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THE BUSINESS OF RECONCILIATION

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In the years since the Rwandan genocide in the mid-1990s, Rwandans and the rest of the world have wondered how the nation would recover—both socially and economically—from the devastation and what lessons, if any, can be learned from reconciliation. Coffee farming has proved an important element of recovery on many fronts. Working together, Hutus and Tutsis are producing a high-quality, high-value crop: specialty coffee. Because the vast majority of coffee is produced on small farms by growers who benefit from economies of scale when they band together, former enemies are finding it in their best interest to work together.

RWANDAN GENOCIDE

THE 1994 SLAUGHTER by the majority Hutu people of Rwanda of close to 1 million Tutsis ranks as among the most horrific events of the twentieth century. From April to June of that year, more than 800,000 people were murdered by their neighbors. The genocide was the culmination of decades of divisive ethnic politics that granted legal favors to one group over another.

Following the genocide, the Rwandan economy was in ruins: the World Bank reports that in 1994 Rwanda's gross domestic product (GDP) fell by 50 percent.¹ Part of the recovery process has involved looking for ways to increase exports, in hopes of earning money to repay debts. The government liberalized trade in several products with reasonable income-earning potential. In the coffee sector, new rules replaced old laws that had controlled and politicized the industry since the colonial era. Liberalizing the coffee sector opened the door for greater prosperity among small farmers and coffee entrepreneurs. However, liberalization also created new incentives for former enemies to work together to build successful businesses.

THE SPECIALTY COFFEE INDUSTRY IN RWANDA

RWANDAN FARMERS HAVE grown coffee since the 1930s, but they only recently began to focus on producing specialty coffee. After the genocide, agricultural experts recognized that Rwanda possessed high-quality coffee trees and good soils, as well as reliable rainfall. These natural resources—combined with training, new washing stations to process coffee beans, and new laws allowing for greater economic freedom and a depoliticized industry—gave Rwandan coffee farmers the potential to command high prices on world markets.

“Expanded opportunities for trade may provide an effective post-conflict strategy for bringing people together because trade provides people with both the opportunity and the incentive to work together toward a common goal: building a profitable business.”

Most Rwandans are smallholders, with an average of 175 coffee trees, so achieving these higher prices requires joining together in cooperatives. Only by working together can farmers take advantage of economies of scale to share expenses, knowledge, and risks. When they join a cooperative, farmers improve their chances of obtaining financing to build a local washing station, they share the costs of marketing to foreign buyers interested in the specialty coffee market, and they benefit from increased bargaining power in negotiations with foreign purchasers.

With technical and financial support from several NGOs and coffee importers and roasters, local entrepreneurs in Rwanda have organized coffee co-operatives and collaborated to improve methods of growing, handling, and processing coffee. As a result, Rwandan specialty coffee, a small but growing percentage of the country’s total coffee crop, has been winning or placing near the top of the field in international specialty coffee competitions. In 1997, only 1.8 metric tons of specialty coffee was produced in Rwanda; by 2004 the figure was 40 metric tons. The Organization for Economic Cooperation and Development (OECD) noted in 2005, “With overall favorable weather conditions experienced during 2004 and recent price improvements, export volumes for coffee and tea are estimated to have grown close to 25 percent in the first 10 months of 2004.”²

A news report from the United Nations High Commission on Refugees discusses the benefits of the specialty coffee industry. The president of Abahuzamugambi Cooperative, Joyeuse Mukashyaka, who lost her husband during the genocide, said, “The association has given to those women affected in one way or another by the war new reasons to live. I have three teenagers at home whose studies I can afford now, even if the money is still very little.”³

Having greater access to the international specialty coffee market makes a big difference for these farmers. Beyond school fees, their increased incomes help pay for repairing their homes, buying clothes, and getting through the long months between coffee harvests more easily than before.

COFFEE IN RWANDA

The specialty coffee grown in Rwanda is becoming recognized as some of the world’s best, and its price reflects this high regard. While the commodity price of coffee is less than a dollar per kilo, the price of specialty coffee is, at a minimum, twice as much. In September 2007, importers paid US\$55.00 per kilo for the best Rwandan coffee.⁴

These high prices are having a noticeable impact on Rwanda’s standards of living. A 2006 report to USAID demonstrates the effect coffee is having on income and jobs: “50,000 households have seen their incomes from coffee production double, and some 2,000 jobs have been created at coffee washing stations.”⁵

THE BENEFITS OF BUSINESS

WHILE RELATIVELY LITTLE has been written on the role business can play in post-conflict reconciliation, much work has been done on the closely related topic of the relationship between peace and trade. The idea that trade promotes peaceful relations and lessens the likelihood of armed conflict was noted by Montesquieu and Bastiat, among others.

More recently, research shows that cross-border trade decreases the risk of conflict between trading partners; the greater the amount of trade, the greater the loss incurred by conflict.⁶ Another study argues that increased levels of foreign direct investment reduce levels of conflict by integrating economies and citizens of different countries.⁷

INCENTIVES

EXPANDED OPPORTUNITIES FOR trade may provide an effective post-conflict strategy for bringing people together because trade provides people with both the opportunity and incentives to work together toward a common goal: building

a profitable business. Trade allows individuals to develop mutually beneficial ties that are largely depoliticized. Creating trading ties among former enemies may lessen the likelihood of renewed violence because trading partners learn to cooperate and because traders view violence as a costly distraction from economic activity.

Twenty percent of Rwanda's coffee farmers are genocide widows and orphans (widows include not only women whose husbands were killed, but also those whose husbands are jailed for their role in the genocide). They turned to coffee farming to support themselves, but because they were mostly smallholders, it was essential for them to work cooperatively in order to maximize profits.

This economic imperative encourages reconciliation. Hutus and Tutsis who formerly fought one another now work together, building effective cooperatives, developing stronger governance and management skills, and finding common commercial ground as they all work to improve their product and, by extension, their lives. In an interview about the successful Karaba Cooperative, general manager Angelique Karekezi said: "Some of us once hated each other . . . and now we're working side by side. That's been crucial for the healing process."⁸

CONCLUSION

FOLLOWING THE 1994 genocide in Rwanda, the United Nations, the Rwandan government, and the private sector launched a variety of strategies for justice and reconciliation. In the private sector, the results have been unexpectedly positive.

An ethic of forgiveness and reconciliation is being generated within these private-sector operations. In Rwanda, trading relations are leading to increased levels of cooperation among former enemies. Cooperation in pursuit of a common goal is providing a different, and cost-effective, mechanism for healing.



Students celebrate in a new school funded by a coffee cooperative. (top). Working together side by side, sorting coffee beans in Rwanda (bottom).

The great hope, of course, is that the role played by commercial activities in promoting reconciliation between Hutus and Tutsis in Rwanda will mirror the experience of nation-states. To the extent that nations trade with each other, they have more peaceful relations.⁹ In Rwanda, coffee farmers who are working together in pursuit of a common goal will, hopefully, also create spheres of peace within this ravaged nation.

By improving the institutional environment for doing business the government has created space for some industries, particularly the specialty coffee industry, to flourish. Reform of the various laws that surrounded the coffee industry has not only led to economic benefits, such as more jobs and greater income, but it has also improved standards of living in a much less quantifiable way, by encouraging Rwandans to repair the divides created by the genocide.

ENDNOTES

1. World Bank, "Rwanda—Country Brief," (World Bank Group: Washington, DC, 2007), available online at <http://go.worldbank.org/YP79K5BDT0>.
2. African Development Bank and the OECD Development Center, "Rwanda," *African Economic Outlook 2004–2005* (Authors: Paris, 2005), available online at <http://www.oecd.org/dataoecd/42/10/34872012.pdf>.
3. United Nations High Commission for Refugees, "Rwandan Cooperative Shows Reconciliation Needed to Draw Refugees Home," *News* (UNHCR: Geneva, February 8, 2006), available online at <http://www.unhcr.org/news/NEWS/43ea0ced4.html>.
4. At the Golden Cup coffee auction and competition in Kigali, in September of 2007, Rwandan coffee was bought by U.S. coffee importers for as much as \$55 per kilo (approximately \$25 per pound), a Rwandan record price comparable to the world's most expensive coffees. See Rwanda News Agency, "Coffee Sells at Record Prices," *Rwanda Development Gateway* (Author: Kigali, Rwanda, September 26, 2007), available online at http://www.rwandagateway.org/article.php?id_article=6848.
5. Chemonics International, Inc., "Assessing USAID's Investments in Rwanda's Coffee Sector" (Author: n.p., April 2006): 6.
6. Solomon Polachek and Carlos Seiglie, "Trade, Peace, and Democracy: An Analysis of Dyadic Dispute," Institute for the Study of Labor (IZA) Discussion Paper No. 2170 (IZA: Bonn, Germany, June 2006).
7. P. G. Thompson, "Foreign Direct Investment and War: Economic Deterrence to Armed Conflict" (PhD diss. University of California, Los Angeles, 2003).
8. William Foote, "A Healing Brew: Community-based Commerce Helps Heal the Broken Nation of Rwanda," *Miami Herald*, November 29, 2004.
9. Solomon Polachek and Carlos Seiglie, "Trade, Peace, and Democracy: An Analysis of Dyadic Dispute."

FOR FURTHER INFORMATION read "State Power, Entrepreneurship, and Coffee: The Rwandan Experience," Policy Comment number 15 in the *Mercatus Policy Series*, available at www.EnterpriseAfrica.org or www.Mercatus.org, as well as the Institute of Economic Affairs's June 2007 issue of *Economic Affairs*, "Enterprise Solutions to Poverty in Africa" (Vol. 27, No. 2, available at <http://www.iea.org.uk>).

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