
BILLIONS OF CHINESE DOLLARS IN DRC:

Biyoya Makutu , Kinshasa April 2008

Introduction

On 17 September 2007, at Kinshasa's Grand Hotel, the Congolese Minister of State for Infrastructure, Public Works and Reconstruction signed two agreements with the Chief Executive Officer of a group of Chinese companies.

Since that date the agreements are nowhere to be seen. All that is known is that both agreements concern the financing of the construction work for basic infrastructure and the construction of a motorway between the city of Lubumbashi and Kasumbalesa. The investment amounts to a total of five billion US dollars.

The daily newspaper *Nouvel Elan*, on Wednesday 19 September 2007 stated that, in the first agreement on construction and modernization of infrastructures, China will operate mines in the DRC's Katanga province in return for a financial contribution to the national budget. In the second agreement, the paper reported that the Chinese company CREC will recover its money by a tollbooth system. These agreements involve many sectors of national economy including infrastructure, health, education, energy, urban development and mining. The objective of this funding is ostensibly the sustainable development of DRC resources for the benefit of its population.

Expected outcomes

Road and railway infrastructure

Scheduled works include: construction of the Kinshasa – Ilebo railway and modernisation of the Matadi – Kinshasa and Ilebo – Kananga – Mweneditu and Lubumbashi – Sakania (3,213 km) lines. In the past, this railway served to transport Gecamines exports by sea through the Angolan ports of Benguela and Lobito, and later through Taraza. Today, these expensive routes will be used only to transport people, since Katanga's minerals are exported by road via Zambia.

The construction of a highway between Lubumbashi – Kasumbalesa (98 km), the construction of tarred roads between Likasi – Kolwezi (176 km); Lubumbashi – Kasomweno – Kilwa – Pweto (526km); Pweto – Moba – Kalemie (433 km); Kalemie – Fizi – Uvira – Bukavu (148 km); Bukavu airport – Goma (175 km); Goma – Beni– Kasindi (440 km). Other sections include the following routes: Beni – Komanda – Bunia (202 km); Mombasa – Niania (226km); Niania – Bafwasende (141 km) for a cumulative total of 3402 km. This will ensure DRC integration into the East African region, which has seen much conflict.

Besides these national roads, the agreements also concern urban roads in provincial cities including the capital city with 450 km.

Health and education centres

Sino-Congolese co-operation also seeks to resolve shortages of hospitals. It plans to build 31 fully-equipped hospitals of 150 beds each, a hospital in downtown Kinshasa, 145 fully-equipped health centres of 50 beds each, 2 or 3 universities, and 5 000 homes.

China –DR Cooperation

The Chinese defined six principles that underlie their co-operation. they are:

- win-win solutions;
- Job creation for the Congolese;
- Joint ventures in which the Congolese companies will become contracting authorities, while the Chinese companies will be sub-contractors;
- Technology transfer to the Congolese;
- Environmental issues being taken into account in the implementation of works, and
- Local integration for Chinese companies.

As can be seen, these principles are very vague and general. They do not show clearly how the DRC is going to avoid the potential damage arising from such co-operation. For fifteen years previously, the Congolese experienced the negative impacts of the Japanese presence at SODIMIZA (Société de Développement Industriel et Minier du Zaïre - the Zaïrean Industrial and Mining Development Company) in Moshishi.

Opinions and issues relating to the Chinese investment

In general, the DRC media and civil society have expressed their opinions on this issue. There was also a declaration issued by a member of the Federation of Congolese Companies. A delegation of this federation met with the prime minister to assess how local companies could be involved in the implementation of the programme.

Very few statements were issued by government, aside from the press conference given by the minister who signed the agreements, and, occasionally, by the Finance Minister.

For the most part, these opinions favour the investments, but, at the same time, express worries about potential negative reactions on the part of the Bretton Woods institutions and the European Union. None of these opinions discuss the political economy issues.

There is no analysis of the costs and risks of this ambitious enterprise, nor has a geo-political analysis been undertaken. In fact, no-one wants to take the trouble to understand any of the impacts. Everyone seems happy to see the discomfort of institutions like the World Bank, IMF, the European Union and the West as a whole.

At the signing of the agreement the Chinese invited the Congolese government to diversify the co-operation experience. This shows the limits of each other's intentions and will. The bottom line is that this octopus-like co-operation causes more problems than it resolves.

And perhaps that is the most important dimension – the realisation that Chinese finance breaks down national consensus around government responsibilities to eradicate poverty by reviving growth and development. The Democratic Republic of Congo does not seem to be institutionally and politically capable and ready for take-off. It gives the impression of having been taken fifty years backwards. Such a perspective cannot be encouraging either to China or to the DRC's traditional partners.

Billions of dollars will not cure the problems faced by the DRC. The country lacks a national driving force for its development, and all those who rely on minerals would do better to take action to recondition the DRC with a view to establishing a better future.

For example, when Freddy Mulongo, a civil society representative, wonders why Chinese aid disturbs the Congolese, he is also reminding the Congolese that the DRC should rely on its own resources because aid is not always beneficial. He calls on government to protect national sovereignty in the agreements with China, and also to cancel dubious mining contracts inherited from times of war and political transition. Freddy Mulongo does not want the future of an entire nation to be mortgaged through exploitation of Congolese natural resources.

A general spread of opinions on Chinese investment can be seen in two banner headlines of a Kinshasa daily newspapers Le Potentiel No. 4130 and 4151 of Saturday 22 September and Wednesday 17 October 2007. They refer to the Chinese billions in the DRC as being disruptive of Congolese relations with Belgium on the one hand, and on the other hand, as something bringing fear and panic to the West.

One article reads: "Officially, Belgium is disconcerted, literally and figuratively. To make the best of a bad job, Brussels is content to observe the marriage between China and the DRC. Bretton Woods institutions regard it with distaste, but stop short of cursing it. The DRC owes explanations to the Bretton Woods institutions. The last IMF mission in Kinshasa also referred to the problem. The newspaper claimed that donors have asked the IMF to request clarification from the DRC government on the nature of the loan. They fear that DRC may sink into a debt spiral.

Other Kinshasa newspapers such as l'Avenir, l'Observateur, le Phare, and Uhuru regard this financial agreement as having sparked public debate. However, it would be difficult to find in this generalised debate any analysis. They offer no economic policy, nor any development viewpoint. No-one seeks to know whether the operation falls within the government's general economic policy, nor whether it reflects current tendencies in the economic or business world as imposed by the globalization of the world economy. For example, does the new Chinese co-operation, when compared with co-operation with the IMF and World Bank,

give the DRC the capability of adding regional and global dimensions to the national mineral economy?

An economic critique

The Congolese have the right to celebrate the signing of an agreement that on the surface promises great social benefits. Understandably, negative criticism has been levelled against the traditional partnership between with IMF/World Bank and the DRC, which has not helped the Congolese people one iota. But the question remains: was the Chinese agreement an informed decision? There is no information from government to illustrate this.

Since the Congolese government acts without soul-searching in this matter, this raises questions about the motives for the Chinese operations. It also prompts us to consider the political and business links which the Chinese have with the government's general economic policy, as embodied in its Growth and Strategy Document on Poverty Reduction (DCSRP).

The DRC is highly indebted, and hoping for external debt reduction, but at the same time the country is getting an important unconditional financial loan from China. Is the DRC sending a message to its traditional development partners, or is it simply exercising bad economic judgment and decision-making?

This new Congolese economic policy orientation needs to be understood and assessed. The Congolese leadership has not rejected its continued partnership with the Bretton Woods institutions. However, doubt has crept into the relationship, and the Congolese are disappointed with the lengthy procedures the Washington institutions have imposed. Reacting in despair, they may be turning to the Chinese in order to keep some semblance of earlier electoral promises. After all, the international monetary co-operation has not brought the dividends which they expected.

Are these the logical effects of the Congolese will to own the democratic process?

The World Bank accepted introducing a growth element in the strategy document

On poverty reduction. Didn't that convince the government of the legitimacy of development as the only worthy struggle of a legitimate power, which the World Bank would shelve as an option? Since the best way to reduce poverty is through economic growth, which in turn means creation of companies, where then would resources to create growth come from?

The AFDL political elite under the government of President Laurent Désiré Kabila was already raising questions about the IMF's financial assistance when it took power in Kinshasa in 1997. In his speech at the 52nd UN General Assembly, the DRC Minister of Foreign Affairs clearly asked why monetary co-operation with the IMF and the World Bank makes

partner economies more insolvent every day? There were no answers to this question except for pressures to pay back contracted debt.

When IMF representatives fear that commitments with China could only make the debt load heavier for Congo, this sounds like a language disorder, because that is exactly the aim of multilateral monetary cooperation with the difference, however, that from now on new loans will be socially justified through the services that the population would enjoy.

There are also other opinions, which try to account for the co-operation with China. These include the business management style inherited from victories of liberation struggles, aggressions, and armed rebellions tainted with economic looting. The predatory Congolese economic policy displays an inability to resolve political and economic problems. The system is unable to revive the nation and its economy without ceasing to enrich the leaders. This pattern is not far from the success stories of mafia logic. An influential Congolese company made a deal with Chinese companies to exploit a mining site for an estimated amount of between 13 and 19 billion US dollars.

Sub-contracting was given to the government in order to avoid threats by NGOs who specialized in blowing the whistle. [any evidence?]

The real problem raised by the Congolese is the impact of the Bretton Woods institutions and their policies. These policies could go beyond merely giving advice and end up intervening to take over the government's 1999 mandate that its Treasury manage national finances and the economy.

Successive governments since then have not developed their own economic

policies, but instead have worked only to implement the Washington consensus.

Didn't the World Bank take advantage of the crisis to open Congolese mines

and forests to world neo-liberalism? By so doing, it stripped national institutions which, because of a lack of autonomy and initiative, lost control of the business. The management of the transition has showed that,

despite the interventionist approach by the World Bank, the Congolese economy guaranteed easy enrichment for a predatory elite.

However, the weight of an externally assisted management of the national

economy does not allow for any hope that the Chinese billions will help transform the Congo's future. What is missing is any strategy, on the part of the Congolese government, of a strategy, to allow for the country as a whole to benefit from the Chinese billions.

A political critique

Paradoxical as it looks, the debate on the financing agreements between the Congolese government and a grouping of Chinese companies needs political analysis. What is interesting here is the fragile nature of the DRC's electoral consensus and its new legitimate institutions.

The Chinese billions could create doubt and constitute a significant new indebtedness which might compromise the new legitimacy.

In principle, the government's move towards China, which is an attempt to materialise electoral promises, could be seen as courageous, legitimate, and beneficial.

Unfortunately, fear is suddenly all over the streets and times are worrisome.

Instead of celebrating the event and praising the government's efforts, the

overwhelming impression is one of surprise and divided public opinion, while the feeling among officials was that the signing of the agreements was rather unexpected and improvised.

Officially, the government can look to the erasure of its external debt once the deadline is respected.

There are a number of things to be considered. There is a need to examine the capacity for development of this huge country where people are not prepared to believe that economic and social development is first and foremost a national concern. It is also time to look at things in perspective and mitigate the success of electoral operations which were given

international funding, increased the belief in the nation's dependency, and blocked any alternative sense of the possibility of an independent Congolese development.

Globalization does not make IMF and the World Bank a new Zoe Arch of the 21st century. [I don't understand the reference to Zoe Arch - needs explanation.]

Conclusion

In the light of this discussion, it is clear that the DRC government should first work on developing its own national vision of the world economy. The government should include an assessment of the positive and negative effects of regional and global economic integration. This must be based on its own freedom to undertake and define its future options before diversifying its external dependence on development funding. For an elected government, the immediate priorities should not be the undertaking of grandiose public works, but the achievement of a sense of national hope through first addressing humanitarian needs.

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