction générale de l’Economie : la Côte d’Ivoire en Chiffre (2007)
manner. There are others agro-food industries worthwhile mentioning such as sugar, cotton, milk, palm oil, canned fruit and processed fish. Beverages and tobacco are also manufactured locally and most processed food products are exported in the sub region. However, the civil war and the political instability as well as variation in agricultural inputs have taken a severe toll on the agro-processing sector and output declined by 20.5% in 2003.76

As the case of Capral shows industry is where productivity and competitive advantage spring from. Therefore, we must discard the whole notion of a ‘competitive nation’ as a term having much meaning (ibid: 6).

We must instead take into consideration the performance, competitiveness, productivity and technological development77 of firms/industries and look at how these factors influenced the living standard of an Ivorian. For Ivory Coast to recover fast during the post conflict reconstruction local firms must revitalize and must transform themselves. Companies, and not nations, are on the front line of international competition. Government policy shapes local firm’s capacity to innovate in technology78. While recognizing the influence of macroeconomic policy and industrial policy on Capral competitiveness, this case also showed that firms that want to remained competitive should continually develop their capability. The objective of this case was to understand how an Ivorian firm is able to develop capabilities to survive and compete in export markets.

In the next chapter we will try to explain how the concept of competitiveness and productivity can help the Ivorian government reconstructs its economy in a broad way? As you can see through the case of Capral, the past strategy of economic growth was primarily on the promotion of Foreign Direct investment and Private Sector. This was done in such a way that government assumed a major role in industrial activities, through state-owned enterprises or shareholders in various productions and services sectors79. It is also recognized that the strategy of economic growth and its rapid industrial growth in early 70s was the principal means of achieving increased employment, incomes, rising living standard and political stability. However this strategy has not been sustained and living standard of the Ivorian population dropped. Post conflict countries need to reconstruct in the ways that rapidly reduce poverty as well, a process called “broad-based” reconstruction as

76 CBS report
77 Back to Methodology part (Quantitative and qualitative data, page 11) – To view the study go to Appendix Firms Study
79 This was the case of Cacao and Coffee or cotton and sugar just to name these commodities. See also State owned enterprises list – Appendix 4
opposed to “narrow” reconstruction that benefits small elite.  

To achieve a broad-based reconstruction Ivory Coast has to confront the daunting challenges of industrialization by improving the competitiveness level of local firms but also insuring political stability thereby satisfying and rising the living standard of its citizens. When living standards decline, discontentment arises among the people and often results in conflict. This explains the Ivorian conflict.

The next part explore the role of government in meeting these challenges with the limited resources available and focus on mechanism that will help use natural resources in a more productive way and by doing so, avoiding sparking the conflict. It also analyses the role of government at national levels and its impact on creating a favourable environment for more advanced competitive advantages. My purpose here is to examine the implications of Porter’s theory for government policy and the role of government in rebuilding economy emerging from conflict. Therefore emphasis will be on sector reforms (agriculture and technology industry) and the new strategy of its competitiveness. The following chapter also discuss the short term and long term actions taken at government level (macroeconomic policies) to attain competitiveness and improve living standard in a post conflict society.

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80 Crisp (1998) and Macrae (1999) on the deficiencies of the label “Post conflict”
The role of Government - strategies and policies

Given the fact that government plays a prominent role in how to utilize national resource, my purpose here is to examine the implications of Porter’s theory with government policy in post conflict reconstruction. Since the central goal of government policy toward the economy is to deploy a nation’s resources (labor and capital) with high and rising levels of productivity (productivity being defined as the root cause of a nation’s standard of living), we will examine how government policies affect each determinant in the diamond\(^81\).

**Government’s effect on factor conditions**

Based on the fact that new industries and new firms demand human resources that possess advanced skills and abilities, government would have to reinforce and upgrade the level of education. For Ivory Coast this implies improving the quality of human resources\(^82\) if its industry and firms have to be competitive and achieve high productivity. Many nations where industries were more competitive, government\(^83\) has heavily invested in education and training. Here are some figures that show how the Ivorian government has played a role in education.

This figure shows that not many people of the total population are reaching high school or even go to university. So as we can see we can have bountiful human resources but it still leaves the country

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\(^81\) See the methodology part in page 17, figure 5, the complete system

\(^82\) Human resource includes managers and employees. It does also include members of government and administrative agents.

\(^83\) Germany, Japan, Korea, Malaysia and India just to name these ones
with unskilled labor force. Usually unskilled labor is low cost, however that alone can’t be considered as competitive advantage if the labor force can’t increase the firm productivity.

**GOVERNMENT YEARLY EXPENSES IN EDUCATION**

This figure above shows that the Ivorian government has heavily invested in education. In 1990/91 more that 50% of their yearly budget was allocated in education. However with years goes by, the percentage allocated for education declines and so goes the amount of students in high school too.

Another important challenge for government is *science and technology*. Technological programs should concentrate on technologies that affect many industries or which are important to deepening or upgrading national industry clusters (Michael Porter 1990).

Government must determine the appropriate technological policy in accordance with the patterns of competitive advantage of the nation’s industry. Basic research in computing is unlikely to be beneficial or necessary in Ivory Coast, for example, but an active biotechnology program will be because of the influence of this technology on many of the country’s agricultural industries.

Upgrading a nation’s industry depends on modern *infrastructure* which is the responsibility of the government. However for Ivory Coast, the challenging task of building improved and advanced transportation, logistics and telecommunications, all integral to introduce modern technologies and compete in international markets, should be allocate to private sector or group of firms because of its weak economy at this time.

**Government’s effect on demand conditions**

The most direct effect of government on demand conditions is via its role as a buyer of many good and services. How is that possible?

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84 Porter mentioned that basic infrastructure is rarely a source of national competitive advantage, except highly specialized infrastructure tailored to particular industries. Infrastructure he said is more than just roads and telephones but most importantly is culture and recreational activities that attract talented individuals to a place to live and work. These are the kind of government investment that played a prominent role in economic policy.
Government agencies or state-owned companies are the principal buyers in industries connected with infrastructure such as state-owned airlines, electricity and communication (telephone, fax and internet) and many other products and services as well (Michael Porter 1990).

However, government procurement can work for or against national competitive advantage. This happens when government purchases become a guaranteed market. The example of state-owned telecommunications and electricity monopoly is very frequent in developing countries. In Ivory Coast this two sectors have been privatized and many other state owned companies are on their way.

Porter suggests the following circumstances under which government procurement can be a positive force for upgrading national competitive advantage:

- **Early demand:** Government procurement should provide early demand for advanced new products or services, pushing its local suppliers into new areas.
- **Demanding and sophisticated buyers:** government agencies should set strict product specifications and seek sophisticated product varieties rather than merely accept what domestic suppliers have to offer.
- **Procurement processes that facilitate (innovation) National Learning System:** Government procurement that makes national learning system, works to the benefit of a nation’s industry.
- **Competition:** Government procurement must include a strong element of competition if it is to upgrade the local industry. In the case of privatization, by having access to home market, foreign firms can stimulate further innovation by domestic firms.

Government influences demand conditions for its firms through **Foreign Aid** that is explicitly or implicitly tied to the purchase of the country’s goods and services. In the past, colonial ties had a strong effect, but this effect is decreasing today because of liberalization. However special buying, trade and **Political Ties** between the super-power and its colony remained important because of large expatriate communities, historical influence on social norms and product standards, and many other. It is noticed that Ivoirians are still attached to some French products and lots of French goods are on the Ivorian market due to the number of French population.

Foreign aid and special buying relationship create an extension of the domestic market. According to Porter, the result of this situation is “captive” markets for local firms. While the goals and objectives of foreign aid can benefit the country’ industries it can still be a danger to national market. Why? Porter mentions two reasons. The first is that any “captive” market has a tendency to distract firms from adopting a more global market view. The second reason is that markets created

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85 Appendix 4: list of Ivorian Companies that are on the way to be privatized.
by foreign aid and special relationship is seldom advanced and demanding markets because they are primarily based on primary commodities or raw material. If local firms focus on them, their capabilities may not be developed to meet the need of others advanced countries in the global market.

This has been and still is the core problem of Ivory Coast industries and economy. Firstly Ivory Coast is receiving more aid together with Senegal than any other Africans colonies. The market created by France was based on the purchase of raw material as such coffee, cacao, and pineapple, palm oil and sugar crop. Raw materials were semi-transformed by local firms with very low technology and unsophisticated. These semi-transformed products were mainly used for regional export or to supply the local consumers. In this way Ivory Coast’ industries have not innovated and developed capabilities to meet a more global market needs. However, aid has contributed to Ivory Coast economic development and its stability. The implication for Ivory Coast is not that foreign aid should be avoided, but that it should not be viewed as a primary mechanism of policy toward industry.

**Government’s effect on related supported industries**

Government policy has to nurture and reinforce clusters. How government achieves it, has been elaborated by Porter in his book. We will go through the different steps in the following paragraphs. Cluster often emerge and begin to grow naturally, but when a cluster begins to form, government can play a role in reinforce it by investing in the creation of specialized factors such as technical institutes, training centers, data banks and infrastructure. Here are the different sectors of the Ivorian Industry:

1. **Primary Sector**

<table>
<thead>
<tr>
<th>Table 1</th>
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<tbody>
<tr>
<td><strong>Ivory Coast</strong></td>
</tr>
<tr>
<td>Export value in FOB</td>
</tr>
<tr>
<td>Green Coffee</td>
</tr>
<tr>
<td>Cacao Beans</td>
</tr>
<tr>
<td>Wood</td>
</tr>
<tr>
<td>Cotton</td>
</tr>
<tr>
<td>Oil and Gaz</td>
</tr>
</tbody>
</table>

*Source: The Ivorian National Institute of Statistics (INS – Institut National de Statistiques) The Export Value is in Billion of FCFA*

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86 Report to appendix 2: Main coffee/cacao processing firm in Ivory Coast - Products
Table 2

<table>
<thead>
<tr>
<th>Ivory Coast</th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Green Coffee</td>
<td>7.734,4</td>
<td>7.725,2</td>
<td>7.086,6</td>
<td>7.285,9</td>
<td>6.561,6</td>
<td>8.186,0</td>
<td>8.924,0</td>
</tr>
<tr>
<td>Fève Coffee</td>
<td>342,7</td>
<td>342,7</td>
<td>126,8</td>
<td>178,8</td>
<td>104,6</td>
<td>146,5</td>
<td>94,7</td>
</tr>
<tr>
<td>Wood</td>
<td>1.114,3</td>
<td>1.113,5</td>
<td>1.026,0</td>
<td>1.006,3</td>
<td>947,8</td>
<td>1.060,6</td>
<td>991,0</td>
</tr>
<tr>
<td>Cotton</td>
<td>536,8</td>
<td>535,7</td>
<td>531,4</td>
<td>446,4</td>
<td>371,7</td>
<td>426,8</td>
<td>401,6</td>
</tr>
<tr>
<td>Oil and Gaz</td>
<td>536,8</td>
<td>535,7</td>
<td>531,4</td>
<td>446,4</td>
<td>371,7</td>
<td>426,8</td>
<td>401,6</td>
</tr>
<tr>
<td>Rice</td>
<td>3.008,9</td>
<td>3.009,2</td>
<td>2.434,9</td>
<td>2.802,0</td>
<td>2.866,1</td>
<td>3.676,0</td>
<td>4.557,0</td>
</tr>
</tbody>
</table>

Source: The Ivorian National Institute of Statistics (INS – Institut National de Statistiques)
The Export Value is in thousand of Tons

The energy production comprises oil (622 000 tons/year), gas (estimated reserves of 17 000 billion gallons) electricity (2 800 million GWh).

The mineral production comprises gold, diamonds, nickel, iron, bauxite, and manganese

Fishing, meat and rice are exceptions in Ivory Coast's economy. They satisfy local demand only partially and require imports.87

Graph 1 – Import commodities of Ivory Coast in thousand of tons

2. Secondary Sector or Manufacturing Sector

Import substituting industries benefited from the devaluation in 1994 and output from agro-processing, textiles and clothing and construction materials also grew rapidly88. Since privatization started in the early 1990s, agro-industry has attracted by far the most foreign interest. Cacao grinding is the leading activity. The government hopes to increase the share of the annual cocoa crop (about 1m-1.2m tons) that is processed locally to at least 50%.

The Textile Industry, 3rd national manufacturing sector experienced development during the sixties. The government had hoped to hand over 80% of the state owned textile enterprises (CIDT-Nouvelle) to the Ivorian farmers’ union enterprise (with a capacity 120,000 tons ginning mills capacity) as the final stage of liberalization, but so far they have been unable to raise the necessary

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87 See appendix 13 (Import/Export in Ivory Cost and International Trade), table 1 and 2 (Import Commodities in Billions and in Thousand of FCA). See also Appendix 12 for an overview.

88 CBS report
capital. The two other major cotton processing companies LCCI which is 70% owned by Swiss-based group has a ginning mills capacity of 200,000 tons. The third company is owned by the Aga Khan Group and Swiss group Reinhart and has a total capacity of 123,000 tons. There are also two other Ivorian Farmer’s unions with a total capacity of 35,000 tons (Dopa) and 50,000 tons (Sicosa). The total capacity of the country is 528,000 tons which matches with domestic cotton production.

**The Rubber Industry** rests on 172,900 acres of rubber-gum land.

In addition, Ivory Coast has industries in the following areas: plastic, packaging, chemicals, pharmaceuticals, tobacco, timber, public works and construction materials.

Overall agriculture remains 'the engine' of Ivorian economic development. An agriculture policy, for Ivory Coast will be the industrial production of sophisticated and advanced goods (coffee and cacao) emerging from agriculture. Government can be actively involved by:

- Building educational and training facilities
- Establishing institutions that will provide and seek markets for the farmers
- Insure that the product is sophisticated and produce by new technology
- Providing subventions and facilitate bank loans for starters.
- Promote national goods inside and outside of the country
- Being the biggest buyer and many more

These are few ways to nurture clusters. Porter gives two example of government that succeeds in doing so. The first is Korea where the government has established a special industrial region in the Kumi area for electronics-related companies. By providing specialized infrastructure and technical centers, the hope is to attract a variety of companies whose geographic concentration will be self-reinforcing. The second is Japan with the same idea, “techno-polis” taking place in Tsukuba.

Government policy will be better off in reinforcing existing or emerging cluster than trying to promote or create a brand new one.

National economies rarely develop evenly. Some regions or cities outpace others in economies prosperity. In the case of Ivory Coast, the depressed area is the north. **Cotton and sugar** are its main agricultural products. To stimulate economic development in these areas that were relatively depressed, cotton, which was first introduced during the colonial period by the French Textile Development Company (Compagnie Française de Développement des Textiles--CFDT), was bought at independence by the Ivorian Government to become a state owned company called

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89 See Appendix 4 – Stated Owned enterprises: List of companies to be privatized but has not yet come to pass.
90 CBS Report, page 47
Ivorian Textile Development Company (Compagnie Ivoirienne de Développement des Textiles--CIDT). Cotton became economically important only after independence. Cotton production in 1986-87 set a new record of 213,506 tons, making Ivory Coast the third largest cotton producer in Africa, after Egypt and Sudan and the country exported about 80 percent of its crop. This policy helps established more firms and industries in this area. However domestic textile manufacturing and export outlets were situated in the southern of the country (Abidjan, the capital) which brought difficulties in terms of transport of goods, logistics.

Regarding sugar Ivory Coast was Africa's eighth largest producer, with nearly 144,000 tons in 1987, more than half of which was exported. Industrial sugar production began only in the early 1970s with the creation of SODESUCRE that constructed and operated six large industrial sugar refineries located also in the Northern of the country. In 1982 these clusters industries contributed 3 percent of the agricultural GDP.

Moreover to stimulate economic development in this depressed area, the former Ivorian president (Felix Houphouet Boigny) has practiced regional policy. In the mid-1970s, the government undertook major efforts to diversify export crops with the purpose of ending its dependence on cocoa and coffee. In the forest zone, diversification products were palm oil, coconut oil, and rubber, all of which enjoyed a comparative advantage on the international market. In the 1980s, Ivory Coast became the largest palm oil exporter in Africa, and the 1987 harvest of 215,000 tons made the country one of the world's largest producers. In 1985 an expansion program called for planting 65,000 additional hectares of oil palms and constructing four new industrial plantations. With some 15,000 hectares of new plantings each year, production was expected to continue its rise. At the same time, production costs in Ivory Coast were high, perhaps reflecting the lack of appropriate technology and the fact that individual holdings were small and often located on less productive land. Apparently the former Ivorian government did what they could to foster, nurture and support industries in depressed area. However for Michael Porter this practice of regional policy has rarely been effective, because it usually involves generalized subsidies to induce or bribe firms to locate plants or other facilities in a region. He argues that subsidies to induce firms or industries to locate activities where they would prefer not to be are hardly a way to foster a solid economic base or create competitive advantage. He go on by saying that the depressed area does not become a true home base, necessary for one firm to reinforce competitive advantage in others and to stimulate new

---

91 All information about the regional policy and diversification of crops has been obtained in the Annual economic report of Ivory Coast, produced by the Ministry of Economy and Finance 1960-1989
business formation. Probably what was expected from the Ivorian government was to locate existing industries find their strengths and improve them through researches and development. As Porter concluded: the best regional policy identifies cores of industry strength and builds on them, for supporting geographical concentrated clusters and pulls toward each other for cluster, in the form of universities, research laboratories, specialized infrastructure, or trained labor pools, is much more effective than subsidies. Therefore what left to be done in connection with Ivory Coast and its broad industrial strategy is:

- To review the competitive structure of national industry,
- To assess in consultation with representatives of industry the principal sub sectors and clusters of industries that has special potential for competitive growth such as Agro Food. This strategy should also determine the major gaps and shortcomings related to human resources, technological capability and usage and external linkages with foreign firms and
- To undertaking programs and measure to cover such gaps.

**FDI policy and reconstruction**

For countries to recover, *communities* must reconstruct, *private sectors* must revitalize and *governments* must transform themselves. Aid donors and NGOs can do much to help. However, the process from conflict to reconstruction and then further on to sustained development largely depends on national government (Tony Addison, 2001). Indeed unless communities are rebuilding and strengthening their livelihoods, neither reconstruction nor growth will reduce poverty. Likewise, communities cannot prosper unless private investment recreates markets and generates more employment (Tony Addison, 2001).

As Michael Porter said, “Productivity is the root cause of a nation standard of living. To achieve productivity growth, an economy must be continually upgrading (bid.617).” This requires improvement in local firms and the capacity to compete in new markets and new industries. New markets and new industries are necessary to create job.

Most authors agree that FDI not only involves capital flow but also transfer other important assets such as technology, management and organizational expertise and access to international markets. In many cases after the conflict has stopped, the economic reconstruction requires a variety of interventions from both international donors and the private sector. The infrastructures are typically destroyed; human resources are diminished by refugee flows and weak financial and legal structures make economic reconstruction more difficult. This part of the thesis identifies policies to strengthen
the contribution of FDI and underlines the need to enhance the linkage between TNC-SME in the post conflict reconstruction of Ivory Coast.

SMEs in post conflict society are often unable to respond to emerging market opportunities and one way to achieve the competitiveness Porter talks about is through linkages between TNC-SMEs\textsuperscript{92}. Altenburg in his article argues that TNC are usually close to international best practices and improving constantly to sustain their competitiveness in international markets. Local firms in post conflict societies, however have a low performance in producing quality product. Moreover they lack the capability to generate technological innovation that improves the production (Tilman Altenburg). We can then assume that Public-private partnership between governments and transnational corporations (TNC) are crucial in reconstructing local businesses. However the impact (whether positive or negative) of FDI on the country’ economic is largely depending on the government strategy of investment. UNCTD\textsuperscript{93} highlighted the positive impact that TNC-SME linkages can have on national growth and development, particular for enhancing the productivity and the competitiveness of the local private sector\textsuperscript{94}. The United nation calls them engine of growth. Unfortunately, because of huge economic pressures government tend to abide more on TNC-interest than focusing on the marketing country’s resources as a source of new capital which can be difficult in time of war. However in doing so throughout the reconstruction period, FDI can becomes more exploitive than beneficial for the country economy. History has shown that TNC get the monopoly of the market and drawn the domestic firms. Number of research papers has discussed the negative impact that TNCs have on Third World States\textsuperscript{95}. Therefore the first prerequisite for policy toward linkages is the appropriate goal and the proper model of partnership. A consistent program is needed in a wide range of technology and the upgrading of local firms performance.

Competitive advantage is not created over three or four year’s business cycles but over decades through a long process of upgrading human skills, investing in products and processes and penetrating new markets (Michael Porter 1990). Reconstruction process is not about taking the easy decision now and leaves the difficult choices later; it’s about facing the hard choices today, because many decisions that are made during the reconstruction time or in the early years of peace, have irrevocable long-term effects as it is mentioned by Porter Michael.

\textsuperscript{92} The term TNC and SME are clarified in the definition part of the thesis \\
\textsuperscript{93} United Nations Conference on Trade and Development, Trade and development Board, Commission on Enterprise, Business facilitation and Development – Fifth session – Geneva, 22-26 January 2001: “Enhancing the competitiveness of SMEs in the context of FDI in Developing Countries: relationship between SMEs and TNCs to ensure the competitiveness of SMEs. \\
\textsuperscript{94} Also see Altenburg Tilman and Mira Wilkins \\
\textsuperscript{95} See Peter Evans 1998, “Transnational and the Third World States: From the Old Internationalization to the New”
I was once having a talk with few successful Danish businessmen\textsuperscript{96}. At one point I was impressed on the way they became so rich and so successful in business that I have to say that they were lucky!! My answer to their success was Luck. One of them posed for a while and asked me: \textit{Why do you think it was luck and what is luck}\textsuperscript{97}? I was looking at them try to find the perfect academic answer. After a lot of tries, he told me in very simple wise words: \textit{Luck is to see the opportunity and be prepared!} I was astonished by the truth in it. A friend of mine few months ago said something likewise: \textit{Opportunity takes along those who are prepared!} These words have shaped the way I see things now. This goes for everything and everybody, whether it is Government, business people, nations, individual, Companies, rich or poor, developed countries and developing countries, local firms and multinational etc. Sometimes government officials and policy-makers can see opportunities but are unprepared to take advantage of it. I believe that the precondition to success is to be prepared.

For FDI and Private sector to contribute to economic reconstruction, the Ivorian government must achieve a minimum level of development in education and technology. Moreover, the main reason for the weakness of linkages is the lack of efficient and qualified local firms to see new business opportunities and be prepared for.

If Ivory Coast wants to improve the competitiveness of its local firms, well functioning public institutions have to prepare them for linkage and partnership. What is the implication? This implies a \textit{vision and strategy} from local firms but also from Government who is called to play a major role. I am not only talking about a vision for the partnership but a vision for the firm itself and a clear goal for policy makers. With a vision local firms can set \textit{short term and long-term goals} such as partnership or linkages with TNCs. To achieve these goals they need objectives such as training employees, upgrading market knowledge, building strong local network and so on and so forth. All these should be under the supervision and the support of national government.

\textbf{FDI policy and the Agriculture}

As previously mentioned, the Ivorian process of economic development\textsuperscript{98} has been characterized as export led growth and is based heavily on the production of Cacao and coffee.

However it is important to explain the strategies of these multinational in Ivory Coast.

\textsuperscript{96} Axel Juhl-Jørgensen, Børje Nielsen, Jens Madsen, Jørgen Herlvesen,  
\textsuperscript{97} I have made a graph about this question and what are the determinants of be prepared.  
\textsuperscript{98} The country’s GDP grew by 7,3 per cent between 1960-1979
FDI in Ivory Coast traditionally came from France because of the colonial ties and mainly took place in manufacturing and extraction industries.\(^9\)

Ivory Coast represents countries that attracted primarily FDI seeking export because the government made a deliberate choice for and outward-oriented development strategy\(^10\). The export sector was to lead economic growth using foreign capital, foreign labor and imported technology\(^11\). The policies that regulated FDI were very favorable, including five years tax exemption on profits, absence of regulations on technology transfer, and a ten years reduction of 50 percent in export taxes\(^12\). These policies were promoted in addition to import-substitution, industrialization (Alschuler 1980). Agodo studies the determinants of US foreign investment in Africa and he found out that the factors that favourable affected FDI inflow into Africa include the size of domestic market, the presence of raw materials, and political stability. But lower wages, tax concessions and tariffs protection were among the non-significant determinants.

**Agriculture and government policy**

60 percent of the Ivorian active population is involved in some kind of agriculture activities\(^13\). The Ivorian industry and Export are centered on agricultural and natural resources\(^14\) and one of the key issues in the 70s that faced and still faces the Ivorian government in the post conflict period relates to the ability of farmers to sustain or increase their agriculture income. Agriculture was and still is the foundation and the main source of the country economy. Nevertheless the government has not been good in integrate and support Ivorian in this industry. Therefore the main focus in the Ivorian post conflict reconstruction should be on strengthening and improving agricultural conditions and natural resources but most nurturing or support local investors. Earlier in this paper\(^15\), was mentioned not only the low levels of use of modern inputs in agriculture but also the low public investment. Here again, national agricultural development bank (BNDA) and national institutions (Caisse de Stabilization\(^16\)) made for supporting farmers and stabilise the price of all exports related to coffee and cacao did not accomplished their mission. Therefore the Ivorian agriculture needed

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\(^9\) J. Masini (1979) Multinationals and development in Black Africa, A case study in the Ivory Coast, page 5, Historical development. Also see appendix 4: Nestlé in Ivory Coast

\(^10\) Reference to Ivory Coast introduction part: Economic development, page 4-9


\(^12\) The Ivorian code of investment from 1960-1994 and been rewrite in the new investment code

\(^13\) Ministère de l’Économie et des finances: La côte d’Ivoire en Chiffre édition 2007, page 66

\(^14\) Master thesis, Section “Context of analysis” page 49

\(^15\) Masters thesis, page 44 ph2

\(^16\) Caisse de Stabilisation is a state institution that controlled all cacao and coffee exports
policies that will directly address the problems of low productivity and low technology in this sector. Focus on getting better conditions from the famers and improve the technology that will move the Ivorian export from raw material to value added goods should be the top priority. It is often revealed that there is an array of relationships between foreign capital and local capital. In many cases foreign investment preceded investment by local firms but it is the local firm that developed and gradually takes over ownership from foreign-controlled firms. But in the case of Ivory Coast, foreign firms had had the monopoly and no incentive was create to nurture the idea. What the country also need in this regard is the legal and institutional framework that will set aside funds to provide long-term credit to rural producers in conjunction with technological innovations aimed at improving productivity.

Ivory Coast being a market led –export, productivity growth is the most important factor that enables exporting firms to succeed in the changing technological and market conditions. Exporting firms maintained or improved their market position by investing in technology and continuing to improve on it. Improvement is made in the production process to cope with pressure to keep costs at competitive levels or to improve product quality (level and consistency).

Foreign Direct Investment has played and continues to play a key role in the Ivorian economy, accounting for between 40% and 45% of total capital in Ivorian firms. France is overwhelmingly the most important foreign investor. In recent years, French investment has accounted for about one-quarter of the total capital in Ivorian enterprises, and between 55% and 60% of the total stock of foreign investment capital. Part of these inward investments is attracted by the country natural resources. One of the main natural resources found is **petroleum** often called crude oil; in addition the country possesses **Hydropower** and **natural gas**. Part of the petroleum found is exported out to the United States. **Diamond** is another natural resource found in this country. **Copper**, **manganese**, **bauxite** and **iron, gold** and **nickel** are six very useful resources of the country. Recently, one of the very important natural resource found in the Ivory Coast was the **cobalt**. Nevertheless it is agricultural resources and by being outward export-oriented through multinational firms and FDI that Ivory Coast built its strong economy. Despite positive growth in the 70s, the country economy is highly dependent on primary commodities particularly cacao and coffee as well as oil export and navigation of its two major ports (Abidjan and San Pedro). This situation keeps the country sensitive to external shock and regional insecurity. Therefore the only way country’s resources can be a source of new capital in a post conflict period is strongly connected to the efficiency and effectiveness to which government utilizes them.

107 ref: La Côte D’Ivoire en Chiffre edition 96-97
108 Les dix sentiers de la Côte d’Ivoires from 1960-2000, page 37
In the coming pages we will explore how government can take the national economy from factor driven to Investment driven stage.

**From Factor-Driven to Investment driven stage**

“The central goal of government policy toward the economy is to deploy nation’s resources (labor and capital) with high and rising levels of productivity (bid.617).” Michael Porter

After the conflict has stopped the crucial determinant in the Ivorian case is the level of government intervention and commitment in: economic growth and the fair distribution of its fruits to different groups of the population. The way to achieve this objective is the process from factor-driven to Investment –driven stage. The purpose is to examine the implications of “Michael Porter’s theory” for government policy

**Factor driven stage**

Each nation possesses factors of production. Factors of production are nothing more than the inputs necessary to compete in any industry, such as labor, land, natural resources, capital and infrastructure. Government plays a prominent role in how to utilize national resources in the post conflict societies. The central goal of government policy toward the economy is to deploy a nation’s resources (labour and capital) with high and rising levels of productivity. As earlier mentioned, productivity is the root cause of a nation’s standard of living. Whatever is the cause that originated the conflict, Ivory Coast is facing the challenge in maintaining and improving its economy prosperity. Both firms/industries and government are facing the challenge.

To explore the role of factors in the competitive advantage of a nation, the concept must be made more meaningful\(^{109}\).

Successful industries in ‘Factor-driven’ countries draw their advantage almost solely from basic factors of production, whether they are natural resources, favourable growing condition for certain crops, or an abundant and inexpensive semi-skilled labor pool. Ivory Coast still remains a factor-driven economy.

\(^{109}\) The concept of “Factors of production “should be understood as Michael Porter describes it in his book “The competitive Advantage of nations - 1990”. The broad definition used in this paper is from the book and can be found in the Definition part of the Thesis
In the case of Cacao processing, only 20% is transformed to supply the domestic market while the 60% is for export\textsuperscript{110}. The country economy largely depend on a production base for foreign multinationals which have been attracted by the country low cost, well educated workforce and efficient infrastructure including roads, ports, airports, and telecommunications\textsuperscript{111}. However the political and economical stability that the country is pursuing can partly be achieved if government policy redirect from factor driven to investment driven stage strategy. As Michael Porter said: factor-driven as a source of competitive advantage limits sharply the range of industries and, industry segments in which the nation’s firms can successfully compete in international terms.

Local firms in such an economy compete solely on the basis of price in industries that require either little product or process technology or technology that is inexpensive and widely available. Technology is largely sourced outside of the country and not created. More advanced product designs and technologies are obtained through passive investments or are provided directly by multinational companies that operate their production bases in the country or by linkage to local firms. Local firms of these countries at this stage have almost no contact with the end users. It is often multinational companies that provide most the access to foreign markets. Worst, the domestic demand for exporter goods is often negligible or sometimes non-existent. Ivory Coast is highly dependent on agriculture and related products and is among the world's largest producers and exporters of coffee, cocoa beans and palm oil. The economy is greatly affected by international price fluctuations and weather conditions. Being a factor-driven country, Ivory Coast’ economy is sensitive to world economic cycles and exchange rates, which drive demand and relative prices. The abundant natural resources of the country can support a high per capita income for a sustained period of time but not for a growing, long term economy as we have observed in the case of Ivory Coast. In addition, factor-driven economy is one with a poor foundation for sustained economic reconstruction and “productivity growth” to use Michael Porter’s words. What’s then takes a post conflict society to go from Factor-Driven to Investment-Driven stage? In other words what are the strategy and policies needed to reach the next level which is The Investment-Driven Stage\textsuperscript{112} and why is it so important in the case of Ivory Coast?

\textsuperscript{110} Ministère de l’Économie : La Côte d’Ivoire en Chiffre 2007, page 111

\textsuperscript{111} This comment is base on the African standard even better on the West African standard.

\textsuperscript{112} The model of the four stage of national competitive development is placed in the THEORY chapter of this thesis, page 43
Investment-driven Stage

Prior to everything, there should be also a need for sincere commitment and desire from government to improve factor quality (Michael Porter 1990). For Ivory Coast to reach Investment-driven stage, the national competitive advantage of the country should be based on the willingness and ability of government and its firms to invest in modern, efficient and often large-scale construction facilities with the best possible technology. Porter mentioned in his book that “The ability of a nation’s industry to absorb and improve foreign technology is essential to reaching the investment driven stage” (Michael Porter 1990). Government should also invest to acquire more complex foreign product and process technology through licenses, joint venture, and linkages, which allows competing in more sophisticated industries. The crucial difference between the factor-driven and investment driven stage is that foreign technology and methods are mastered in house, and firms from the nation begin developing their own refinements including their own product models. Given the fact that competition rests heavily on factors and the willingness to invest, government role is to channel the limited capital into particular industries, promote risk taking, provide temporary protection, stimulate and influence the acquisition of foreign technology and encourage exports. Government at this stage must also take the lead in making investments to create and upgrade factors where the role of Private Sector plays an essential role as well. Effective policies in this stage require a political process that allows disciplined and tough decisions as well as where some industries might be favoured over others.

Foundation for competitiveness

To go from factor-driven to investment-driven stage, Ivory Coast need policies to develop the hard and soft infrastructure required for building up a competitive industrial sector even if they are far ahead compared to other sub African countries. In order to step up effectively into the investment – driven stage, it is imperative for the government to put the economic back in a path of growth by designing and implementing economic reconstruction and social development programs. Defining national economic goals in short-term rather than long-term productivity growth is a fundamental error that could lead to inappropriate policies (Michael Porter 1990).

These programs would involve massive investment in such hard infrastructure as roads, ports, competitive telecommunication and postal services, electricity, and water supply. The soft infrastructure would include the institutional framework for doing business — an efficient and
transparent regulatory framework, enforcement of contracts and well-defined property rights, insurance and accounting services, development of the money and capital markets and forging of business–government relationships. Human-capital development through investment in education at all levels, especially in science and technology (S&T) and research and development (R&D) will provide the country with the necessary skills to compete in the modern world. Furthermore, a range of tax, credit, and labour policies would be needed to lower the operating costs of firms.

Institutions to provide long-term finance and procure information relating to technologies and markets need to be designed. Perhaps one of the areas in which government–business relationships would need to be strengthened in Africa and especially in Ivory Coast relates to the processing of information on foreign markets and technologies. What I propose here is that the government becomes actively involved in solving many of the subtle issues related to market access overseas by turning to aggressive economic diplomacy (Soludo 1993). In part, this requires dealing with such ordinary matters as reorienting diplomacy so that the most important criterion a country uses for assessing the success of its ambassadors is the extent to which they create a market opening for their country's exports and attract foreign businesses and investment to their own country. This would require innovations in fostering a stronger business–government symbiotic relationship capable of augmenting the market. Attention should also be both on the well educated human capital who fled the country during the time of conflict and the Ivorian Diaspora. The Diaspora is an important group that should not be neglected when discussing about the human capital as a prerequisite for competitiveness. Unfortunately we will not discuss the role of the Diaspora in this paper due to time and limitation. Nevertheless, it is important to mention that the lack of skilled labor has affected the competitiveness and the current economic reforms of Ivory Coast for post conflict reconstruction programs have partially addressed this issue\textsuperscript{113}. This could affect the efficiency of its industry. Yet many existing industries in Ivory Coast might become competitive if their human resources were improved. The terrible shortage of critical skills and personnel in the country has been recognized as an impediment to policy implementation and industrialization. We must not lose sight of the fact that much of the so-called lack of capacity in Africa is donor imposed. How can capacity develop when much of the financial aid is tied to technical assistance, which ensures that much of the money goes to pay foreign advisers? Some analysts estimate that nearly 40% of the multilateral aid and financial assistance is spent on foreign experts, and about 4 billion USD goes annually to fund foreign technical assistance in Africa. If such an amount were

\textsuperscript{113} Internal Displaced Persons, Refugees, Brain drain toward Europe, the killing of many elites and educated people…
used for training programs, R&D, technological upgrading, and diversification of production structures, Africa's human-capital situation would certainly be different.

The national Learning System

In the context of new technologies and the rapidly changing world market conditions, the process of restructuring strengthening the export after the conflict will pose a challenge to Ivory Coast. One major consideration is the changing character of innovations and its role in international trade and competitiveness. Industrialization, in Ivory Coast, will have to take place under conditions of accelerating technical change and the persistent application of new technologies. The assumption presented in this part of the thesis supports Viotti’s concept of technological change, which emphasizes learning and the accumulation of technological capabilities. This is bound to have considerable implications for the Technology sector in Ivory Coast.

Human capital belongs to the realm of externalities for which there are solid theoretical foundations for a more active state role at all levels. It is also an area of great uncertainty for private and public investors in education because of the rapidly changing nature of demand. However, higher levels of education enhance a country's social capacity to adjust to changes. Rather than getting drag down in meaningless speculations, the Ivorian government should learn from the historical experience of developed and developing countries such as Malaysia, South Korea and China, to mention these countries - about the importance of investment in human capital at all levels. In all these countries, one point is clear: tertiary education has always played a critical role in the process of rapid industrialization. Ivory Coast in this respect has a critical situation\textsuperscript{114}, and it is time to initiate programs to narrow the gap. The government needs to establish a system that will produce well educated manpower who can take the lead in small medium enterprises because most of the multinational companies are operating and monopolise the most key areas of the Ivorian economy and their presence in the country is seen more exploitive than helpful. Eduardo B. Viotti talks about the learning system as an approach to absorb technological changes for late industrializing country\textsuperscript{115} which he calls “the national learning system”. He defines learning as the process of technical change achieved by the absorption of already existing techniques such as innovations

\textsuperscript{114} The World Bank is lacking information about tertiary education.

\textsuperscript{115} Viotti is referring to Developing countries. Even his framework is meant for normal development challenge we are using his framework for post conflict societies.
initiated somewhere else. Viotti also emphasize that technical change is crucial factor to economic
growth and development. Multinationals product and production are so close to the international
best practices and improve constantly that it is almost impossible for local firms to compete with
them. Their productivity level, product quality and the capability to generate technological
innovation are higher than local firms (Tilman Altenburg 2000). Innovation is the engine of
development. Nevertheless, processes of technical change led by innovations are usually a privilege
of developed countries and the processes of technical change of late post conflict and developing
countries for this matter are usually limited to the absorption and improvement of innovations
produced by developed countries (Eduardo B. Viotti 2001).
The way for Ivory Coast to step into the investment driven stage at the post conflict is the ability for
its firms to absorb and improve foreign technology. In section I (the cause of the conflict, part
conclusion) I mentioned four choices that the country is facing at this point of the time. One of the
critical choices relates to the number of European presence in state owned companies, ministries
and multinational companies (MNCs) and the ability for government policy to produce national
replacement knowing that the growth of the country has been achieve by foreigners. Unless
government applies the national learning systems as an active technology policy to its industries and
its human capital there might be neither industrialization nor foundation for competitiveness.

Technology policy

Macro Level
How in practice the Ivorian can be successful in the acquisition of technology? I have developed an
analysis of macro evidences of one the most successful industrializing countries of East Asia -
South Korea comparison to Ivory Coast industrialization process. I will use macro indicators to
support the assumption that South Korea was successful in its transition towards an active learning
system whereas Ivory Coast was not. Those indicators are organized under four different categories:

1. The national patterns of education and training
2. The national patterns of technology acquisition
3. The national patterns of commitment of resources to technological learning
4. The indicators on the outcome of the national technological effort
The result of this analysis is to come up with areas of improvement in the process of technical
change and post conflict reconstruction.

1. The national patterns of education and training
Indicators of national patterns of labor force education and training of both Malaysia and Ivory Coast are presented in the following table. Malaysia, like developed countries, has overcome, in practical terms, adult illiteracy. Ivory Coast, however, still shows a rate of adult illiteracy at 51.9 in 2003, which means that half of the Ivorian potential labor forces is not prepared to make a meaningful contribution to technological learning.

**Table 1. Literacy and enrolment**

<table>
<thead>
<tr>
<th>Year 2003</th>
<th>South Korea</th>
<th>Malaysia</th>
<th>Ivory Coast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adult rate Literacy</td>
<td>***</td>
<td>88.7 %</td>
<td>48.1 %</td>
</tr>
<tr>
<td>Youth rate Literacy</td>
<td>99.8 %</td>
<td>97.2 %</td>
<td>59.8 %</td>
</tr>
<tr>
<td>Primary rate enrolment</td>
<td>100 %</td>
<td>93 %</td>
<td>61 %</td>
</tr>
<tr>
<td>Secondary rate enrolment</td>
<td>88 %</td>
<td>70 %</td>
<td>21 %</td>
</tr>
<tr>
<td>Tertiary rate enrolment</td>
<td>41 %</td>
<td>40 %</td>
<td>***</td>
</tr>
</tbody>
</table>

*Source: Human development Report 2005*

**Table 2. Human and Income poverty 2003**

<table>
<thead>
<tr>
<th>Rank Income poverty</th>
<th>South Korea</th>
<th>Malaysia</th>
<th>Ivory coast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population below income line 2 Dollar a day</td>
<td>Less than 2%</td>
<td>9.3%</td>
<td>38.4%</td>
</tr>
</tbody>
</table>

*Source: Human Development Index 2005*

**Table 3. Government commitment to education: Public Spending from 2000-2002**

<table>
<thead>
<tr>
<th>Public expenditure as % of GDP</th>
<th>South Korea</th>
<th>Malaysia</th>
<th>Ivory Coast</th>
</tr>
</thead>
<tbody>
<tr>
<td>As % of total Gov expenditure</td>
<td>15.5</td>
<td>20.3</td>
<td>21.5</td>
</tr>
<tr>
<td>Public expenditure in Primary education</td>
<td>35.2</td>
<td>32.0</td>
<td>42.2</td>
</tr>
<tr>
<td>Public expenditure in Secondary education</td>
<td>43.4</td>
<td>33.5</td>
<td>32.5</td>
</tr>
</tbody>
</table>

116 % ages 15 and above
117 % ages 15 - 24
118 Tertiary students in Science, Math and Engineering
119 Income poverty refers to the share of the population living on less than 1 dollar a day.
120 Education on science, math and engineering
The indicators show that Malaysia was able to achieve a successful transition towards technical change because their national labor force was well-educated and well trained. As the table above shows, Ivory Coast has a low percentage of literacy and needs to focus on educating its population. A large pool of qualified people is necessary in the process of technical change but not enough. The next assessment will be the way Ivory Coast should acquire its technology and how the country should mobilize resources and human capital to learn technology.

2. The national patterns of technological acquisition

According to Vioitty, there are three major sources of formal acquisition of technology:

1) Technology embodied in Capital Goods imported from advanced Industrial countries (CGI)
2) Technology brought about by Foreign Direct Investments (FDI)
3) The Direct Purchase of Technology by means of foreign technology licensing and technical assistance (DPT)

Table 4. Technology: Diffusion and creation

<table>
<thead>
<tr>
<th>Year 2003</th>
<th>South Korea</th>
<th>Malaysia</th>
<th>Ivory Coast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telephone mainlines (per 1000 people)</td>
<td>538</td>
<td>182</td>
<td>14</td>
</tr>
<tr>
<td>Cellular subscribers (per 1000 people)</td>
<td>701</td>
<td>442</td>
<td>77</td>
</tr>
<tr>
<td>Internet user (per person)</td>
<td>610</td>
<td>344</td>
<td>14</td>
</tr>
<tr>
<td>Researchers in R&amp;D (per million of people)</td>
<td>2.979</td>
<td>294</td>
<td>-</td>
</tr>
<tr>
<td>R&amp;D expenditure (% of GDP)</td>
<td>2,5%</td>
<td>0,7%</td>
<td>-</td>
</tr>
</tbody>
</table>

Table 5. Flow aid, private capital and debts

<table>
<thead>
<tr>
<th>Year 2003</th>
<th>South Korea</th>
<th>Malaysia</th>
<th>Ivory Coast</th>
</tr>
</thead>
<tbody>
<tr>
<td>ODA received in Millions of Dollars</td>
<td>-457,7</td>
<td>109,1</td>
<td>252,1</td>
</tr>
<tr>
<td>ODA received (per capita in USD)</td>
<td>-9,6</td>
<td>4,4</td>
<td>15,0</td>
</tr>
<tr>
<td>ODA received (as % in GDP)</td>
<td>-0,1</td>
<td>0,1</td>
<td>1,8</td>
</tr>
<tr>
<td>Net FDI inflow (as %)</td>
<td>0,5</td>
<td>2,4</td>
<td>1,3</td>
</tr>
</tbody>
</table>
### Table 1

<table>
<thead>
<tr>
<th></th>
<th>% of GDP</th>
<th>-0,3</th>
<th>-0,8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other private flows</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debts and service</td>
<td>-</td>
<td>4,7</td>
<td></td>
</tr>
</tbody>
</table>

Source: Human Development Report 2005

Statistical data from Ivory Coast shows that Foreign Direct Investment and import capital of goods play a major role in the Ivorian acquisition of foreign technology whereas in the case of South Korea the most important source is Import of Capital Goods. Ivory Coast received 221 million US dollars of foreign direct investment in year 2002 and 400 Million US Dollar in import capital of goods. As Viotti stressed both FDI and Capital Goods imported can determine whether a given country is going through an active or a passive learning. According to Viotti study case of Brazil and South Korea, it was revealed that the national pattern of technological acquisition of Brazil was FDI. Capital Goods imported were secondary means to acquire technology and the country experienced a passive learning. On the contrary, South Korea experienced an active learning while relying on capital Goods imported as a means to acquire technology with very little FDI. As Viotti concludes on this matter by saying that the key element in the technological strategy of the countries who succeed was a combination with technological imports and domestic technological improvement.

### Micro Level

A major implication of post conflict reconstruction and the industrial development of Ivory Coast is not only the need to recognize the ways technological change is occurring but the emphasis on learning and the accumulation of technological capabilities within firms.

*Viotti defines the processes of technical change as the absorption and improvement of innovations produced by industrialized countries (Viotti 2001).*

The challenge for the Ivorian Government in the technological sphere is to lead its firms and industries from production capability to Improvement capability. The reconstruction in Ivory Coast will have to take place under conditions of accelerating technical change and the application

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121 Debts and services as % of export of goods, services and income from abroad
122 E: Country included in the Debt Initiative for Heavily Indebted Poor Countries (HIPC)
G: Decision point reached under the HIPC Initiative
123 E.B. Viotti (2002) in Technological Forecasting & Social Change 69
124 See statistical data, Table 16 appendix 5
125 The definition of both the Production capability and the Improvement capability are mentioned in the definitions section of the thesis, under ‘Role of Government’
of new technologies. Eduardo Viotti’ concept of technological change helps us understand the way government can implement the learning and the accumulation of technological capabilities in a productive ways. The following table presents Viotti’ model on technical change or more specific the National Learning System (NLS):

**Fig.1  National systems of technical change**

<table>
<thead>
<tr>
<th>National Innovation systems (Industrialized Nations)</th>
<th>National Learning Systems (Late Industrializing Nation)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incremental Innovation</td>
<td>Absorption (diffusion)</td>
</tr>
<tr>
<td>Innovation</td>
<td>Incremental Innovation</td>
</tr>
<tr>
<td>Diffusion</td>
<td></td>
</tr>
</tbody>
</table>

Learning is the absorption of already-existing techniques, i.e., the absorption of innovations produced elsewhere, and the generation of improvements in the vicinity of acquired techniques (Eduardo B.Viotti 2001). Such learning is certainly a public good. Why? The development of a country depends on the ability of its firms and industries to create income, increase productivity, compete and grow (Michael Porter 1990). Therefore, central to the National Learning System (NLS) is a need for active technology policies, which reinforce “active absorption” rather than “passive absorption”. Table below presents some examples of passive and active forms of technological absorption by Eduardo Viotti.
The active absorption relates to the acquisition and adaptation of foreign technology, standardization and quality control, the role of transnational corporations in technological development, R&D and assistance in the purchase of foreign technology. This type of active technology policies generates opportunity of learning that usually goes far beyond production capability and constitutes one of the first steps for Improvement capability while the passive absorption generates opportunities of learning that hardly go beyond the simple development of technological capabilities of production. This is bound to have considerable implications for the competitiveness of firms and industrialization problem in Ivory Coast. Rather than asking the government to get out of the way, this realistic model involves an active and strategic government participation to make the technology process consistent with the country's initial conditions and long-term development goals. The study of “Capral-Nestlé” an industrial firm in Ivory Coast gives an idea about the strategy and the typical technological capabilities of those firms. These firms showed an effective Improvement capability in the sense defined before. Several strategies of the firm point at its desire to master technology and the strong commitment in the process of learning to the point of mastering the work process. Capral-Nestlé has heavily invested in physical capital, foreign technical assistance and the training of employees and executives. Capral-Nestlé pay attention to put the right person at the right place within the company and gives priority to professional growth. Saco most important component of it investment focuses on physical capital. Since the production of its main product (cocoa) required generally standardized techniques, the focus on one side is on the selection, adaptation, management and maintenance of equipment and on the other side on the cost and the quality control of the product. The study of this firm can no be

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126 For more information about the two firms, go to *Government’s effect on Firm strategy, structure, and rivalry, page 57- Master Thesis*
generalised when talking about technological capability in Ivory Coast. Other studies have, however, revealed the existence of poor process of learning in which some Ivorian Firms and industries were limited to the simple assimilation of production capability and a passive absorption\textsuperscript{127}. In the current situation of Ivory Coast, the industrial sector interacts very little with the technological infrastructure that exists to provide R&D and technical support to enterprises. Because many of the research institutes are poorly funded, they have inadequate equipment and insufficiently motivated staff. Thus, they do not aggressively search for or offer solutions to the technical problems of industry. Much the same applies to technological information services set up to help local firms locate and purchase foreign technologies. Technological learning does not occur in isolation. It involves interactions with other firms and institutions. Apart from physical inputs, it calls for various new skills, developed in the educational system and training institutes; technical information and services; contract-research facilities; interactions with equipment suppliers and consultants; and standards-regulating bodies. Special skills must be developed to set up this dense network of cooperation. The development of the Sciences & Technology (S&T) infrastructure and the provision of technical extension services to industry, especially to SMEs, are important measures that would enable firms to respond to incentives. S&T infrastructure is needed for such basic services as quality control, Research & Development, collection and the spreading of information on sources of technology, and assistance in the purchase of foreign technology.

\textsuperscript{127} La Côte d’Ivoire en Chiffre 2007.
Conclusion

Post conflict reconstruction is a critical step in the continuum of long-term economic development where national governments play a significant role. This challenge includes both to the normal challenge of socio-economic development and the additional burden of reconstruction. The pressure to deal early on with macroeconomic issues in the midst of political, social and economical vulnerabilities which are the legacy of conflict can also be quiet challenging. Furthermore we have both human capital, national institutions and infrastructures, which are often in mess, inadequate or lacking. These major macroeconomic issues require tough policies. The need to nurture that understanding and develop new tools to address the post conflict reconstruction issues has led me to examine the case of Ivory Coast along with Michael Porter theory. The analysis is based on theoretical data and general concepts such as national competitiveness, economic development, technology and foreign direct investment. These theories and concepts often applied to stable political environment as a precondition. Nevertheless governments of unstable political environment still face the same tasks and the same development challenges.

The process of peace is to overcome the structural causes that originally sparked the fighting. It becomes evident that national government has the ability to provide growth and human well-being in post conflict reconstruction. However I started my analysis by demonstrating how difficult it is to talk about the role of government in post conflict without talking about the causes of the conflict. The different set ups leading to the Ivorian conflict were analyzed. Three mains elements which constitute the foundation of the Ivorian Conflict were examined:

1) Charismatic leader, 2) single party and 3) growth and its distribution to politician and government members. Although some may dislike the attempt to explain the Ivoirian conflict on leadership, single party and unequal allocation of resources, they must recognize the need for fundamental changes in attitudes, way of thinking, policies and strategy for development, institutional arrangements, governance and, economic management. As Ake (1991, p. 8) stressed, "the idea that people or their culture and social institutions can be an obstacle to their development is one of the major confusions of current development thinking, and it is one of its most expensive errors."

It has become commonplace to argue that conflicts in Africa are based on cultural and ethnical differences. In my thesis I explained the cause of the Ivorian conflict based on economic breakdown, increasing poverty, unequal distribution of wealth. These issues were standing at the
cross road between exploring new ways in terms of economic development and political interest when government officials choose to subordinate development agenda to their own interests. This behavior is hardly the best way to build a competitive and prosperous economy. Michael Porter said that “the only meaningful concept of stability128 is the ability for government to provide a reasonable and rising standard of living for its citizens129. The ability to do so depends on the productivity with which a nation’s resources (labor and capital) are employed130. The Ivorian government failed to provide appropriate responses to these choices and brought the country to the edge of civil war. Still today after the conflict is over, these issues remained central to the country future stability. The Ivorian case was also use to show the two-ways relationship between conflict and poverty.

“The analysis” and “The competitive Advantage of nations” parts of the thesis explored some empirical properties of the Ivoirian’s "Investment Development Path" (IDP) on the macro level as well as on the structural level. Three dimensions are mentioned, the growth, the stability, and foreign direct Investment. We investigated the interactive role government policy has played in influencing industrialisation and, hence, the pattern of the investment development path (IDP). Each nation goes through its own unique process of development. The nation history plays an important role by shaping such things as the base of skills that have been created, the prevailing values and norms of behaviors, the needs, tastes, and preferences that will underpin demand patterns, and the challenges that have been set or confronted. The particular industries that provide the starting point for development are heavily dependent on the country’s natural gift/resources. The Competitive Advantage of Nations by Michael Porter helps us understand the sources of Ivory Coast’ competitive advantage and how this competitive advantage could be enhanced by the right policies. The role of Government in industrial investment was analyzed at two levels.

The first level dealt with implicit and explicit policies developed by the government to provide parameters for private investors, mainly foreign direct investment. While FDI is primarily a micro economic or firm activity, economic development is a macroeconomic phenomenon131.

128 I replaced Competitive nation by stability to show the parallel between a competitive nation and the concept of stability 
129 Michael Porter “The Competitive Advantage of Nation”. Michael Porter used the term competitiveness - productivity – prosperity (page 277, 278) – stability 
131 The definition of microeconomic and macroeconomic is mentioned in the definition part of the thesis.
We started by analysing how, until the 1979/80 financial crises, the increasing attractiveness of Ivory Coast's economy generated benefits from foreign direct investment (FDI) inflows but also from the production and the export of cacao and coffee.

The second level deals with the direct intervention by the government in industrial investment. While its sources of comparative advantage were unchanged, financial deregulation miss led the government of Ivory Coast to not pay attention to their financial system thus instigating a financial crisis and further on the civil war. Consequently, the traditional pattern of the IDP was disrupted.

Comments on the Ivorian structural adjustment were discussed in this part of the thesis mainly in terms of whether the macroeconomic disequilibria were externally caused or induced by policy. In the 80s, initial debates on structural adjustments often gave the wrong impression that national economy issues could be solved from making the necessary adjustments. In the case of Ivory Coast the structural adjustments were focusing among others on privatisation and devaluation of the local currency. As the Ivorian experience has shown, the expected external response has failed. For more than a decade, Ivory Coast has spent time and resources "adjusting" nonexistent or defective markets. It was hoped that getting the prices and the monetary or financial fundamentals right would be the one medicine needed to ensure the health of the Ivorian economy: poverty reduction, equity, growth, industrialization and macro stability. The irony is that it took more than a decade, severe financial crisis and four years of civil war for the country to realise that, "Adjustment alone is not adequate for long-term sustainable development” (World Bank 1994, p. 2). Adjustments will be in vain if the political will is not with!

This led to examine and analyse the role of government in policies and reforms that could improve economic development and reinforce the industrialization process of the country and the role of government in upgrading and supporting resource-based industries such agriculture, food-related products that can be produced locally

In this regards, the Ivorian government needs the confidence to consciously and vigorously articulate a framework for their development. In light of the competitive advantage of nations by Michael Porter government policy, strategy and actions were explored and along, the true meaning of a competitive nation. It was demonstrated in this part of the thesis that the true meaning of Ivory Coast’ competitiveness in the context of post conflict reconstruction is the ability for government to increase productivity and provide rising living standard of the citizen and thus dealing with the roots of what cause the conflict. Perhaps the first important thing the Ivorian government can do is to take responsibility to manoeuvre the path of its post conflict reconstruction and economic development.
We cannot overstress the role that the Ivorian conflict played in widening the gap to reconstruction and further narrowing the road ahead to competitiveness. Nevertheless Ivory Coast must learn to compete in this global arena where the importance of factor quality for economic development and reconstruction includes technology transfer and the upgrading of local firms and industries. In order for the Ivorian firms/industries to take a global approach they have to comply with a certain standard in the production. This means the use of technology and best practices of managerial techniques. Technology is defined as any tangible or intangible resource that can generate economic rent for host country firms by, for example, improving total factor of productivity (Blomström et al. 1999). It includes managerial skill, know-how, production techniques, machinery, information, and other intangible forms of capital. We have mentioned in the analysis the weakness of the Ivorian industry\textsuperscript{132} and needless to emphasize the importance of foreign direct investment (FDI) for sustaining and enhancing the competitive advantage of Ivorian firms.

Such a learning process should be facilitated by adopting an active strategy for increasing and diversifying Ivory Coast's exports but most importantly by a strategy focusing on the development of Local firms because after the post conflict they will remain the main source of new investment, job and means to reduce poverty and thus will sustain political and economical stability.

The ideal is to use resources in the most productive way. Ivory Coast abundant natural resources may help in this process, but it should be recognized that only a strategy that relies on local human capacities will create a development process that can respond flexibly to circumstances in a rapidly changing world. We should know that Ivory Coast cannot integrate itself fully into the global economy by permanently depending on the export of raw material, aid and preferential treatment from the colonial power. Neither of these has served the country well and on a sustainable way. Aid has produced the phenomenon of the dependency syndrome that stole both imagination and initiative, whereas preferential treatment has provided incentives to perpetuate activities that set the country production structures in primary commodities. As Michael Porter stresses “natural-resource endowment will only contribute to development and create advanced factors if we add intellectual value to it” and if we use the revenue earned from it to transform and modernize agriculture and strengthen the development of an industrial sector made competitive by strategically exposure to competitiveness in international markets. Technology is central to competitive advantage and to productivity. As invention and creation processes remain tremendously in industrialised countries, Post conflict societies must rely largely on imported technologies as sources of new productive

knowledge. Both the acquisition of technology and its diffusion foster productivity and economic growth as Eduardo Viotti said: “the reason of most successful case in industrialisation is industrial policies which are responsible, to a large extent for building the right set of institutions and stimuli that induced industrial firms and technological dynamism.”

Government can make an impact on local firm through mechanism such as linkages and right policies that will attract the appropriate FDI and can also play a role by actively encourage international outlook and export from local firms (Porter Michael 1990) by upgrading the level of domestic firms and improve the level of technology.

Post-conflict reconstruction is a very crucial step for government to pursue. It requires a vision of policies that will fit into the long-term development framework and planning short-term programs to improve economic performance. It’s also a challenging task for the government to create programs to assess and heal the immediate wounds of war. These challenging tasks imply the ability of government to analyse an unstable situation but also the capacity or resources to design programs flexible enough to meet emergency needs and in this way to create the foundation for further development as the stabilization of political and economical environment. Policymakers should take adjustment seriously. Adjustment in this sense entails a dynamic view of society and its capacity to continually adjust to changing domestic and external environments. The challenge is to blend macroeconomic with microeconomic policy in the area of competitiveness, agricultural productivity, human capital and technology. Future and prospects look promising if Ivory Coast re-tracks from the traditional pattern of its IDP and pursues the right polices. Ivory Coast must, out of its own historical experiences, forge its own vision and design the requisite institutions to achieve development and provide rising standard of living for its citizens by focusing on agriculture, manufacturing sector, productivity of local firm, technology and FDI. The International Community can assist, but this can never substitute for the role of national government.
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Peter Evans 1998, “Transnational and the Third World States: From the Old Internationalization to the New”

Ricador René Claremont,”The causes of warfare and the implication of peacekeeping in Africa” in the book called “The causes of war and the consequences of Peacekeeping in Africa” p5


Definitions

*Conflict* is defined as the clashing of interests (positional differences) over national values of some duration and magnitude between at least two parties (organized groups, states, groups of states, organizations) that are determined to pursue their interests and achieve their goals. (The Heidelberg Institute for International Conflict Research - 2007)

*Post conflict* is shorthand for conflict situations, in which open warfare has come to an end. Such situation remains tense for years or decades and can easily relapse into large-scale violence. (Gerd Junne & Willemiji Verkoren in a book called “Postconflict Development, Meeting New Challenges 2005” chap 1 page 1)

Post conflict transition is defined as those countries that have suffered the trauma of civil wars or other internal conflict and have embark on economic reconstruction and on political and social reforms to provide the underpinnings of peace and promote democratization and national healing. (World Development Vol.29, No 12, pp. 1967-1985, 2001)

*Private sector development* is a basic organizing principle for economic activity where private ownership is an important factor, where markets an competition drive production and where private initiative and risk-taking set activities in motion, laid down the ground work for the Private Sector Development policies. (OECD, 1994)

*CFA Franc* is a currency used in eight former French colonies (Ivory Coast, Benin, Burkina Faso, Guinea Bissau, Mali, Niger, Senegal and Togo) in Africa. CFA stands for Communauté Financière d’Afrique (Financial community of Africa)

It has a fixed exchange rate to the Euro: 100 CFA francs = 1 French franc = 0.152449 euro or to make it simple **1 euro = 655.957 CFA francs**

*Foreign Direct Investment (FDI)* is defined as long-term investment reflecting a lasting interest and control, by a foreign direct investor (or parent enterprise), of an enterprise entity resident in an economy other than that of the foreign investor (IMF, 1993) Tilman Altenburg (2000) agrees. He defines FDI as investment by transnational companies in foreign countries in order to control assets and manage production activities in those countries.

*Multinational Corporations* are companies operating in two or more nations. (Cypher and Dietz in book called “The Process of Economic Development 1997” chp.14 “Transnational Corporations and economic development”)

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Small Medium Sizes Enterprises (SMEs) are considered to be any entity engaged in an economic activity, irrespective of its legal form. This includes, in particular, self-employed persons and family businesses engaged in craft or other activities, and partnerships or associations regularly engaged in an economic activity. They are also defined as legally independent companies with no more than 250 employees. (Official Journal of the European Union - 6 May 2003)

A subsidiary in business matters is an entity that is controlled by a bigger and more powerful entity. The controlled entity is called a company or corporation and the controlling entity is called its parent company. The most common way that control of a subsidiary is achieved is through the ownership of shares in the subsidiary by the parent. These shares give the parent the necessary votes to determine the composition of the board of the subsidiary and so exercise control. This gives rise to the common presumption that 50% plus one share is enough to create a subsidiary. There are, however, other ways that control can come about and the exact rules both as to what control is needed and how it is achieved can be complex.

A subsidiary may itself have subsidiaries, and these, in turn, may have subsidiaries of their own. A parent and all its subsidiaries together are called a group, although this term can also apply to cooperating companies and their subsidiaries with varying degrees of shared ownership.

Transnational Corporation is an enterprise that engages in foreign direct investment (FDI) and owns or control value-adding activities in more than one country. (Tilman Altenburg, 2000)

Industrialization is the development of industry on a large scale. Industrialism is an economic system that is based on industry and the mass production of consumer goods.

www.channel4.com/history/microsites/H/history/browse/glossary.html

Internationalization is a process by which companies gradually increase their international involvement. (John Dunning 1996)

Stability is the absence of sudden or extra-institutional shifts in leadership and policy directions, and the presence of established institutionalized processes. (I. William Zartman & Christopher Delgado)

Conflict is defined by HIHK (Heidelberg Institution on International Conflict Research) as the clashing of interests (positional differences) on national values of some duration and magnitude
between at least two parties (organized groups, states, groups of states, organization) that are
determined to pursue their interests and win their cases.

**Conflict Items:** territory, Secession, De-colonization, Autonomy, System- Ideology, National
Power, Regional Predominance, International Power, Resources and others.

**Productivity** is the value of the output produced by a unit of labor or capital. It depends on both the
quality and features of products (which determine the prices they can command) and the efficiency
with which they are produced. Productivity is the prime determinant in the long run of a nation’s
standard of living for it is the root cause of national per capita income. (Michael Porter 2001)

**Charismatic Leadership** is defined by Max Weber as resting on devotion to the exceptional sanctify
heroism or exemplary character of an individual person, and normative pattern or order revealed or
ordained by him.

**Charisma** is defined by Max Weber as a certain quality of an individual personality, by virtue of
which he is set apart from ordinary men and treated as endowed with supernatural, superhuman, or
at least specifically exceptional powers or qualities. These are such as are not accessible to the
ordinary person, but are regarded as of divine origin or as exemplary, and on the basis of them the
individual concerned is treated as a leader. How the quality in question would be ultimately judged
from an ethical, aesthetic, or other such point of view is naturally indifferent for the purpose of
definition.

**Charismatic leaders** are pictured as organizational heroes or magic leaders, who have the social
power basis to orchestrate turnarounds, launch new enterprises, inspire organizational renewal, and
obtain extraordinary performance from organizational members. These leaders inspire trust, faith
and belief in themselves.

**Market Value Added (MVA)** is the difference between the equity market valuation of a listed/quoted
company and the sum of the adjusted book value of debt and equity in the company. In other words
it is the sum of all capital daims held against the company; the market value of debt and the market
value of equity. The higher the Market Value Added, the better. A high MVA indicates the
company has created substantial wealth for the shareholders. Negative MVA means that the value
of the actions and investments of management is less than the value of the capital contributed to the
company by the capital markets. This means that wealth or value has been destroyed.
Formula of MVA = Market value – Investment capital

- MVA does not take into account the opportunity cost of the invested capital.
- MVA also does not take into account intermediate cash returns to shareholders.
- MVA cannot be calculated at divisional (Strategic Business Unit) level and cannot be used for private held companies.

The aim is to maximize MVA, not to maximize the value of the firm, since this can be easily accomplished by investing ever-increasing amounts of capital.

Factor of production by Michael Porter is grouped into a number of broad categories:

- **Human resources**: The quantity, skills, and cost of personnel (including management)
- **Physical resources**: The abundance, quality, accessibility, and cost of nation’s land, water, mineral, or timber deposits, hydroelectric power sources, fishing grounds, and other physical traits. Climatic conditions, location and geographical size can be viewed as part of a nation’s physical resources. We also have time zone that allow business people living in the same time zone to do business during a normal working day.
- **Knowledge resources**: The nation’s stock of scientific, technical, and market knowledge bearing on goods and services. Knowledge resources also reside in universities, government research institutes, private research facilities, government statistical agencies, business and scientific literature, market research and databases, trade associations and other sources.
- **Capital resources**: The amount and cost of capital available to finance industry.
- **Infrastructure**: The type, quality, and user cost of infrastructure available that affects competition, including the transportation system, the communications system, mail and parcel delivery, payments or such things as the housing stock and cultural institutions, which affect the quality of life and the attractiveness of a nation as a place to live and work.

Production capability is the knowledge, skills and other conditions required for the process of production (Eduardo B. Viotti 2001).

Improvement capability is the knowledge, skills and other conditions required for the continuous and incremental upgrading of product design, performance features and of process technology (Eduardo B. Viotti 2001).
Macroeconomic policy is any policy intended to influence the behavior of important macroeconomic variables, especially unemployment and inflation. Macroeconomic policies include monetary and fiscal policies, but also such things as price control and incentives for economic growth. (Deardorff's Glossary of International Economics 2001)

Microeconomic is referring to the behavior of and interactions among individual economic agents, especially firms and consumers, and especially in markets. It is the contrasts with macroeconomic. (Deardorff's Glossary of International Economics 2001)

Economic development is sustained increase in the economic standard of living of a country's population, normally accomplished by increasing its stocks of physical and human capital and improving its technology. (Deardorff's Glossary of International Economics 2001)

Economic Growth is the increase over time in the capacity of an economy to produce goods and services and (ideally) to improve the well-being of its citizens. (Deardorff's Glossary of International Economics 2001)

Inflation is the process by which the prices of goods and services rise in terms of money. In gold or silver inflation, the price of goods in terms of gold or silver rises, due to an increase in the quantity of gold or silver used as money. The opposite of inflation is deflation.

www.channel4.com/history/microsites/H/history/browse/glossary.html
Appendix 1: Conflict specificity and data of South Korea, Japan and Ivory Coast

Countries and their conflict specificity:

**Europe – Severe crisis**
1. Russia Chechnya – Secession

**Africa – Wars**
2. Democratic Republic of Congo (rebels) - National power, resources
3. Sudan (SLMA-JEM) – regional predominance

**Africa – Severe crises**
4. Burundi (Hutu)
5. Côte d’Ivoire (rebels)- national power
6. DR Congo (Hema- Lendu) – regional predominance
7. Ethiopia (Anyuak-Nuer) – regional predominance
8. Nigeria (Christians Muslims) – Ideology/system
9. Nigeria (Nigerdelta-Ijaw) – resources
10. Rwanda (Hutu) – national power
11. Somalia (Somaliland) – secession
12. Somalia (Various groups) – national power
13. Uganda (LRA) – national power

**Americas – Severe crisis**
14. Colombia (ELN) – national power, ideology/system
15. Colombia (FARC) – national power, ideology/ system
16. Colombia (paramilitias) – regional predominance, system
17. Haiti (opposition) – national power

**Asia and Oceania – Severe crises**
18. Bhutan (Indian separatist rebels) – territory
19. China (Hui) – other
20. India (Assam) – secession, resources
21. India (Kashmir) – secession
22. India (Nagaland) – secession, regional predominance
23. Indonesia (Aceh) – secession, resources
24. Indonesia (Moluccans) – regional predominance
25. Laos (LCMD, CIDL) – ideology/system, autonomy, national power
26. Myanmar (minorities)
27. Nepal (Maoist rebels) -
28. Sri Lanka (-)
29. Thailand (Southern Border Provinces) - secession

Middle East and Maghreb - War
30. Iraq (insurgents) – national power, ideology/system

Middle East and Maghreb – Severe crisis
31. Afghanistan (Taleban) – regional predominance, national power
32. Algeria (Islamist groups) – national power, ideology/system
33. Iraq (al-sadr group) ideology/system
34. Iraq (CPA – resistance groups) – ideology/system, resources
35. Israel (Palestinians) – autonomy, ideology/system, resources

Yemen (Islamists) – national power

Source: HIIK conflict barometer 2004

SOUTH KOREA COMPETITIVENESS

Natural resources: South Korea produces coal, tungsten, graphite, molybdnum, lead and has potential for hydropower.

Land use:
- arable land: 19%
- permanent crops: 2%
- permanent pastures: 1%
- forests and woodland: 65%
- other: 13%
- rivers and lakes: 10% (2003 EST.)

Irrigated land: 13,350 km² (1993 EST.)
South Korea
People

ETHNIC GROUPS

Korean 100%

LANGUAGES

Korean 100%

RELIGIONS

- Buddhist: 36%
- Confucian: 24%
- Protestant: 23%
- Roman Catholic: 5%
- Nonbulgyo: 3%
- Cheondogyo: 2%
- Other: 7%

Nationality noun—Korean(s); adjective—Korean

JAPAN COMPETITIVENESS

Japan's Agriculture

- Forests, some pasture
- Rice, single crops
- Rice, some wheat, double crops
- Wheat, oats, barley

500 mi
NATURAL RESOURCES

These larger agricultural areas are also Japan's major industrial cities. The competition for usable land is fierce between these two sectors. Japan was largely self-sufficient in rice up to World War I, but rising population pressure and poor soils combined to increase the need for food imports. Such imports came initially from the Japanese colonies of Korea and Taiwan, and elsewhere since World War II.

Despite its poor soils, Japanese agriculture is highly productive. Climatic conditions allow for double cropping in most areas south of the 37th parallels which include the southern half of Honshu, and the islands of Shikoku and Kyushu.

Other major crops include: wheat, barley, and oats, especially in the island of Hokkaido; apples in the north; and tea and citrus fruit in the south.

Since forests occupy 65% of the land area, forestry is an important industry. Yet, the Japanese demand for wood and wood products greatly exceed supply and forest products rank high on the list of imports.

Mineral Resources

Generally, Japan is resource poor. Therefore, Japan's economic successes depended on imported raw materials dependence (see table 2). Energy resources alone account for 14% of its total imports. With virtually no domestic oil supplies Japan imports much crude oil from the Persian Gulf area. Oil is used to meet nearly 60% of Japan's total energy needs (See table 1).

Table 1: Japan's Sources of Energy

<table>
<thead>
<tr>
<th>Source</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil</td>
<td>58.3 %</td>
</tr>
<tr>
<td>Coal</td>
<td>16.6%</td>
</tr>
<tr>
<td>Natural Gas</td>
<td>10.1 %</td>
</tr>
<tr>
<td>Nuclear Energy</td>
<td>9.4 %</td>
</tr>
<tr>
<td>Hydroelectric Energy</td>
<td>4.2 %</td>
</tr>
<tr>
<td>Geothermal Energy</td>
<td>0.1 %</td>
</tr>
<tr>
<td>Other</td>
<td>1.3 %</td>
</tr>
</tbody>
</table>
DEPENDENCIES ON IMPORTED RAW MATERIALS

Table 2: Japan's Dependence on Imported Raw Materials

<table>
<thead>
<tr>
<th>RAW MATERIAL</th>
<th>DEPENDENCY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>84.5 %</td>
</tr>
<tr>
<td>Coal</td>
<td>92.1 %</td>
</tr>
<tr>
<td>Natural Gas</td>
<td>95.6 %</td>
</tr>
<tr>
<td>Oil</td>
<td>99.6 %</td>
</tr>
<tr>
<td>Iron Ore</td>
<td>100 %</td>
</tr>
<tr>
<td>Copper</td>
<td>98.9 %</td>
</tr>
<tr>
<td>Lead</td>
<td>93.0 %</td>
</tr>
<tr>
<td>Zinc</td>
<td>82.9 %</td>
</tr>
<tr>
<td>Tin</td>
<td>100 %</td>
</tr>
<tr>
<td>Bauxite</td>
<td>100 %</td>
</tr>
<tr>
<td>Nickel</td>
<td>100 %</td>
</tr>
</tbody>
</table>

SUCCESS IN COMPETE

Human Resources

Much of Japan’s economic success could be accredited to its well-educated and well-trained labor force. Japan has a population of approximately 127 million. Its literacy rate is 99 %. Its population is culturally homogenous (table 3). The largest minority group is the 800,000 Koreans which make up only 0.6 % of the total population. All social and ethnic minorities account for about 4 % of the population or about 5 million people. Other minority groups include the Chinese, Okinawans, Ainu, and foreign residents.

Table 3: Japan population
Ivory Coast Figures

Religion in Ivory Coast

The Ethnic population of Ivory Coast

Language in Ivory Coast
### List of companies to be privatized but have not yet come to pass

<table>
<thead>
<tr>
<th>Sectors and Companies</th>
<th>Activity</th>
<th>Social Capital (En million F.CFA)</th>
<th>Shares of the State (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CIDT</td>
<td>Cotton</td>
<td>7 200</td>
<td>99,99</td>
</tr>
<tr>
<td>HEVEGO</td>
<td>Caoutchouc (rubber)</td>
<td>10</td>
<td>70</td>
</tr>
<tr>
<td>SIVAC</td>
<td>Abattage de porcs (farming - Pork)</td>
<td>38</td>
<td>30</td>
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<tr>
<td>I2T</td>
<td>Mise au point de syst. de prod. Indus.</td>
<td>250</td>
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<tr>
<td>OCPV</td>
<td>Service d'Information</td>
<td>EPA</td>
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</tr>
<tr>
<td>Oil and Gaz</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SIR</td>
<td>Raffinage</td>
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</tr>
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<td>GDCI</td>
<td>Distribution de gaz</td>
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<tr>
<td>Transport</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>SOTRA</td>
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<td>60</td>
</tr>
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<td></td>
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<td>HOTEL IVOIRE</td>
<td>Hôtellerie / tourism</td>
<td>Actifs immobiliers</td>
<td>100</td>
</tr>
<tr>
<td>Hôtels ex-SIETHO</td>
<td>Hôtellerie / tourism</td>
<td>Actifs immobiliers</td>
<td>100</td>
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<td>RANHOTEL</td>
<td>Hôtellerie / tourism</td>
<td>Actifs immobiliers</td>
<td>100</td>
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<td>HOTEL SEBROKO</td>
<td>Hôtellerie / tourism</td>
<td>Actifs immobiliers</td>
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<tr>
<td>GOLF HOTEL</td>
<td>Hôtellerie / tourism</td>
<td>Actifs immobiliers</td>
<td>100</td>
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<tr>
<td>IVOIRE GOLF CLUB</td>
<td>Club de golf / tourism</td>
<td>Actifs immobiliers</td>
<td>100</td>
</tr>
<tr>
<td>HOTEL HARMATTAN</td>
<td>Hôtellerie / tourism</td>
<td>Actifs immobiliers</td>
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</tr>
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<td>Edition et Imprimerie</td>
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<td>SII</td>
<td>Imprimerie / printing</td>
<td>175</td>
<td>100</td>
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<td>Distribution</td>
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<td>Télévision</td>
<td>Droits</td>
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<tr>
<td>FREQUENCE 2</td>
<td>Radio</td>
<td>Droits</td>
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<td>Transmission son et image</td>
<td>Actifs imm. et droits</td>
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<td>Real Estates Companies</td>
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<td>SICOGI</td>
<td>Immobilier</td>
<td>4 566</td>
<td>79,72</td>
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<td>LBTP</td>
<td>Contrôle technique</td>
<td>100</td>
<td>52</td>
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<td>Finances</td>
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<td></td>
<td></td>
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<tr>
<td>SIB</td>
<td>Banque</td>
<td>4 000</td>
<td>48,99</td>
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<tr>
<td>CNA</td>
<td>Assurance</td>
<td>1 000</td>
<td>10</td>
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<td>Textile</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ERG</td>
<td>Filature / textile</td>
<td>2 999</td>
<td>47,66</td>
</tr>
<tr>
<td>COTIVO</td>
<td>Filature / textile</td>
<td>3 600</td>
<td>27</td>
</tr>
<tr>
<td>UTEXI</td>
<td>Filature / textile</td>
<td>3 700</td>
<td>12</td>
</tr>
<tr>
<td>Publics constructions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MOTORAGRI</td>
<td></td>
<td>500</td>
<td>95</td>
</tr>
<tr>
<td>SONITRA</td>
<td></td>
<td>5 000</td>
<td>55</td>
</tr>
<tr>
<td>Other sectors</td>
<td></td>
<td></td>
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<tr>
<td>IPS-CI</td>
<td></td>
<td>1 000</td>
<td>15</td>
</tr>
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NB: List received by the CEPICI in October 2005 but made by « le Comité de Privatisation » the 29th March 2001. The status of some companies needs to be checked-again.
# APPENDIX 2: MAIN COFFEE/CACAO PROCESSING FIRMS IN IVORY COAST

<table>
<thead>
<tr>
<th>Company name</th>
<th>Adress</th>
<th>Location</th>
<th>contacts</th>
<th>Fax</th>
<th>Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEMOI –CI</td>
<td>06 BP 2561 Abidjan</td>
<td>Z. I. Yopougon</td>
<td>23 46 82 59 / 23 50 70 50</td>
<td>23 46 82 60</td>
<td>Transformation de cacao en produits semi-finis</td>
</tr>
<tr>
<td>MICAO (CARGILL)*</td>
<td>01 BP 215 Abidjan</td>
<td>Vridi boulevard face SOCOPAO</td>
<td>21 25 25 42</td>
<td></td>
<td>Transformation du cacao et chocolateries</td>
</tr>
<tr>
<td>Saco (Barry-Callebaut)*</td>
<td>01 BP 1045 Abidjan</td>
<td>6 rue Pierre et Marie Curie Zone 4 C</td>
<td>21 27 21 88 / 21 35 44 10</td>
<td>21 35 94 96</td>
<td>Transformation de cacao en pâte, beurre, tourteaux et poudre</td>
</tr>
<tr>
<td>UNICAO (ADM)*</td>
<td>15 BP 406 Abidjan</td>
<td>Zone Industrielle de Vridi derrière EX-PREM</td>
<td>21 27 14 49</td>
<td></td>
<td>Transformation du cacao en pâte, beurre, tourteaux et poudre ; chocolateries</td>
</tr>
<tr>
<td>SN CHOCODI</td>
<td>15 BP 54 Abidjan</td>
<td>Rue des pétroliers Z.I. Vridi</td>
<td>21 27 41 30</td>
<td>21 27 21 85</td>
<td>Traitement fèves de cacao, distribution de chocolat, poudre de cacao et divers</td>
</tr>
<tr>
<td>NESTLÉ CI</td>
<td>01 BP 1840 Abidjan</td>
<td>Route du lycée technique Cocody</td>
<td>22 40 45 45</td>
<td>22 40 45 64</td>
<td>Boisson instantanée (café, cacao), café soluble, etc.</td>
</tr>
<tr>
<td>SAT</td>
<td>01 BP 1289 Abidjan</td>
<td>Vridi-Zone Portuaire - Rue des Galions</td>
<td>21 24 03 61</td>
<td></td>
<td>Torréfaction du café</td>
</tr>
<tr>
<td>SICO**</td>
<td>BP 1076 Gagnoa</td>
<td>Zone Industrielle-Route de San-Pedro</td>
<td>32 77 21 12</td>
<td></td>
<td>Transformation du café</td>
</tr>
<tr>
<td>SICOB**</td>
<td>01 BP 1722 Abidjan</td>
<td>Rue de l'industrie</td>
<td>21 35 78 01</td>
<td></td>
<td>Torréfaction du café</td>
</tr>
</tbody>
</table>

(*) : Groupe International Correspondant
(**) : A confirmer

Source MINISTERE DE L’INDUSTRIE ET DE LA PROMOTION DU SECTEUR PRIVE ET DIRECTION DE L’ACTIVITE INDUSTRIELLE ET DE L’INNOVATION TECHNOLOGIQUE en COTE D’IVOIRE 2000
APPENDIX 3 : IMPORT COMMODITIES

Evolution of the cacao prices from 1975 to 1990

Prices in Dollars
Sources : Cacao: L’Afrique est elle competitive?, Paul Jouve and Hubert de Milly

Import commodities in Ivory Coast

Source and reference form Appendix 13 /// Import commodities in Billion of F.FCA
Import main commodities

Source and reference form Appendix 13
The commodities is in Billion of F.FCA
As it can be observed Fuel products are the main import, followed by machinery/technology. Trucks and cars are the 3rd import and Medical equipment or good.
Chart of Import Food in Ivory Coast

Source and reference from the Appendix 13
Import Food in Thousand of Tons
# APPENDIX 4: IMPORT/EXPORT IN IVORY COAST

## Table 1: Import Commodities expenses in billion of FCFA from 1995 – 2006

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Import value CAF</td>
<td>1470.6</td>
<td>1440.7</td>
<td>1608.6</td>
<td>1777.7</td>
<td>1770.5</td>
<td>1865.66</td>
<td>1812.9</td>
<td>2048.4</td>
<td>2086.8</td>
<td>3095.7</td>
<td>3041.4</td>
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</tr>
<tr>
<td>Oil and Gaz products</td>
<td>234.5</td>
<td>333.0</td>
<td>296.5</td>
<td>262.1</td>
<td>328.7</td>
<td>597.6</td>
<td>490.8</td>
<td>370.8</td>
<td>350.4</td>
<td>576.6</td>
<td>868.0</td>
<td>996.5</td>
</tr>
<tr>
<td>Medical goods</td>
<td>62.7</td>
<td>61.2</td>
<td>65.1</td>
<td>67.6</td>
<td>68.9</td>
<td>67.1</td>
<td>76.8</td>
<td>68.03</td>
<td>70.23</td>
<td>79.87</td>
<td>76.35</td>
<td>79.1</td>
</tr>
<tr>
<td>Meat and variety</td>
<td>3.2</td>
<td>3.7</td>
<td>5.0</td>
<td>5.6</td>
<td>6.5</td>
<td>6.3</td>
<td>8.6</td>
<td>15.7</td>
<td>28.5</td>
<td>25.6</td>
<td>22.9</td>
<td>28.4</td>
</tr>
<tr>
<td>Rice</td>
<td>66.8</td>
<td>51.8</td>
<td>73.4</td>
<td>83.4</td>
<td>68.5</td>
<td>69.6</td>
<td>95.4</td>
<td>93.2</td>
<td>91.26</td>
<td>113.21</td>
<td>133.92</td>
<td>152.3</td>
</tr>
<tr>
<td>Fish and seafood</td>
<td>69.2</td>
<td>72.7</td>
<td>88.3</td>
<td>111.6</td>
<td>105.1</td>
<td>92.5</td>
<td>107.7</td>
<td>123.6</td>
<td>115.2</td>
<td>98.6</td>
<td>105.4</td>
<td>119.3</td>
</tr>
<tr>
<td>Cars &amp; Trucks</td>
<td>83.3</td>
<td>89.1</td>
<td>92.5</td>
<td>87.0</td>
<td>78.6</td>
<td>54.2</td>
<td>47.2</td>
<td>60.5</td>
<td>93.6</td>
<td>164.9</td>
<td>135.9</td>
<td>135.4</td>
</tr>
<tr>
<td>Machines/Technology</td>
<td>116.6</td>
<td>119.0</td>
<td>158.5</td>
<td>160.6</td>
<td>162.7</td>
<td>121.8</td>
<td>119.0</td>
<td>120.8</td>
<td>101.5</td>
<td>151.5</td>
<td>148.3</td>
<td>156.1</td>
</tr>
</tbody>
</table>

Source: The Ivorian National Institute of Statistics (INS – Institut National de Statistiques)

## Table 2: Import Commodities expenses in Thousand of Tons from 1995 – 2006

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil and Gaz products</td>
<td>3572.8</td>
<td>4173.3</td>
<td>3394.3</td>
<td>4504.4</td>
<td>4618.2</td>
<td>3820.5</td>
<td>3430.7</td>
<td>2904.5</td>
<td>2771.4</td>
<td>3803.2</td>
<td>4046.0</td>
<td>3749.8</td>
</tr>
<tr>
<td>Medical goods</td>
<td>6.2</td>
<td>5.5</td>
<td>5.6</td>
<td>5.8</td>
<td>6.3</td>
<td>5.5</td>
<td>5.9</td>
<td>6.02</td>
<td>5.3</td>
<td>6.1</td>
<td>5.8</td>
<td></td>
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<tr>
<td>Meat and variety</td>
<td>5.4</td>
<td>6.6</td>
<td>8.3</td>
<td>9.3</td>
<td>12.5</td>
<td>13.6</td>
<td>19.0</td>
<td>38.5</td>
<td>72.5</td>
<td>64.3</td>
<td>58.7</td>
<td>65.0</td>
</tr>
<tr>
<td>Rice</td>
<td>404.3</td>
<td>300.4</td>
<td>469.7</td>
<td>518.4</td>
<td>422.6</td>
<td>440.9</td>
<td>640.0</td>
<td>718.0</td>
<td>735.8</td>
<td>715.4</td>
<td>808.2</td>
<td>903.2</td>
</tr>
<tr>
<td>Fish and seafood</td>
<td>199.0</td>
<td>209.7</td>
<td>224.8</td>
<td>245.9</td>
<td>293.1</td>
<td>234.7</td>
<td>237.9</td>
<td>255.3</td>
<td>271.4</td>
<td>245.1</td>
<td>266.7</td>
<td>261.8</td>
</tr>
<tr>
<td>Cars &amp; Trucks</td>
<td>22.8</td>
<td>47.3</td>
<td>43.4</td>
<td>36.6</td>
<td>30.1</td>
<td>18.7</td>
<td>21.5</td>
<td>26.6</td>
<td>31.0</td>
<td>47.0</td>
<td>35.5</td>
<td>39.3</td>
</tr>
<tr>
<td>Machines/Technology</td>
<td>22.6</td>
<td>23.8</td>
<td>29.3</td>
<td>35.9</td>
<td>34.5</td>
<td>24.5</td>
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<td>22.8</td>
<td>22.8</td>
<td>30.0</td>
<td>28.0</td>
<td>33.6</td>
</tr>
</tbody>
</table>

Source: The Ivorian National Institute of Statistics (INS – Institut National de Statistiques)

**Definition Value CAF**

The Currency Adjustment Factor (CAF) is an adjustment to the shipping line’s freight tariff which takes into account variances between the currency in which freight is normally billed and those under which expenses are incurred. It is normally calculated as a percentage surcharge on the basic freight rate. (British freight)
Table 3: Export Commodities in Billion of FCFA from 1995 – 2006

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Export value FOB</td>
<td>1.864,30</td>
<td>2.189,10</td>
<td>2.422,30</td>
<td>2.592,60</td>
<td>2.646,50</td>
<td>2.573,00</td>
<td>2.675,60</td>
<td>3.491,20</td>
<td>3.189,60</td>
<td>3.457,70</td>
<td>3.825,20</td>
<td>4.256,40</td>
</tr>
<tr>
<td>Green Coffee</td>
<td>188,1</td>
<td>119,8</td>
<td>185,7</td>
<td>199,2</td>
<td>91,7</td>
<td>182,3</td>
<td>76,5</td>
<td>51,1</td>
<td>45,9</td>
<td>49,2</td>
<td>36,7</td>
<td>57,9</td>
</tr>
<tr>
<td>Cacao Bean</td>
<td>549,9</td>
<td>720,3</td>
<td>748,5</td>
<td>787,9</td>
<td>790</td>
<td>601,1</td>
<td>737,8</td>
<td>1.229,80</td>
<td>1.007,60</td>
<td>850,1</td>
<td>777,9</td>
<td>743,3</td>
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<tr>
<td>Wood</td>
<td>179,3</td>
<td>141</td>
<td>151,6</td>
<td>176,8</td>
<td>159,5</td>
<td>174,6</td>
<td>182</td>
<td>157,1</td>
<td>136,9</td>
<td>160,6</td>
<td>158</td>
<td>148,3</td>
</tr>
<tr>
<td>Cotton</td>
<td>70,7</td>
<td>58,7</td>
<td>77,3</td>
<td>98,7</td>
<td>92,6</td>
<td>105,0</td>
<td>105,0</td>
<td>91,0</td>
<td>93,4</td>
<td>103,1</td>
<td>81,5</td>
<td>73,7</td>
</tr>
<tr>
<td>Oil and Gaz</td>
<td>183,4</td>
<td>336,1</td>
<td>317,6</td>
<td>254,4</td>
<td>333,9</td>
<td>523,0</td>
<td>523,0</td>
<td>396,1</td>
<td>405,8</td>
<td>408,3</td>
<td>640,4</td>
<td>1.060,7</td>
</tr>
</tbody>
</table>

Source: The Ivorian National Institute of Statistics (INS – Institut National de Statistiques)

Table 4: Export Commodities in Thousand of Tons from 1995 – 2005

<table>
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<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Export in thousand</td>
<td>6.021,5</td>
<td>7.946,3</td>
<td>7.346,1</td>
<td>7.388,7</td>
<td>8.002,4</td>
<td>7.734,4</td>
<td>7.725,2</td>
<td>7.086,6</td>
<td>7.285,9</td>
<td>6.561,6</td>
<td>8.186,0</td>
<td>8.924,0</td>
</tr>
<tr>
<td>Green Coffee</td>
<td>161,8</td>
<td>148,5</td>
<td>260,2</td>
<td>237,8</td>
<td>117,6</td>
<td>342,7</td>
<td>342,7</td>
<td>226,8</td>
<td>147,8</td>
<td>121,6</td>
<td>146,5</td>
<td>94,7</td>
</tr>
<tr>
<td>Fèvre Coffee</td>
<td>769,7</td>
<td>1.054,0</td>
<td>992,9</td>
<td>895,4</td>
<td>1.113,2</td>
<td>1.114,3</td>
<td>1.113,5</td>
<td>1.026,0</td>
<td>1.006,3</td>
<td>947,8</td>
<td>1.060,6</td>
<td>991,0</td>
</tr>
<tr>
<td>Wood</td>
<td>592,2</td>
<td>484,0</td>
<td>480,2</td>
<td>561,7</td>
<td>502,0</td>
<td>536,8</td>
<td>535,7</td>
<td>531,4</td>
<td>446,4</td>
<td>371,7</td>
<td>428,6</td>
<td>401,6</td>
</tr>
<tr>
<td>Cotton</td>
<td>90,1</td>
<td>73,4</td>
<td>93,6</td>
<td>122,3</td>
<td>131,2</td>
<td>160,7</td>
<td>160,7</td>
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<td>Oil and Gaz</td>
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<td>3.009,2</td>
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</table>

Source: The Ivorian National Institute of Statistics (INS – Institut National de Statistiques)

**Definition Value FOB**

"Free On Board" means that the seller fulfills his obligation to deliver when the goods have passed over the ship's rail at the named port of shipment. This means that the buyer has to bear all costs and risks of loss of or damage to the goods from that point. The term FOB requires the seller to clear the goods for export. This term can be used only for sea or inland waterway transport.
### Main Trading Partners

<table>
<thead>
<tr>
<th>% of Total</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
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<td><strong>Exports FOB to</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>France</td>
<td>12.5</td>
<td>19</td>
<td>23.7</td>
<td>18.3</td>
<td>18.3</td>
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<td>Netherlands</td>
<td>19</td>
<td>17.7</td>
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<td>11</td>
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<tr>
<td>US</td>
<td>7.6</td>
<td>7.1</td>
<td>10.2</td>
<td>14.1</td>
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<tr>
<td>Nigeria</td>
<td>9.4</td>
<td>3</td>
<td>7.5</td>
<td>8</td>
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<tr>
<td><strong>Imports CIF from</strong></td>
<td></td>
<td></td>
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<tr>
<td>Nigeria</td>
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<td>32</td>
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<td>2.4</td>
<td>3.4</td>
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<td>Venezuela</td>
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<td>0.2</td>
<td>1.6</td>
<td>1.3</td>
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*Source: IMF, Direction of Trade Statistics*

### Main Composition of Trade

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<th>Millions of US Dollar</th>
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<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
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</thead>
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<td></td>
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<td></td>
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<tr>
<td>Cacao</td>
<td>2,256.80</td>
<td>2,362.40</td>
<td>2,171.30</td>
<td>2,060.80</td>
<td>2,033.50</td>
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<td>Fuel Products</td>
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<td>702.7</td>
<td>1,212.10</td>
<td>2,010.70</td>
<td>3,002.50</td>
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<tr>
<td>Timber</td>
<td>223.8</td>
<td>235.5</td>
<td>304.8</td>
<td>299.5</td>
<td>283</td>
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<tr>
<td>Coffee</td>
<td>119.1</td>
<td>142.8</td>
<td>131.1</td>
<td>113.8</td>
<td>166.4</td>
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<tr>
<td><strong>Total Export incl others</strong></td>
<td>5,274.80</td>
<td>5,787.70</td>
<td>6,919.30</td>
<td>7,697.40</td>
<td>8,190.80</td>
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<tr>
<td><strong>Imports CIF</strong></td>
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<td>Capital equipment &amp; raw materials</td>
<td>950.3</td>
<td>1,177.20</td>
<td>1,978.70</td>
<td>2,637.50</td>
<td>2,065.60</td>
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<tr>
<td>Others</td>
<td>504.7</td>
<td>672.2</td>
<td>875.5</td>
<td>783</td>
<td>975.3</td>
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<tr>
<td>Food, beverages &amp; tobacco</td>
<td>594.6</td>
<td>774.8</td>
<td>819.2</td>
<td>865.8</td>
<td>1,016.50</td>
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<tr>
<td>Fuel</td>
<td>417.5</td>
<td>535.4</td>
<td>1,034.70</td>
<td>1,586.10</td>
<td>1,757.90</td>
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<tr>
<td><strong>Total Imports incl others</strong></td>
<td>2,467.10</td>
<td>3,231.10</td>
<td>4,708.10</td>
<td>5,872.40</td>
<td>5,815.40</td>
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*Source: Direction Générale des douanes (2007)*
Table 5: International Trade in Billion of FCFA

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<tbody>
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<td>Exportation FOB</td>
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<td>2.422,3</td>
<td>2.646,5</td>
<td>2.534,3</td>
<td>2.675,6</td>
<td>3.491,2</td>
<td>3.189,6</td>
<td>3.457,7</td>
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<td>Importation CAF</td>
<td>1.056,1</td>
<td>1.584,1</td>
<td>1.443,4</td>
<td>1.608,6</td>
<td>1.764,6</td>
<td>1.778,0</td>
<td>1.771,6</td>
<td>1.865,7</td>
<td>1.812,9</td>
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<td>2.486,8</td>
<td>3.098,0</td>
<td>3.041,4</td>
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<tr>
<td>Trade Balance</td>
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<td>355,7</td>
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<td>868,8</td>
<td>762,7</td>
<td>810,0</td>
<td>1.678,3</td>
<td>1.141,2</td>
<td>970,9</td>
<td>727,1</td>
<td>1.215,1</td>
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Source: The Ivorian National Institute of Statistics (INS – Institut National de Statistiques)

(*) Temporary data

ECONOMIC ACTIVITIES IN IVORY COAST - Agriculture production Ivory Coast from 1995 – 2006

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>Cereals</td>
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<tr>
<td>Weeds</td>
<td>75</td>
<td>78</td>
<td>74</td>
<td>72</td>
<td>78</td>
<td>77,2*</td>
<td>77</td>
<td>77</td>
<td>72,9</td>
<td>107,7</td>
<td>130</td>
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<tr>
<td>Mais</td>
<td>552</td>
<td>569</td>
<td>576</td>
<td>766</td>
<td>796</td>
<td>828</td>
<td>727</td>
<td>722</td>
<td>600</td>
<td>608</td>
<td>640,2</td>
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<tr>
<td>Fonio</td>
<td>9</td>
<td>10</td>
<td>10</td>
<td>9,6</td>
<td>10,1</td>
<td>11</td>
<td>9,4</td>
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<td>12</td>
<td>9</td>
<td>10</td>
<td></td>
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<tr>
<td>Riz</td>
<td>1.045</td>
<td>1.216</td>
<td>1.263</td>
<td>1197</td>
<td>935</td>
<td>954</td>
<td>1027</td>
<td>961</td>
<td>659,8</td>
<td>673</td>
<td>703,9</td>
<td></td>
</tr>
</tbody>
</table>

| Others agriculture products |      |      |      |      |      |      |      |      |      |      |      |      |
| Peanuts | 143  | 143  | 147  | 145  | 141  | -    | -    | -    | 130  | 145  | -    | -    |
| Plantin Banana | 1.335| 1.356| 1.440| 1.400| 1.380| 1.420| 1.460| 1.593| 1.498| 1519,7| -    | -    |
| Yam    | 2.869| 2.924| 2.966| 2.921| 3.170| 3.260| 3.355| 2.853| 4837 | 4970,9| -    | -    |
| Cassava | 1.608| 1.653| 1.699| 1.692| 2.140| 2.240| 2.340| 2.153| 2060 | 2047,1| -    | -    |
| Potatoes | 38   | 39   | 40,2*| 38,2*| 40,1*| 41,4*| 41   | 41   | 44   | 45   | -    | -    |

| Fruits |      |      |      |      |      |      |      |      |      |      |      |      |
| Ananas | 250  | 228  | 250  | 214  | 367  | 255  | 272,2| 270,9| 229,1| 226  | 188,7| 165,1|
| Banana | 191  | 216  | 217  | 226  | 316  | 241  | 253,9| 249,3| 269,1| 280,5| 260,5| 318,2|
| Nuts   | 26   | 26   | 36   | 35   | 70   | 63,7 | 88,1 | 104,9| 84,8 | 140,6| 185  | 235,0|

Source: MINAGRA (DSDI)

(-) represent data not available

(*) represent estimative data
<table>
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</thead>
<tbody>
<tr>
<td>National animal production (Meat, Milk, ægs)</td>
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<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Meat in TEC</td>
<td>52.419</td>
<td>53.762</td>
<td>56.847</td>
<td>55.898</td>
<td>56.818</td>
<td>58.904</td>
<td>61.166</td>
<td>61.569</td>
<td>80.510</td>
<td>65.264</td>
<td>48.319</td>
<td>45.489</td>
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<tr>
<td>Importation en produits fab</td>
<td>314</td>
<td>1.051</td>
<td>693</td>
<td>520</td>
<td>444</td>
<td>295</td>
<td>279</td>
<td>278</td>
<td>199</td>
<td>547</td>
<td>979</td>
<td>1.104</td>
</tr>
</tbody>
</table>

Sources: D.P.E/D.G.R.A, MINAGRA, SICOSAV

TEC: Unit of quantity of animal produced. It’s equaled to TONS
TEL: Unit of quantity of Milk produced. It’s equaled to TONS

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<th>Years</th>
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<th>1.996</th>
<th>1997</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2.003</th>
<th>2.004</th>
<th>2.005</th>
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<td>Fishing Production</td>
<td>70.526</td>
<td>55.296</td>
<td>69.696</td>
<td>73.121</td>
<td>79.164</td>
<td>81.717</td>
<td>78.498</td>
<td>71.022</td>
<td>71.841</td>
<td>55.267</td>
<td>31.564</td>
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<tr>
<td>Traditional Fishing</td>
<td>43.998</td>
<td>23.462</td>
<td>43.287</td>
<td>44.600</td>
<td>50.036</td>
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<td>46.026</td>
<td>53.271</td>
<td>53.271</td>
<td>35.019</td>
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Source: Fishing Department (MINAGRA & SICOSAV)
The Production is in Tons

107
Wood production and exportation

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</tr>
</thead>
<tbody>
<tr>
<td>Wood (1000xm3)</td>
<td>319.0</td>
<td>342.0</td>
<td>175.0</td>
<td>115.0</td>
<td>131.0</td>
<td>190.0</td>
<td>145.0</td>
<td>129.0</td>
<td>128.0</td>
<td>146.0</td>
<td>174.0</td>
</tr>
<tr>
<td>Wood as raw (1000xm3)</td>
<td>1.937</td>
<td>1.772</td>
<td>1.863</td>
<td>1.783</td>
<td>502.5</td>
<td>515.6</td>
<td>531.4</td>
<td>446.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wood transformed (1000xm3)</td>
<td>748.0</td>
<td>611.0</td>
<td>606.0</td>
<td>709.0</td>
<td>634.0</td>
<td>676.0</td>
<td>531.0</td>
<td>446.0</td>
<td>369.0</td>
<td>427.0</td>
<td>401.6</td>
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</table>

<table>
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<td>Coal(1000xtonne)</td>
<td>782.2</td>
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<tbody>
<tr>
<td>Wood (1000xm3)</td>
<td>319.0</td>
<td>342.0</td>
<td>175.0</td>
<td>115.0</td>
<td>131.0</td>
<td>190.0</td>
<td>145.0</td>
<td>129.0</td>
<td>128.0</td>
<td>146.0</td>
<td>174.0</td>
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<tr>
<td>Wood as raw (1000xm3)</td>
<td>1.937</td>
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<td>1.863</td>
<td>1.783</td>
<td>502.5</td>
<td>515.6</td>
<td>531.4</td>
<td>446.5</td>
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<tr>
<td>Wood transformed (1000xm3)</td>
<td>748.0</td>
<td>611.0</td>
<td>606.0</td>
<td>709.0</td>
<td>634.0</td>
<td>676.0</td>
<td>531.0</td>
<td>446.0</td>
<td>369.0</td>
<td>427.0</td>
<td>401.6</td>
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Source: National Institute of Forest / Custom department

Industrial Production

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<td>54</td>
<td>55</td>
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<td>58</td>
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<td>Agro-Food Industry</td>
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<td>149</td>
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<td>139</td>
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<td>171</td>
<td>220</td>
<td>210</td>
<td>142</td>
<td>141</td>
<td>107</td>
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<td>Wood</td>
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<td>Chemistry</td>
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<td>166</td>
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<td>Contraction Material and glasses</td>
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<td>233</td>
<td>247</td>
<td>251</td>
<td>204</td>
<td>174</td>
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<td>Automobile Mecanic and electricity</td>
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<td>86</td>
<td>75</td>
<td>71</td>
<td>70</td>
<td>80</td>
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<td>Other Industries, Presse, Edition</td>
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<td>164</td>
<td>272</td>
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<td>Electrical Energy and Water</td>
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<td>243</td>
<td>243</td>
<td>248</td>
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<td>149</td>
<td>153</td>
<td>140</td>
<td>136</td>
<td>130</td>
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Source: Ivory Coast National Institute of Statistics (INS)
Base: 100=1985
(*)Balance - The variation from one year to another is calculated on the basic of the previous year data
APPENDIX 5: POPULATION, EDUCATION AND EMPLOYMENT IN IVORY COAST

Employment in Public and Private sector from 1996 to 2005

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</thead>
<tbody>
<tr>
<td>Total Nr of Employees</td>
<td>Total Nr of</td>
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<td>117.546</td>
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<td>129.135</td>
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<td>in public administration</td>
<td>Employees</td>
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</tbody>
</table>

|                         | Total Nr of | 177.964 | 208.680 | 216.854 | 262.458 | 249.002 | 237.862 | 249.779 | 217.730 | 187.122 | 191.164 |
|-------------------------| employees in |       |       |       |       |       |       |       |       |       |       |
| Private Sector          | Private Sector|       |       |       |       |       |       |       |       |       |       |

Source: Ivory Coast National Institute of Statistics (INS)

Population according to employment from 1975 to 2006

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</thead>
<tbody>
<tr>
<td>Total of Active Population</td>
<td>2 818 849</td>
<td>4 262 753</td>
<td>6 248 134</td>
<td>6 457 289</td>
<td>6 688 904</td>
<td>6 883 107</td>
<td>7 099 876</td>
<td>7 318 896</td>
<td>7 540 522</td>
<td>7 768 859</td>
<td>8 004 110</td>
</tr>
<tr>
<td>Female in %</td>
<td>32.7</td>
<td>32.3</td>
<td>37.2</td>
<td>37.7</td>
<td>38.1</td>
<td>38.7</td>
<td>39.0</td>
<td>39.6</td>
<td>40.1</td>
<td>40.6</td>
<td>41.1</td>
</tr>
<tr>
<td>Male in %</td>
<td>67.3</td>
<td>67.7</td>
<td>62.8</td>
<td>62.3</td>
<td>61.9</td>
<td>61.3</td>
<td>61.0</td>
<td>60.4</td>
<td>59.9</td>
<td>59.4</td>
<td>58.9</td>
</tr>
<tr>
<td>Total Unemployed population</td>
<td>69.931</td>
<td>237 275</td>
<td>163 647</td>
<td>169 125</td>
<td>174 668</td>
<td>180 278</td>
<td>185 955</td>
<td>191 811</td>
<td>197 851</td>
<td>207 744</td>
<td>616 158</td>
</tr>
<tr>
<td>Female in %</td>
<td>21.2</td>
<td>30.6</td>
<td>71.1</td>
<td>71.3</td>
<td>71.4</td>
<td>71.6</td>
<td>71.7</td>
<td>71.5</td>
<td>71.2</td>
<td>69.8</td>
<td>69.6</td>
</tr>
<tr>
<td>Male in %</td>
<td>78.8</td>
<td>69.4</td>
<td>28.7</td>
<td>28.6</td>
<td>28.4</td>
<td>28.3</td>
<td>28.5</td>
<td>28.8</td>
<td>30.2</td>
<td>30.4</td>
<td>30.4</td>
</tr>
<tr>
<td>Total Employed Population</td>
<td>2 748 918</td>
<td>4 025 478</td>
<td>6 084 487</td>
<td>6 288 163</td>
<td>6 494 137</td>
<td>6 702 829</td>
<td>6 913 920</td>
<td>7 127 085</td>
<td>7 342 671</td>
<td>7 561 116</td>
<td>7 787 952</td>
</tr>
<tr>
<td>Female in %</td>
<td>33.0</td>
<td>32.4</td>
<td>37.9</td>
<td>38.3</td>
<td>38.8</td>
<td>39.3</td>
<td>39.9</td>
<td>40.3</td>
<td>40.5</td>
<td>40.8</td>
<td>40.8</td>
</tr>
<tr>
<td>Male in %</td>
<td>67.0</td>
<td>67.6</td>
<td>62.6</td>
<td>62.1</td>
<td>61.7</td>
<td>61.2</td>
<td>60.7</td>
<td>60.1</td>
<td>59.6</td>
<td>59.4</td>
<td>59.2</td>
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</table>

Source: Ivory Coast National Institute of Statistics
Estimated Population from 1997 to 2007

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</thead>
<tbody>
<tr>
<td>Totale Female in %</td>
<td>49.1</td>
<td>49.1</td>
<td>49.0</td>
<td>49.0</td>
<td>49.0</td>
<td>49.0</td>
<td>49.0</td>
<td>49.0</td>
<td>49.0</td>
<td>49.0</td>
<td>49.0</td>
</tr>
<tr>
<td>Totale Male in %</td>
<td>50.9</td>
<td>50.9</td>
<td>51.0</td>
<td>51.0</td>
<td>51.0</td>
<td>51.0</td>
<td>51.0</td>
<td>51.0</td>
<td>51.0</td>
<td>51.0</td>
<td>51.0</td>
</tr>
<tr>
<td>Taux d'urbanisation in %</td>
<td>42.5</td>
<td>42.8</td>
<td>43.2</td>
<td>43.7</td>
<td>44.4</td>
<td>45.0</td>
<td>46.0</td>
<td>46.7</td>
<td>47.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population under 15 years in %</td>
<td>43.7</td>
<td>43.3</td>
<td>42.9</td>
<td>42.7</td>
<td>42.5</td>
<td>42.3</td>
<td>42.1</td>
<td>41.8</td>
<td>41.4</td>
<td>41.0</td>
<td>40.6</td>
</tr>
<tr>
<td>Population from 15 to 64 years in %</td>
<td>53.9</td>
<td>54.2</td>
<td>54.58</td>
<td>54.81</td>
<td>55.01</td>
<td>55.19</td>
<td>55.43</td>
<td>55.7</td>
<td>56.1</td>
<td>56.5</td>
<td>57.0</td>
</tr>
<tr>
<td>Population from 65 years + in %</td>
<td>2.4</td>
<td>2.5</td>
<td>2.5</td>
<td>2.5</td>
<td>2.5</td>
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<td>2.5</td>
<td>2.5</td>
<td>2.5</td>
<td>2.4</td>
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</table>

The 3 biggest Cities of Ivory Coast and their total population

<table>
<thead>
<tr>
<th></th>
<th>Abidjan in Million</th>
<th>Bouaké in Thousand</th>
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</thead>
<tbody>
<tr>
<td>1997</td>
<td>2772</td>
<td>447,3</td>
</tr>
<tr>
<td>1998</td>
<td>2878,0</td>
<td>461,6</td>
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<tr>
<td>1999</td>
<td>2974,3</td>
<td>477,1</td>
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<tr>
<td>2000</td>
<td>3071,8</td>
<td>492,7</td>
</tr>
<tr>
<td>2001</td>
<td>3170,4</td>
<td>508,5</td>
</tr>
<tr>
<td>2002</td>
<td>3270,3</td>
<td>524,5</td>
</tr>
<tr>
<td>2003</td>
<td>3371,3</td>
<td>540,75</td>
</tr>
<tr>
<td>2004</td>
<td>3473,3</td>
<td>557,124</td>
</tr>
<tr>
<td>2005</td>
<td>3576,0</td>
<td>573,7</td>
</tr>
<tr>
<td>2006</td>
<td>3681,6</td>
<td>590,5</td>
</tr>
<tr>
<td>2007</td>
<td>3788,4</td>
<td>607,6</td>
</tr>
</tbody>
</table>

Source: Ivory Coast National Institute of Statistics

Gross Domestic Product (GDP) of Ivory Coast– from 1996 to 2005

<table>
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</thead>
<tbody>
<tr>
<td>GDP Evolution in %</td>
<td>6.7%</td>
<td>5.7%</td>
<td>4.9%</td>
<td>1.6%</td>
<td>-2.1%</td>
<td>0.1%</td>
<td>-1.7%</td>
<td>-2.3%</td>
<td>1.3%</td>
<td>1.7%</td>
</tr>
</tbody>
</table>

Source: Ivory Coast National Institute of Statistics

Foreign Direct Investment in Million of US Dollar

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>FDI in Ivory Coast</td>
<td>212,6</td>
<td>165,3</td>
<td>283</td>
<td>311,9</td>
<td>315</td>
</tr>
<tr>
<td>FDI abroad</td>
<td>-4</td>
<td>23</td>
<td>-26</td>
<td>-7</td>
<td>-6</td>
</tr>
<tr>
<td>Inward Investment</td>
<td>24,5</td>
<td>-33,8</td>
<td>-37,5</td>
<td>-50</td>
<td>-40</td>
</tr>
</tbody>
</table>

EDUCATION FROM 1989-2001

GOVERNMENT YEARLY EXPENSES IN EDUCATION
EMPLOYMENT AND UNEMPLOYMENT CHART

POPULATION ACTIVE VERSUS TOTAL POPULATION

The rest of the Population represents (Population under 15 years old and population from 65 years old +)
The active population represents (Unemployed and Employed population)