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Coffee Statecraft: Rethinking the Global Coffee Crisis, 1998–2002

GAVIN FRIDELL

This paper offers a rethinking of the global coffee crisis from 1998 to 2002. In seeking to account for the crisis, most official international institutions and non-governmental organisations have focused on the dynamics of the coffee market, its volatility and unpredictability, in the wake of the decline of the International Coffee Agreements in 1989. The result has been a dominant consensus around the 'market' as the cause of underdevelopment and its potential solution, with the 'state' receding ever further into the background. As an alternative to this consensus, this paper argues that the state and the market are inseparable and, more specifically, that *coffee statecraft*, both good and bad, has been and continues to be central to the everyday operations of the coffee industry. Drawing specifically on the role of the Vietnamese state, it argues that coffee statecraft played a key role in the crisis – typically portrayed as primarily market-driven – and proposes greater attention be paid to the geopolitical actions of southern states, the role of the state during times when it seems most benign or invisible, and the centrality of coffee statecraft in steering development outcomes.

Keywords: coffee, global political economy, economic statecraft, international trade, geopolitics, Global Value Chains

The recent upsurge in coffee prices, beginning in 2011, has brought welcome relief to a global industry characterised by two decades of low prices and crisis for small farmers and rural workers. Despite a few short mini-booms, coffee bean prices from 1989 to 2010 were considerably lower on an annual basis than the previous two and a half decades, during which time prices were managed by the International Coffee Agreements (ICA) – a quota system signed by all major coffee-producing and -consuming countries designed to stabilise and increase coffee prices by holding a certain amount of coffee beans off the global market to avoid oversupply. The collapse of the ICA in 1989, which occurred when a group of participants, led by the USA, withdrew their support as part of the movement towards 'free trade' reforms, played a central role in

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the crisis decades that followed, entailing extremely low prices, mass layoffs, bankruptcy, migration and hunger for tens of thousands of poor coffee farmers and workers worldwide (Oxfam International 2002; Talbot 2004; Fridell 2007b). The darkest years occurred from 1998 to 2002, during which time coffee indicator prices for green beans dropped as low as 45 cents per pound, the lowest price reached in 30 years and possibly the lowest *real value* in over 100 years, taking into account historical rates of inflation (Oxfam International 2002).[1]

In seeking to account for the causes and consequences of the global coffee crises, and propose solutions in its wake, most analyses coming from official international institutions, non-governmental organisations (NGOs), think tanks, social justice groups and policy advisors have tended to focus on the dynamics of the coffee market, its volatility and unpredictability and the ever-expanding oligopolistic dominance of giant roasters, retailers and traders. This tendency has been further entrenched in recent years by the growing pervasiveness of fair trade, ethical trade, organic and sustainable coffee, corporate social responsibility and any number of market-driven projects devoted to combating poverty and inequality in the coffee industry by correcting market 'imperfections'. The result has been a dominant consensus around the 'market' as the cause of underdevelopment and its potential solution, with the 'state' receding ever further into the background. As an alternative to this consensus, however, I will argue, building on some of most insightful recent work on international political economy and the coffee industry, that the state and the market are inseparable and, more specifically, that *coffee statecraft*, both good and bad, has been and continues to be central to the everyday operations of the coffee industry and the poverty and inequality it produces.

While the global coffee market, as critics correctly observe, does indeed cause socially destructive volatility and unpredictability for millions of coffee farmers, the existence of this market is not the natural or inevitable outcome of human activity, but rather stems from a specific form of international exchange set in motion by capitalist states who protect, reproduce and contest the global coffee chain on a continual basis. The geopolitics of coffee statecraft must be of central concern for understanding and challenging the deep roots of uneven development in the coffee world. I will approach this argument in two parts. In part one, I provide an assessment of the dominant framework for understanding the geopolitics of coffee and advance the idea of coffee statecraft. In part two, I propose a rethinking of the global coffee crisis that places statecraft at its core. In the end, I argue that the concept of coffee statecraft offers new directions for understanding the global coffee industry that entail greater emphasis on the geopolitical actions of southern states, on the role of the state during times when it seems most benign or invisible, and on the centrality of coffee statecraft for initiating development incomes that are good and bad, and somewhere in between.

The global coffee market and coffee statecraft

Coffee is second to oil as the most valuable legally exported commodity from the south and is in many ways the quintessential global commodity, linking the daily routine of millions of consumers and producers experiencing vastly different lives.

Despite the immense wealth generated by the industry each year, the majority of the world's 25 million coffee families live in relative poverty. Among progressive groups and popular commentators, the most frequently named culprit for this highly unequal outcome is the coffee market itself. NGOs and development agencies commonly point to the volatility and unpredictability of global coffee markets as a primary cause of uneven development (Oxfam International 2001, 2002). Grassroots social justice groups have tended to focus on corporate giants and their oligopolistic control of Northern markets, demanding fairer trade and higher prices for farmers (Fridell 2007b). On the other hand, representatives of big coffee have defended the market, insisting persistent poverty lies in failures to effectively adjust to market demands. Economic trade theorists and libertarian think tanks have echoed these sentiments, asserting that the only option to address poverty in the coffee industry is to submit more fully to purportedly neutral and undistorted market signals of supply and demand (The Coffee Reporter 2003; Brink 2004).

Despite the intensity of these debates and the wide diversity of opinion within them, one key area of commonality is misrecognition of the primary culprit or saviour. Both critics and defenders have tended to focus their concerns on the coffee market itself, as opposed to the states that create, manage, regulate and reproduce this market. This has served to naturalise market rule and obscure much of the industry's primary nature and dynamic. Thus, NGOs and activist groups have often called on the state to 'intervene' in the coffee market, overlooking the ways in which states never stop intervening, often with the goal of protecting and promoting the interests of coffee companies and plantation owners. Trade economists and industry representatives, for their part, have taken the opposite stance, criticising state intervention in the coffee market, while failing to acknowledge that the state is ever present in the global market, and cannot be dismissed or eliminated as an 'imperfection'. This has led them to perpetually misdiagnose what needs to be done, replacing sober reflection on the operation of real-world coffee markets with free trade fantasies proposing solutions that have long been on offer (increasing productivity and quality, expanding markets, diversifying and so on) and have continually failed to bring substantive benefits to coffee farmers and workers worldwide.

The current neglect or downplaying of the centrality of the state in managing the coffee industry is not reflected in the academic literature, much of which provides rich and detailed explorations of the historical evolution of the coffee industry locally, regionally and globally, and the complex relationship between coffee and colonial and post-independence state-building (Winson 1989; McCreery 1994; Williams 1994; Paige 1997; Clarence Smith and Topik 2003). A great deal of work is also devoted to examining power, politics and class within the coffee commodity chain and how relationships of domination, oligopoly and the extraction of value play a determining factor in the operation of real-world coffee markets (Talbot 2004; Bacon 2005; Daviron and Ponte 2005; Muradian and Pelupessy 2005; Agergaard *et al*. 2009; Neilson and Pritchard 2009). Most of these works, however, have little to say about the geopolitics of coffee statecraft; how competitive capitalist states battle in the interstate system for a bigger share of the global coffee pot, the outcome of which is immensely important to the livelihoods of poor coffee farmers and rural workers globally. Some journalistic works provide discussion on the geopolitics of coffee and offer important insights, but pay little attention to political and social theory, and replicate the distinction between state and market being critiqued here (Wild 2005; Dicum and Luttinger 2006; Pendergrast 2010). Daviron and Ponte (2005: 253), in their important work on the global coffee chain, situate coffee within the current international political context, drawing widely on political and social theory, but their framework also tends to replicate the distinction between state and market, with the authors seeking to determine whether a 'partial re-regulation of marketing systems' is appropriate or possible.

Two key exceptions are the works of Robert Bates and John Talbot, both of which are highly significant for understanding coffee statecraft and its often-overlooked impact. Bates' (1997) work on the political economy of coffee is of major importance because it draws attention to the ways in which states have shaped the international coffee market through various forms of market regulation (such as the ICA or national marketing boards) in response to demands of domestic coffee sectors. As a lead institutionalist thinker, Bates tends to depict the state in fairly neutral terms, seeing it as a relatively benign institution swung in different directions by competing interest groups who vie for power and influence.[2] The argument here, in contrast, places greater emphasis on the specifically capitalist and class nature of coffee states. A key distinction is that while Bates (2001: 13) depicts states as ultimately choosing to 'introduce institutions into economic life', I argue that the capitalist state is always involved in managing coffee markets, both under 'regulated' and ostensibly 'free trade' regimes.

Talbot's (2004, 2009) path-breaking work on coffee and the ICA, drawing on a Global Value Chain (GVC) approach, more effectively gets at the specifically capitalist drives underpinning the global coffee industry. Whereas neoclassical trade theory tends to assume that trade participants are independent from one another, connected by only isolated economic transactions, the GVC approach points out that formally independent firms are in fact linked through informal institutional frameworks coordinated by 'lead firms' who exercise economic 'governance' over the commodity chain based on their control of market access and information (Gereffi and Korzeniewicz 1994; Daviron and Ponte 2005; Fold and Pritchard 2005; Bair 2009). Using this approach, Talbot has effectively demonstrated how 'collective action' among producing states was able to provide relatively higher and more stable prices than was the case before or after the ICA.

The argument here around coffee statecraft draws on Talbot's key insights, while making divergences from the GVC approach. First, the focus of GVC literature on developing specific typologies for different chains has suffered from the weakness that it is difficult, if not impossible, to define an entire chain on the basis of a single typology: different firms may dominate along different nodes of a chain and this can change significantly over time (as noted by Talbot 2009). Concepts such as 'lead firms' and 'drivenness' are, thus, highly instructive, although best employed in a manner looser than is typically the case in much GVC work. Second, the focus of the GVC approach on a specific commodity chain tends to result in downplaying the impact of political and economic forces from outside the chain and in other industries. Third, the GVC approach has been criticised for overemphasising relations between *economic* agents – in particular transnational corporations – at the cost of downplaying the significance of other political and social actors (the state, social classes and international regimes) (Bernstein and Campling 2006a, 2006b). The state, for example, is not just one player among others in a particular 'node' of a chain, fighting for its share of the economic pie, but plays a key role in reproducing the very social relations that underpin the entire chain. Much GVC work, akin to Bates, tends to make too firm a distinction between when a chain is dominated by economic or political governance, whereas both are always present.

Building on and departing from these works, I argue that the complex nature between the modern capitalist state and the global coffee market can be further understood through the idea of coffee statecraft, drawing particularly from the international political economy approaches to understanding imperialism advanced by Arrighi (1994), Gowan (1999), Harvey (2003) and Wood (2005).[3] All of these approaches are devoted to understanding imperial powers, but their ideas can be instructively applied more broadly to all capitalist states, rich and poor. Of particular importance is Harvey's reformulation of Arrighi's earlier conception of the geostrategic interests of capitalist state being primarily driven by two logics, a 'territorial logic' and a 'capital logic', that are intertwined and dialectical in a relationship that can be compatible, competing or contradictory, depending on the specific context.

The 'territorial logic' involves the geostrategic considerations of political leaders as they seek power for their state over other states in the pursuit of 'collective advantage . . . constrained by the political and military situation of the state and . . . in some sense or other responsible to a citizenry or, more often, to an elite group' (Harvey 2003: 27). This logic encompasses the sort of activities Bates is concerned with, where coffee states strive to defend and promote internationally the interest of the national coffee sector, perceived as essential for the state in providing revenue (through tariffs and other forms of taxation), employment, economic and social stability, and institutional legitimacy. The coffee sector, in turn, exercises influence over the state's geostrategic priorities depending on their overall economic weight, control of major media and information outlets, and direct influence over government through political contributions, donations and bribes. Importantly, territorial logic is not confined strictly to direct political or military activities, but often entails what Gowan (1999) – through his unique blend of Marxian political economy and neo-realist international relations theory – has referred to as 'economic statecraft': the strategic use of market management by capitalist states to gain advantage or power over others. Moreover, the territorial logic can entail a variety of more subtle political, ideological and discursive forms of 'biopolitics' (or 'soft' power) aimed at regulating 'how groups, communities and peoples are acted upon in order to support and promote collective life' (Duffield 2007: 5).

The 'capital logic,' in contrast, as Harvey (2003: 28, 33) observes, is 'much more diffuse and less amenable to explicit political decision-making', involving an array of institutional arrangements designed to manage the 'open spatial dynamics of endless capital accumulation'. Through this logic, states work actively to develop, ensure and reproduce a capitalist economy, based on specific social relations and commodity production. This entails protecting private property, managing class conflict (through coercion or social reform) and defending the interests of capital on a global scale. Significantly, as Wood (2005) has argued, within interstate relations, this logic involves capitalist states working unilaterally (through imperialist aggression) or collectively (through international organisations such as the World Trade Organisation (WTO)) to preserve the artificial separation between the economic and political realm within states required for capitalism to expand globally. The relationship between the two logics can be relatively harmonious or conflict-ridden, depending on the particular context and the balance of social forces. Seeking to meet the capital logic and promote the interests of large domestic-based corporations abroad, for example, states can run against their own territorial logic if it results in jobs and tax revenue moving elsewhere.

In this paper, I will draw on the framework of the two logics of capitalist statecraft to help understand the interstate workings of the global coffee industry within the context of the global coffee crisis at the turn of the millennium. The crisis is frequently understood as the outcome of the decline of state regulation and the unleashing of market forces after the collapse of the ICA. While I agree with the key role assigned to the end of the ICA, I will argue that coffee statecraft remained a primary driver after its collapse. It is generally noted that one of the primary causes of the crisis was the rapid entrance of newcomers into the coffee market, especially Vietnam. This did not occur as a result of spontaneous market forces of supply and demand, but rather out of a conscious effort by the Vietnamese state to promote coffee production and export to its own advantage, seeking to meet its changing capital and territorial logics through coffee statecraft.

Rethinking the coffee crisis (1998–2002)

The years of instability following the collapse of the ICA in 1989 culminating in the coffee crises from 1998 to 2002 are frequently evoked to demonstrate the chaotic impact of state withdrawal from the industry. The general picture painted in this regard is, I would argue, more or less correct. The end of collective action among coffee states over price regulation sparked greater volatility in the global market. This set the stage for a major crisis when coffee exports boomed; supply far outstripped demand and prices collapsed. Many factors were involved in this boom, including substantial increases in production in Brazil, but the most unanticipated was the entrance of major new coffee exporters, led by Vietnam, into the coffee market with unprecedented rapidity. In just over a decade, Vietnam leapt from being an insignificant coffee exporter to the world's second largest, matching the export volumes of long-standing leader Colombia. Growing mostly poorer-quality Robusta beans, Vietnam's exports grew by an annual average of 29 per cent from 1981 to 2001, riding a tide of new interest among coffee Transnational Corporations (TNCs) in buying such beans to blend with more expensive Arabica beans, due to new processing technologies that allowed roasters to soften the otherwise harsh taste of Robusta beans. The end of the ICA combined with the entrance of Vietnam resulted in global market chaos, with devastating impacts on the world's poorest coffee farmers, including those in Vietnam who saw farm gate prices bottom out after several years of growing incomes and confidence in the industry (Oxfam International 2002; Giovannucci *et al*. 2004).

While much is captured in the above picture, what is often missing is greater attention to the ways in which the state continued to play a central role in the global coffee market even after 1989. The collapse of the ICA did not represent the end of state involvement in the industry but rather a shift in relations between coffee states from one based on a degree of collective action to one based on intensified competition. States continue to manage the rules and regulations required for the exchange of coffee in a capitalist world system, only now with fewer checks on the behaviour of individual states seeking advantage over others. Nowhere is this more apparent than with Vietnam itself, whose entrance into the coffee world, despite outward appearances, was in fact highly managed by the state in the interests of coffee statecraft. The extent of state involvement was highlighted in a 2004 World Bank report, which stated in no uncertain terms that the Vietnamese government:

> . . . has for decades been an integral part of the coffee sector's development. Not only have policies and regulations governed the sector, but government has also directly participated in every aspect of the coffee industry. From input and credit markets to production, processing, and marketing, its influence has been all-encompassing. Government is the primary and most influential institution by far, and has created nearly the entire sector's other institutions. (Giovannucci *et al*. 2004: 7)

Building coffee statecraft in Vietnam

Given the centrality of the Vietnamese state to the coffee sector – as well as the entire national economy – it would be misleading to characterise its rapid leap to the top ranks of global coffee exporters as being driven entirely or even primarily by market forces. The dynamics of the global market were, of course, central to crisis which, on the surface, was driven by Vietnamese coffee farmers responding to what the World Bank terms a 'uniquely favorable set of developments in the world market for coffee' (Giovannucci *et al*. 2004: ix). Responding to increasing demand and higher prices for Robusta beans, especially from 1995 to 1998, Vietnamese coffee farmers ramped up production, playing a key role in swamping the global market. Chaos like this is common to global commodity markets, where individual growers respond to higher prices during a 'boom' by increasing production, without recognising that collectively they are setting the stage for a possible 'bust' further down the line when supply outstrips demand (Oxfam International 2002; Talbot 2004).

And yet, the operation of these market forces cannot be taken as given or as something that emerges out the 'natural' forces of supply and demand. Why were there coffee farmers in Vietnam in the first place to respond to these market forces, when 30 years previously there were hardly any? Why were these farmers dedicated to commodity production for sale in the global market, as opposed to subsistence production targeting local needs? How did farmers even find out about coffee's growing and processing requirements, the appropriate use of inputs, how it can be stored, sold and traded? Did hundreds of thousands of Vietnamese decide spontaneously to become coffee farmers – in response to global market price signals – give up their current livelihoods, move to the coffee regions, acquire land and start growing coffee?

In fact, these conditions were created by multiple forces beyond the market, through a process significantly shaped by the state. Chief among these conditions was the existence of a class of smallholder farmers devoted primarily to growing coffee beans for sale as a commodity in global markets. These export-oriented, commodity-producing farmers emerged as part of the long history of Vietnam's integration into the world system, first under the rule of the French colonial state (1887–1954), followed by the wartime governments of North and South Vietnam during the Vietnam War (1954–75) and finally with the unified independent state of Vietnam from 1975 onward. In the major coffee-growing province of Dak Lak, the colonial state first introduced coffee cultivation as part of a wider process to create a plantation economy dedicated to the needs of the French Empire. The colonial state made huge land grants to French settlers and Vietnamese collaborators to grow commodities for export, while the vast majority of rural dwellers were further marginalised under highly onerous tenant relations (including compulsory labour) or as highly exploited landless workers. During the Vietnam War, the American- and French-backed South Vietnamese government took various measures to compel migration, settlement and further commodity cultivation in Dak Lak due to its strategic significance as a main area of conflict (Kolko 1994; Ha and Shively 2008).

After the war, with the Communist North victorious, the government designated Dak Lak the sight of several new economic zones, establishing hundreds of state farms and cooperatives out of previous plantations and claiming new agricultural land through deforestation. For the next decade, the state carried out a massive resettlement programme, drawing hundreds of thousands of new settlers into the region. Much of the motivation for this programme was the need to manage population growth among lowland farmers in densely populated areas and relatively poor areas of the northern and central coastal provinces. Many of the new settlers were ethnic Kinh farmers, Vietnam's majority, and Dak Lak was transformed from a province with a minority Kinh population to one in which the Kinh were 70 per cent by 2000. The state also carried out programmes targeting indigenous land, traditionally held in common, which was taken over, turned into state property and distributed to the new settlers, who in turn were encouraged to grow commercial crops (coffee, tea and rubber) for export (D'haeze *et al*. 2005; Ha and Shively 2008; Agergaard *et al*. 2009).

Despite the government's formal designation as 'Communist,' staggering under the immense impact of the war (which claimed millions of lives) and faced with economic stagnation and hyperinflation in the years following independence, experiments in collective or socialised ownership were soon abandoned in favour of a transition to a capitalist economy overseen by a state elite. While the Communist government had proven effective in strategic terms during the war, afterwards its authoritarian structure and general aversion to mass participation, democratic input and intellectual freedom resulted in ineffective and bureaucratic economic planning, the rise of corruption and declining political legitimacy. This was combined with considerable international efforts to bring Vietnam to heel, most notably the War itself, which entailed a massive military, economic and political effort on the part of the USA, the world's dominant superpower. While the North Vietnamese formally won the war, left behind in its wake was a country devastated by two decades of brutal conflict – hardly the groundwork upon which to construct a new society. After the war, imperial powers kept up the pressure, including a two-decade-long trade embargo imposed by the USA, which did not normalise relations with Vietnam until 1995. In the 1980s and 1990s, as Vietnam began to gradually liberalise its economy and privatise state assets, the World Bank, the IMF and Western governments moved quickly to offer much-needed bilateral and multilateral loans in exchange for commitments by the Vietnamese state to pursue export-oriented agriculture to earn foreign exchange to meet debt payments (Kolko 1994).

Through this process, Vietnam was further integrated into the world system and a capitalist logic became entrenched within state economic policies. While mainstream economic pundits tend to confuse a capitalist logic with devotion to 'free trade', this is in fact far from the case; a great many states have historically developed capitalist economies behind an array of protectionist barriers and integrated into the world system with a variety of trade barriers remaining intact or even being constructed anew (Chang 2008). From the perspective of the state, a central feature of the capitalist logic is the development or expansion of state policies aimed at enforcing the formal separation between the economic and the political spheres – mandating rules around how and when the state can intervene in 'economic' matters (Wood 2005). This requires above all else the creation and protection of private property, a process that the Vietnamese state began to pursue in the 1980s with growing vigour.

In 1981, only six years after unification, the state took the first steps towards the gradual privatisation of cooperative farms, allowing individual households to farm their own plots if they agreed to a variety of conditions determining the quantity and nature of the crop, as well as to provide a quota of the final output to the cooperative. In 1986, the government initiated a series of broad-ranging economic reforms under the banner of 'Doi Moi' ('economic renewal') involving the steady dismantling of collectives, the privatisation of state assets, the liberalisation of markets and various incentives to encourage smallholders to switch to cash crops for export. This process expanded throughout the 1990s. In 1993, the state passed a Land Law that allowed land to be traded, inherited and used as collateral for loans, and permitted land allocations to individual farm households of 20 years for annual crops and 50 years for perennial crops, subject to approval by district-level people's committees. The introduction of this form of semi-private property was followed in 1999 by the Enterprise Law, which provides a framework for the privatisation of state-owned enterprises (SOEs) and the formation of a domestic private sector, a process that is ongoing to this day (Giovannucci *et al*. 2004; D'haeze *et al*. 2005; Ha and Shively 2008; Agergaard *et al*. 2009).

Throughout the process of state-led expansion of a capitalist economy driven by a ‘capitalist logic’, the Vietnamese state also paid attention to its specific ‘territorial logic’ as one state among many in a competitive global economy. If the formation of a semi-independent smallholder class were to be encouraged, what would the new farmers grow? Rice was and remains Vietnam’s largest agricultural export. However, a stable economy requires a degree of diversification, and not all regions are well suited for rice, including the Central Highlands. Small farmers in this region required viable livelihoods to avoid or dampen protest and rebellion, and a profitable agroexport industry was essential as a source of foreign exchange and state revenue, attained through tariffs and other forms of taxation. Moreover, newly forming trading, processing, banking and other private companies all required a thriving agricultural sector upon which to base their own profitability; they needed people to buy from, markets to sell to and lenders to loan to. All of this was too important to leave to the market itself, and required substantial state efforts to direct the agroexport industry.

In Dak Lak province and much of the Central Highlands, the state settled on coffee statecraft as one of its primary endeavours. Dak Lak’s soil and climate were well suited for Robusta beans and the region had a history of growing relatively modest amounts of coffee since the nineteenth century. Beginning in the mid-1970s, the state stepped up efforts to encourage coffee growing in Dak Lak, most of it for use in barter trades between Vietnam and Soviet Bloc allies, exchanging coffee and other agricultural products for industrial goods and technological support. Central to this was a massive government resettlement programme that sparked a rapid increase in the rural farming population, many of whom were encouraged to participate in coffee growing. Relative to other options, coffee farming proved viable and attractive, and by the mid-1980s migration to Dak Lak no longer required direct state stimulus but became largely spontaneous. As hundreds of thousands of new settlers moved into Dak Lak, the state continued to promote coffee as part of its larger agrarian reform, allowing smallholders greater control of their land and the marketing of their products, and easing restrictions on imported chemical fertilisers (Giovannucci *et al.* 2004; D’haeze *et al.* 2005; Ha and Shively 2008; Agergaard *et al.* 2009).

By the 1990s, the stage was set for the market dynamics associated with Vietnam’s coffee boom to play out: a temporary spike in world prices for Robusta beans encouraged a rapid expansion of coffee growing as hundreds of thousands of Vietnamese farmers rushed to step up production on existing land or claim new land from the rainforest. Vietnam moved with unprecedented speed to become the world’s second-largest exporter of coffee. The population of Dak Lak grew rapidly in parallel with the coffee industry, increasing from 35,000 people in 1975 to more than two million by 2003. By then, coffee had emerged as the nation’s second most valuable agricultural export, after rice, occupying 4.16 per cent of the country’s total agricultural land and employing 600,000–800,000 people, depending on the time of year, representing three percent of Vietnam’s agricultural labour force (Giovannucci *et al.* 2004).

Throughout this process, the overall role of the state has been far more direct and extensive that merely stepping aside and allowing the market to ‘do its work’. Beginning in the 1970s, the state encouraged the expansion of the coffee industry by offering preferential credit to growers and exporters, export bonuses for coffee and government programmes to facilitate land access in the Highlands. Provincially, state-run coffee farms provided a variety of technology and extension services for growers. These policies were ramped up throughout the 1980s, with government providing incentives for farmers to switch to cash crops, including preferential loans, subsidised inputs, low-cost land and extension packages that in some cases included seedlings, fertiliser, irrigation and agronomic support for coffee production. The state also set up various disincentives, such as price controls on basic domestic foodstuffs, which compelled farmers to switch to export crops instead. The state placed particular emphasis on pushing high-input production based on extensive use of chemical fertilisers and irrigation, and as a result Vietnam came to produce some of the highest coffee yields in the world (Giovannucci *et al*. 2004; D'haeze *et al*. 2005; Ha and Shively 2008; Agergaard *et al*. 2009).

Throughout the 1990s, the state continued to strategically manage the coffee economy through direct involvement, subsidies and incentives. Perhaps most notably, the state compelled exporters to contribute to a Price Stabilisation Fund to support farmers when prices fell below the cost of production. In the mid-1990s, a fee ranging from US$150–300 per ton was levied on coffee (when world prices were above US$1500 per ton) that was used primarily to support subsidised credit programmes. The levy was ended once the coffee crisis began in 1998. In response to the crisis itself, the government ordered some state enterprises to undertake stock retention in an attempt to reduce supply and bolster prices, to little avail. In 2001, to prevent widespread default of coffee grower loans, the state ordered banks to freeze repayments for up to three years. Since then, the state has sought to diversify coffee exports through the promotion of higher-quality Arabica beans, offering free land, low-cost loans and technical support, which has thus far met with only modest success, with Arabica beans coming to represent around 3 per cent of the country's total production (Giovannucci *et al*. 2004).

Perhaps one of the most unique aspects of Vietnam's coffee statecraft has been the role played by state-owned coffee plantations, processors, traders and banks. While state-owned plantations declined in numbers throughout the 1980s and 1990s, they continued to play an important role providing technology and extension services to coffee growers, especially in Dak Lak. By the turn of the millennium, only 5 per cent of the country's coffee acreage was held by state farms, although they held prime land and accounted for 15 per cent of the total productive capacity, exercising considerable influence over the industry. Beyond plantations, SOEs have retained significant weight in processing and trading, marketing around 40 per cent of all Vietnamese coffee. More than just private firms, SOEs have had broad mandates, using coffee incomes to construct schools, roads and clinics and provide an array of public services and infrastructure. Their gradual decline and 'equitisation' into private enterprises threatens to leave a substantial gap in rural regions that the private sector appears unwilling to fill, especially for social and economic activities deemed unprofitable (Giovannucci *et al*. 2004; D'haeze *et al*. 2005; Ha and Shively 2008; Agergaard *et al*. 2009).

One of the most important SOEs in the country is the Vietnam Coffee Corporation (Vinacafe), which was established as late as 1995 to take over coffee activities that had been run by the Agriculture Ministry. Vinacafe is the country's largest state-owned coffee enterprise, administering a total of 40 farms and 27 processors, traders and service providers. Vinacafe employs 27,000 people, with an additional 300,000 workers added during peak coffee seasons, and deals with everything from credit, fertiliser, irrigation, research, roasting and instant coffee processing – it owns one of only two soluble coffee factories in the country (the other being owned by a subsidiary of Nestle Thailand). Vinacafe is among the world's largest single-source coffee exporters, with one of its subsidiaries exporting around three million bags per year, more than the annual exports of most individual coffee countries (Giovannucci *et al*. 2004). Thus, despite Vietnam's programme of gradual privatisation, the state has maintained strategic control over a substantial portion of the national and global coffee trade.

Another area in which the state has played a key role in crafting Vietnam's coffee industry has been through its control of substantial amounts of credit; according to the World Bank 'few countries have such extensive financial offerings for their rural sectors' as Vietnam (Giovannucci *et al*. 2004: xi). The main source of credit for farmers is the Vietnamese Bank of Agriculture and Rural Development (VBARD), which was formed in 1988 and is wholly owned by the state. In 2002, VBARD had a 75 per cent share of the credit market for all of the country's coffee growers. This has given the state considerable leverage in managing the coffee industry; both in terms of influencing individual farms through the terms and conditions that accompany loans and through broader political action, such as the three-year price freeze on loan repayments from coffee farmers mandated by the state in the wake of the global coffee crisis. Another important financial player is the non-profit Vietnam Bank for Social Policy (VBSP), a large-scale micro-lending institution that lends to those that cannot get loans from other sources, usually because they are too small. While formally independent, VBSP is underwritten by the state and gets most of its funding from compulsory contributions from state-owned commercial bank (Giovannucci *et al*. 2004).

As the above summary makes clear, it is a misnomer to depict Vietnam's rapid entry into the global coffee market, and the ensuing crisis it caused, as something primarily market-driven. While market dynamics drove the crisis as it occurred, the conditions that set the stage for the crisis to happen were to a significant extent formed by the state and coffee statecraft. In terms of 'capitalist logic', there was a larger process at play in Vietnam for decades prior to the coffee crisis through which the state spearheaded the making of a substantial semi-autonomous smallholder class dependent on commodity exports to global markets. This was interwoven with a 'territorial logic' in which the state strategically promoted and pursued the expansion of a coffee industry in Dak Lak and the Central Highlands. Both logics came together in a compatible fashion, with the needs of an emerging, quasi-private smallholding class as well as newly formed trading, processing, banking and other private domestic interests combining with the strategic needs of the state to result in a form of coffee statecraft that combined gradual privatisation and intensified global market integration with a highly dirigist role for the state in directing land-use and export targets, running SOEs and providing an array of agricultural extension, credit, marketing and processing services.

The scorecard on Vietnamese coffee craft

While it is clear that the Vietnamese state pursued coffee statecraft to meet complicated capital and territorial interests, it is less clear the extent to which it was successful or how success should even be measured. In the broadest sense, measuring success could entail a wide-ranging discussion of Vietnam's entire economic transformation from the 1970s (or even earlier) until today, what it has gained, what it has lost and the prospects for the future. This sort of discussion, however, goes well beyond what can be addressed here. We can, however, assess the impact of coffee expansion as one component of this broader transformation, reflecting on whether the Vietnamese state successfully managed or mismanaged its coffee statecraft.

Even here, of course, the matter is murky. Certainly during the boom years, the coffee regions experienced improved living standards measured in terms of growing household incomes and declining poverty rates. Along these lines, Dak Lak gained substantially throughout the 1990s as its population continued to grow, and coffee contributed on national terms to a greater diversification of the overall economy. By the turn of the millennium, Vietnam was no longer considered an agricultural economy, with industry and services contributing a combined 78 per cent of the country's GDP, compared to 22 per cent for agriculture. Agriculture remained, however, the largest employer, accounting for 65 per cent of the workforce, and its success was and continues to be absolutely essential to Vietnam's economic and political stability. In order to stem the tide of migration to urban areas, and provide a rural market for industrial goods, there is an urgent need to provide viable livelihoods to millions of Vietnamese farmers, 85 per cent of whom have plots smaller than two hectares and only 1 per cent of whom have plots above five hectares. Throughout the 1980s and 1990s, coffee statecraft sought to address this need (Giovannucci *et al.* 2004; D'haeze *et al.* 2005; Ha and Shively 2008; Agergaard *et al.* 2009).

The economic and social gains of the coffee boom, however, were distributed unequally, with traditional indigenous groups in Dak Lak forced off the land as part of Vietnam's overall policies around displacement and semi-privatised land use, while ethnic minority farmers faced disproportionately lower incomes and greater poverty as a result of unequal access to quality land and agricultural inputs. Ecologically, Vietnam's comparative coffee advantage has been constructed on the basis of low-quality beans produced through high-productivity, high-input methods, requiring large doses of chemical fertilisers and irrigated water. Throughout the 1990s, while local coffee production increased by an astonishing 277 per cent, the use of synthetic fertilisers more than doubled, and forested area in the Central Highlands declined by 19 per cent as trees were torn down to make way for coffee farms. Water use for irrigation increased rapidly so that by the turn of the millennium 64 per cent of agricultural land was irrigated, accounting for 90 per cent of the country's water use. The rapid expansion of coffee plantations, often on sub-optimal land, and use of irrigation and chemical fertilisers, gave way to intensified soil erosion and water scarcity as well as growing concerns about the possible environmental impacts of widespread, generally unchecked use of agrochemicals on waterways and soil in the long term (Giovannucci *et al*. 2004; D'haeze *et al*. 2005).

Perhaps most notable about the coffee boom was that its initial social and economic gains came on the basis of a highly volatile and unpredictable agroexport model capable of eliminating or at the least severely dampening its early success. This is precisely what happened when the bust came from 1998 to 2002, causing major setbacks in the coffee-producing regions of the Central Highlands. According to the World Bank, after a decade of steadily improving social indicators, from 1999 to 2003, the Central Highlands experienced no improvement. In comparison, the percentage of poor in the rest of Vietnam, based on the national poverty line, declined from 37 per cent in 1998 to 29 per cent in 2002. This was vastly different than the Central Highlands, where over 50 per cent of the population continued to live below the poverty line, and 30 per cent were estimated to be experiencing hunger and malnutrition. The coffee crisis not only led to the collapse of farmer income, but also significantly impacted the state, which lost coffee revenues while at the same time being compelled to increase spending on the coffee sector through such things as debt moratoriums and tax reductions. In this context, a variety of important local health and education services primarily provided by SOEs were partially dismantled due to falling revenues, further intensifying the social crisis at the local level (Giovannucci *et al*. 2004).

Seen in the immediate wake of the global coffee crisis, Vietnam's coffee statecraft would appear far from a victory march. Certainly in the years following the crisis, Vietnam was widely chastised and condemned for its role in flooding global markets with poor-quality Robusta beans, dragging other coffee countries down with it, and causing widespread social crises for the poorest and most vulnerable coffee farmers globally and at home. This critique, however, is misplaced if directed strictly at the Vietnamese state and its policymakers, as opposed to the broader global coffee industry and the capitalist world system within which it operates. The market forces at play in the global coffee market are beyond any single state's control, even while they exist in an international system created and regulated by states and within which states with vastly different resources and abilities must compete in the interest of economic statecraft.

From this perspective, the Vietnamese state sought to promote coffee statecraft within a highly competitive global economy, dominated by powerful imperialist states in the North as well as increasingly wealthy and influential southern countries such as Brazil and China. The options for developing a thriving, or even viable, agroexport sector were never clear, with unstable and unpredictable world markets offering only so many options towards which countless competitive states were seeking to construct their own advantages. Emerging as a poor postcolonial state in the wake of a devastating war against the world's largest imperial power, in the context of undertaking a complex and contradictory economic transformation, the Vietnamese state pursued coffee statecraft alongside broader efforts to promote industrialisation and economic growth.

As a result, Vietnam burst into the global coffee scene in the 1990s, rapidly climbing the ranks among traditional export leaders, and eventually causing a global crisis. When the dust settled, however, Vietnam remained a top exporter.

Since then, coffee prices have once again begun to boom starting in 2011, driven by a poor harvest in Colombia due to heavier than expected rainfall as well as increasing demand for coffee among the growing middle classes in Brazil, China, Indonesia and India. It has also been fuelled by a spike in commodity speculation, as speculators have sought alternative investments from stocks and bonds, especially in the wake of the global financial crisis beginning in 2008 (Kollewe 2011; Reuters 2011). Vietnam has found itself among the chief beneficiaries of the boom, with Robusta beans rising more rapidly than higher-priced Arabicas and with Vietnam particularly well suited to supply one of the fastest-growing coffee markets, China, Vietnam's largest trading partner. With prices rising again, Vietnamese coffee continues to be a key export crop, providing a livelihood for around 2.6 million people as well as a major rural income generator, with the average Vietnamese coffee farmer earning more than the national per capita income of $1300 per year (Mistiaen 2012).

The disastrous impact of the coffee crisis itself must be measured against the longer-term goals of coffee statecraft and the attempt by the Vietnamese state to satisfy its capitalist and territorial logics by fighting its way into a well-established global market. Coffee statecraft is not a straightforward or simple process, as the state seeks to develop and expand the rules and regulations demanded by a capitalist logic (creating vulnerable, export-dependent smallholders on semi-privatised land) while at the same time seeking to fulfil its territorial logic through economic growth and social stability (finding viable livelihoods for new farmers and profitable avenues for the new capitalist class). It may never be clear the extent to which Vietnamese policymakers, talking behind closed doors, fully understood these tensions or the strategic gamble they were playing; according to the World Bank, '. . . Vietnam may or may not have historically determined that the short-term pain of such an expansion might be worth the long term gain in international market share' (Giovannucci *et al*. 2004: 67). What is clear is that coffee statecraft played a central role in the construction of Vietnam's coffee industry, with global ramifications. The Vietnamese state forged the country's comparative coffee advantage through a messy route creating both winners and losers; an uneven process typical of the long history of capitalist expansion and export-led growth.

Lessons from coffee statecraft

The discussion above reveals how coffee statecraft played a key role in driving the global coffee crisis; an event typically portrayed as almost entirely market-driven. The point is not merely to demonstrate that states at times intervene in markets more than we would think, but rather that states and the international state system set the very context in which markets operate. Without states enforcing private property along with countless laws and regulations managing social relations, investment, trade, communication and exchange domestically and internationally, there would be no capitalist market and no international trade to speak of (Gowan 1999; Harvey 2003; Wood 2005; Chang 2008; Panitch and Konings 2009). The collapse of the ICA in 1989 did not mark the end of state involvement in the global coffee market, but rather a shift in interstate relations among coffee exporters from one based on a degree of collective action to one marked by intensified competition, with individual states working more aggressively to gain advantage over others.

Under these conditions, Vietnam burst into the coffee scene, causing global chaos, only to end up in a considerably stronger position in global coffee markets when the crisis ended and the newest boom began. Vietnam is now firmly entrenched as the world's number-two coffee country, exporting well over twice as much coffee as third-place Colombia in 2011. It is also the undisputed leader in Robusta beans, exporting nearly 75 per cent more coffee in 2011 than the *combined total* of all of Africa's coffee-exporting countries, traditionally the leaders in Robusta beans (see Figure 1).

Vietnam's coffee statecraft has been distinct at a time when most major Latin American and African coffee states have focused on pursuing competitive advantage through neoliberal reforms – pushing the rapid privatising of state marketing boards and collectively managed land, downshifting responsibility for quality control and extension services to local or non-state initiatives (such as fair trade or organic certification bodies). This orientation has been further entrenched internationally with the signing of two new 'ICA' in 2001 and 2007 that have differed substantially from those of the past: they contained no quota systems but instead offer the possibility of drawing on pooled funds to enhance the competitiveness of coffee farmers and individual states through training, access to information, marketing advice and technological transfer to promote increased coffee consumption,

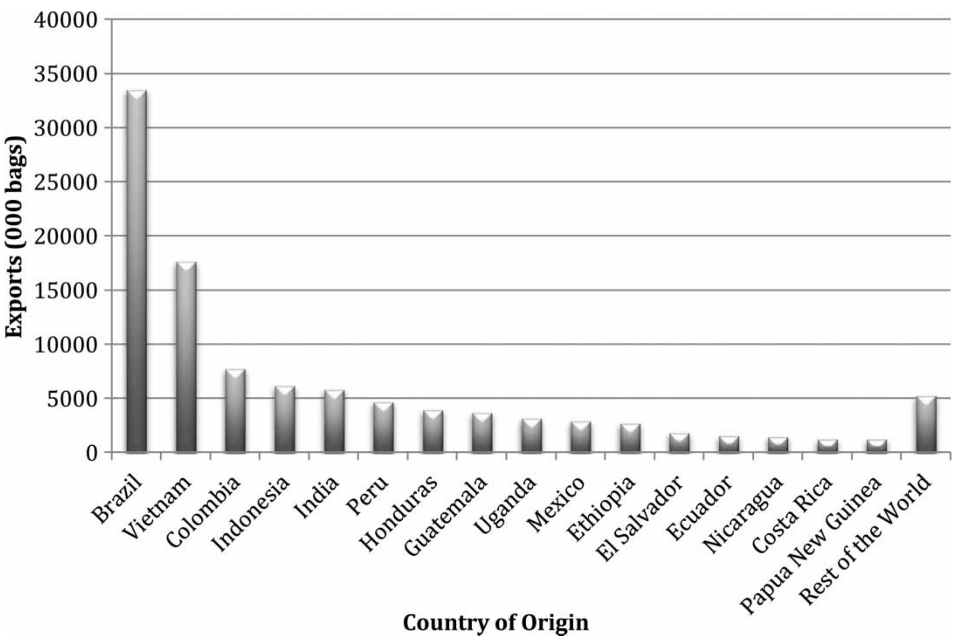

FIGURE1. The world's largest coffee-exporting countries in 2011
Source: International Coffee Organization, *Statistics on Coffee*, http://www.ico.org/historical/2010-19/PDF/EXPCALY.pdf.

enhanced coffee quality and the expansion of the 'sustainable coffee sector' (ICO 2011). Coffee statecraft has also increasingly been devoted to aggressively pursuing trade liberalisation through a variety of bilateral and multilateral forums, such as the WTO, seeking the removal of tariff and non-tariff barriers to trade to pry open emerging major coffee markets and facilitate the global shipment of beans.[4]

Vietnam has taken part in these wider coffee trends, but often with significant hesitation or only modest participation.[5] The core of its coffee statecraft has been devoted to a different track, involving more gradual, piecemeal privatisation along with a more robust dirgiste role for the state in direct investment through SOEs, public funding for research on market expansion and agriculture extension services (around high-yield, disease-resistant varieties) and direct management of land allocations, land-use patterns and export targets. All of this combined into a strategy of undercutting global competitors through huge volumes of low-priced coffee. Vietnam's unique historical situation, both as an economy in transition from its own particular 'Communist' model into a capitalist one and as one in the early stages of constructing a relatively new coffee sector, likely played a key role in allowing the state access to a wider range of statecraft tools than states whose coffee industries had matured half a century or centuries earlier and whose activities have been more heavily constrained by deeply entrenched coffee interests and existing path dependency. At the same time, Vietnam has not been the only country to successfully employ coffee statecraft to climb the coffee ladder in recent years. In India, a significant coffee-exporting country since the nineteenth century, the state pursued neoliberal reforms in the 1990s, eliminating the monopoly powers of the Coffee Board, but remained heavily involved in extension services, quality controls, market information, coffee

FIGURE2. Regional share of global coffee exports in 2011
Source: International Coffee Organization, *Statistics on Coffee*, http://www.ico.org/historical/2010-19/PDF/EXPCALY.pdf.
Note: Based on 1000s of 50 kg bags.

promotion, various supports for smallholders and, above all, research and development, so that it 'continues to be a world leader in coffee science' (Neilson and Pritchard 2009: 124, 07–29). Consequently, India rose from being the world's 10th-largest coffee exporter at the start of the global coffee crisis to being the world's fifth by 2011. This has occurred as part of the overall rise of Asian coffee exporters: the region is now the world's number two coffee region, exporting three times more coffee than Africa (see Figure 2).

Beyond understanding the specific coffee statecraft of Vietnam in relation to other coffee states, the central point of this paper is to tease out how coffee statecraft in general played a key role in global coffee crisis, and offers wider lessons to this effect. First, while Arrighi, Gowan, Harvey and Wood provide effective tools for conceptualising imperialist statecraft, these tools also can be applied to poorer and subordinate economies. The case of the coffee crisis reveals how subordinate states, such as Vietnam, also carry out their own political-economic 'gambles', to paraphrase Gowan (1999), in complex and contradictory ways, at times with major global significance beyond what would at first appear to be their geopolitical weight. Second, the concept of coffee statecraft as applied to the global crisis reveals the need to focus on the state even in instances where it appears more or less benign or invisible (Panitch and Konings 2009). Much of the strongest and most compelling work on coffee states in the international system tends to focus on the state when it is most evidently at work – such as during the years of the ICA – while downplaying its effects during other periods when its impact can be equally important.

Finally, the centrality of the state for promoting sustainable rural livelihoods, improved incomes and social indicators – or its opposite – should not be underestimated, as is frequently the case among non-governmental and official development organisations today. In many ways, this is understandable, as coffee statecraft is often messy and contradictory, and the state itself is so often undemocratic, lacking in transparency and unresponsive to the demands of its citizens in ways that can contrast starkly with the emphasis on local democracy and openness promoted by fair trade, organic and other sustainable coffee projects.[6] And yet, the impact of coffee statecraft can have immense long-term effects and can be wide-ranging – Vietnam's 2.6 million coffee farmers and workers is over three and a half times the number of certified fair trade coffee farmers globally. The geopolitics of coffee statecraft, both good and bad, is ever present in the global coffee industry and must be of central concern for understanding and challenging the deep roots of uneven development in the coffee world.

Notes

1. Unless otherwise stated, the coffee prices quoted in this paper come from UNCTAD (2012). Daily information on coffee trends and prices are also available at the International Coffee Organization website at http://www.ico.org.
2. For critiques of the institutional approach to development, see Leys (1996: 80–103) and Chibber (1999).
3. The historical work of Steven Topik has also indirectly influenced the idea of coffee statecraft as his work has emphasised the agency of Southern states in managing and creating the global coffee economy. See his work in Clarence Smith and Topik (2003).

4. Neoliberal coffee statecraft has often formed part of wider multilateral activities: after 20 years of intense negotiations, in 2012, Russia became a member of the WTO, an event much desired by coffee sectors in Brazil and Africa who have sought greater access to the Russian coffee market, the seventh largest in the world and the largest for instant coffee. It has also taken the form of bilateral or regional activities: in October 2012, after intense pressure on the part of Rwanda, including threats to go to the East African Court of Justice, Tanzania agreed to a bilateral trade agreement in which it would remove non-tariff barriers that inhibit Rwandan goods, in particular coffee, from reaching the international port in Dar-es-Salaam. See Green (2012) and Ojulu (2012).
5. For example, Vietnam was a late entrant into the WTO, becoming a member in 2006, 12 years after the WTO began and many years after it had established itself as a major player in the global coffee market. Vietnam has also been far more reluctant than Latin American countries to take part in 'sustainable' coffee certification. By one estimate, 75 per cent of the coffee in Latin American is grown under some sort of 'sustainable' criteria – broadly defined – while only 10 per cent falls under this category in Vietnam (Mistiaen 2012).
6. For critiques of the possibilities and limits of fair trade coffee, see Fridell (2007a) and Lyon and Moberg (2010).

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