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Goodwill and Hard Bargains: The DRC, China and India

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ABSTRACT

The economic and political engagement of China and India with the African continent is growing, but the complex dynamics of this engagement, particularly at country-specific level, remain under-researched. This study explores historical, political and economic aspects of India and China's relationship with the Democratic Republic of Congo (DRC). It first traces the historical development of China and India's political and trade relations with the DRC from the 1950s to the present day. There follows specific consideration of Indian and Chinese involvement in mining, construction, finance, and telecommunications. The study shows that while Indian and Chinese business and governments are both significant drivers of growth in the DRC, the nature of their engagement differs substantially. Significantly, unlike its Indian counterpart, the Chinese government facilitates access by Chinese state-owned companies to large mining deposits in the DRC through loans from the state-owned Export-Import Bank. In the telecommunications sector, however, the most successful Chinese company, Huawei Technologies, receives no noticeable state assistance. Meanwhile India's Bharti has become the DRC's biggest telecommunications investor and operator. Politically, China has positioned itself as a close ally of President Joseph Kabila while India, the main troop contributor to the UN mission to the DRC, has a more strained relationship. The study concludes that China and India's role in delivering infrastructural development to the DRC is welcome, but that projects required continued and careful scrutiny by civil society and the country's democratic institutions.

ABOUT THE AUTHOR

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ABBREVIATIONS AND ACRONYMS

ACGT	Agence Congolaise des Grands Travails (Congolese Agency for Great Works)
AFDL	Alliance des Forces Démocratiques pour la Libération du Congo-Zaïre
BCPSC	Bureau de Coordination et de Suivi du Programme
Sino-Congolais	The office for the Co-ordination and Follow Up of the Sino-Congolese Programme
CITCC	China International Telecommunication Construction Corporation
CREC	China Railways Construction Company
CCT	Congo China Telecommunications
DRC	Democratic Republic of Congo
FNLA	Frente Nacional de Libertação de Angola (National Front for the Liberation of Angola)
Gécamines	La Générale des Carrières et des Mines
ITRI	International Tin Research Institute
MMR	Mining Mineral Resources
MPLA	Movimento Popular de Libertação de Angola (Popular Movement for the Liberation of Angola)
MPR	Mouvement Populaire de la Révolution
NDRC	National Development and Reform Commission
NGO	Non-governmental organisation
OCPTC	Office Congolais des Postes et Télécommunications
SADC	Southern African Development Community
SOMIKA	Societé Minière du Katanga (Mining Company of Katanga)
UNITA	União Nacional para a Independencia Total de Angola (National Union for the Total Independence of Angola)
USSR	United Soviet Socialist Republic

INTRODUCTION

To an outsider, they may seem a perfect fit. The DRC has bountiful natural resources and a growing consumer base, set against a desperately poor infrastructure, a shortage of skilled labour, a highly challenging business environment and a long-standing lack of access to capital. On the other hand, the People's Republic of China and India are undergoing rapid economic growth. They are the new workshops of the world but while rich in human resources, including skilled labour, increasingly they lack the natural resources and raw materials to fuel their development. In addition, China and India have each accumulated significant capital reserves, to which their state-owned banks have privileged and ready access; and both show an increasing appetite for risk, specifically in Africa. Furthermore, although there is a long-established Indian business community in the DRC (which has attracted much criticism over the years from many Congolese) neither India nor China carries a significant moral burden in the country by way of colonial or post-colonial associations.

Finally, as the DRC's traditional Western allies and donors have grown more critical and parsimonious, the Congolese political elite is seeking less judgemental, freer-spending foreign partners. China and (to a lesser extent) India thus far have been willing to assume that position. At every government-level meeting between the DRC, China and India there is much talk of goodwill and 'win-win', and it is true that there seems an amplitude of goodwill on all sides. At the same time hard bargains are being driven. Indian and Chinese business interests seek profitably to engage with the DRC without falling victim to its multiple political and economic risks; while the Congolese government and business sector look to extract maximum advantage; in the short term for themselves and – it is to be hoped – in the long run for their country as a whole.

This paper seeks to understand these dynamics as they play out in diplomacy, politics and economics at international and national level. It will examine the DRC's key economic sectors – mining, telecommunications, construction and infrastructure – after setting the scene with a brief analysis of political and military relations between the DRC, India and China.

POLITICAL AND MILITARY RELATIONS

Respectively under 'great helmsman' Mao Zedong and Prime Minister Jawaharlal Nehru, in the 1950s China and India gave vocal support for the then Belgian Congo's independence movement. Because of its active interest in exporting its own style of communist revolution while blocking the advance of the Soviet Union's Moscow version, China went further than India in cultivating ties with the Congo's independence activists. Chinese government officials first met Congolese independence leader Patrice Lumumba in Accra, Ghana, at the First All-African People's Congress in 1958, and later at the second such congress the following year.[1] Lumumba, however, appeared little interested in China, and – to the horror of the United States government – began to develop closer ties with the United Soviet Socialist Republic (USSR).

Lumumba, who 12 weeks earlier had assumed office as the country's first legally elected prime minister, was dismissed by President Joseph Kasa-Vubu in September

1960, but the legality of that action was strongly contested. Lumumba's deputy, Antoine Gizenga, subsequently established a rival administration in Stanleyville (now Kisangani). China swiftly established diplomatic relations with Stanleyville and in a letter dated 12 September 12 1960, offered the administration GBP[2] 1 million (it is not clear whether, or to whom, the money was actually disbursed[3]) yet waited several months before actually opening an embassy in the city. After Lumumba was murdered in January 1961 and replaced as prime minister by Cyrille Adoula, China finally sent an ambassador to Stanleyville; but the embassy operated for only two months. In mid-1961 the Stanleyville administration closed itself down following reconciliation between Gizenga and Adoula's government in Leopoldville (now Kinshasa). China established diplomatic relations with the Leopoldville government in December 1961, but Gizenga and Adoula's amity proved short-lived, and Gizenga was arrested in early 1962. In any case the Chinese government had been unimpressed by Gizenga's revolutionary potential, with a report written by a visiting Chinese minister in 1961 alleging that:

> 'the national liberation movement of the Congo is mainly led by capitalist nationalist elements. Among them wavering and compromise prevail and so they cannot undertake correct and firm leadership.'[4]

The UN Security Council authorised military intervention in Congo in February 1961 to end the declared secession of the country's Katanga and Kasaï provinces. A month later India contributed an infantry brigade as part of the UN deployment. In late 1962 and early 1963 the brigade played a major role in 'Operation Grand Slam' in Katanga, through which UN forces seized control of Elisabethville (now Lubumbashi) and Jadotville (now Likasi) from the secessionists. The UN operation completed, Indian troops withdrew from Congo in mid-1964.[5]

Pierre Mulele, from Kwilu (now Bandundu) province in the south-west, spent 1961 as the Stanleyville government's ambassador in Cairo. In 1962 he moved to China and for several months was trained there in 'revolutionary guerrilla warfare'. Mulele returned to Congo in 1963 and in 1964 launched a Maoist rebellion in Kwilu that lasted five years. In 1965 Joseph Mobutu seized the presidency of the country and directed considerable energy to crushing Mulele's Kwilu revolt and a string of other rebel insurgencies elsewhere in the country. Under intense pressure from government forces, Mulele fled to Brazzaville in 1968, whence he was later tempted back to Congo with a promise of amnesty by Mobutu, who then had him publicly tortured to death.[6] Mulele's murder crushed China's hopes of successfully backing revolution in the country – as Mobutu must have hoped it might.

The US government had been instrumental in Mobutu's assumption of power and for a time the two had a close relationship. Unsurprisingly, given its active support for Mulele and other rebellions against his rule, Mobutu was hostile to China, although less fervently so than he was to the USSR. In 1973 Mobutu visited China and the following year again went there, and to North Korea. He returned with a promise from China of $100 million in technical aid, ideas for new, leftist policy initiatives and valuable tips on how to generate a personality cult.

Shortly after his return the political bureau of the ruling Mouvement Populaire de la Révolution announced a Mao-style, ten-point 'radicalisation' programme in which the number one scourge was identified as 'liberty being confused with license'. The proposed remedy was 'discipline, fidelity to Mobutu, and the designation of places which marked the life of the president as sites of pilgrimage'. In January 1975 Mobutu, who had taken to referring to himself as 'the Helmsman', announced that food shortages would be overcome with agricultural brigades. He further declared that unemployment would be 'liquidated' by the end of the year, and that since inflation was 'a malady inherent in the capitalist system' it would be abolished by state-decreed price reductions. Heralding a rash of ultimately disastrous nationalisations in the country, Mobutu further stated that 'major economic initiatives' should be 'the exclusive domain of the State'.[7]

Meanwhile in 1974, the post-Salazar Portuguese dictatorship came to an end, paving the way for independence and subsequent civil war in Portugal's main African colonies, Mozambique and Angola. Mobutu was friendly with one of the armed groups competing for power in Angola, the Frente Nacional de Libertação de Angola (FNLA), which also enjoyed sporadic support from the Central Intelligence Agency. He was, however, hostile to the Movimento Popular de Libertação de Angola (MPLA), the main backer of which was the USSR. Following Mobutu's visits to China the Chinese government also began supporting the FNLA and in addition, the União Nacional para a Independência Total de Angola (Unita); mainly it seems as a way to thwart Soviet ambitions in Africa.[8] Soon, Chinese weaponry was making its way to FNLA military camps inside Zaïre (as Mobutu had by then renamed Congo), while the USSR and Cuba ramped up supplies to the MPLA. While this collaboration did much to improve Sino-Zaïrean relations, it was not enough for the FNLA to conquer Angola. The MPLA captured Luanda, proclaimed Angolan independence in November 1975, and decisively defeated the FNLA in February 1976. Unita, however, for many years continued to control large swathes of the diamond-rich Angolan territory bordering Zaïre, and fought on until the death of its leader Jonas Savimbi in 2002. Although Mobutu provided support to Unita and traded diamonds with its leadership until he lost power in 1996, the Chinese government broke with Savimbi in the late 1970s and established political relations with the MPLA in 1980.[9]

The Indian business community in Zaire was badly affected by Mobutu's 'Zaïreanisation' policy of the mid-1970s, which led to the forcible transfer to well-connected Zaïreans of majority shareholdings in Indian-owned businesses. New Delhi, however, took no discernible steps to protect Indian businesses in Zaire and indeed, appeared to have little political interest in the country as a whole during Mobutu's rule. Rajendra Rai, India's ambassador to Zaire during the early 1980s, has recounted that:

> There was not much prospect for enhanced trade as long as Zaïre's difficulties in paying for its imports continued. There being no Pakistani embassy in Kinshasa … there was not going to be the staple … Indian diplomatic activity of countering Pakistani propaganda or stating the Indian case on Jammu and Kashmir.
>
> I had a total of four tête-à-têtes with Mobutu, including the one after the presentation of my credentials and the one for taking leave. There was not enough content in India's relations with Zaïre to warrant more than the other two meetings I had.[10]

India withdrew its ambassador from Zaïre in 1993, and did not send another until 2006.[11]

In 1996 a Rwandan-led rebel group, Alliance of Democratic Forces for the Liberation of Congo-Zaire (AFDL), invaded Zaïre and moved swiftly through the country, easily crushing what little resistance it encountered from Zaire's armed forces. It entered Kinshasa on 17 May 1997. Laurent Kabila, whom the Rwandan military had previously selected as the public face of the AFDL,[12] declared himself president of the country, which he renamed the Democratic Republic of Congo. Mobutu had fled the city the day before, and died in exile in Morocco four months later.[13]

Kabila was originally a 'Lumumbist'. His career as a rebel commander began when Lumumba sent him to Burundi in January 1964 to make contact with Chinese officials there and enlist their support for a rebellion in eastern Kivu province.[14] The rebellion was duly launched with Chinese support. It rumbled on inconclusively for years, degenerating at times into unprincipled banditry (such as when Kabila's forces in 1975 kidnapped several foreign students from Jane Goodall's chimpanzee research camp in Gombe, western Tanzania and demanded a $500,000 ransom).[15]

Kabila had travelled to, and spent several months in, China during the late 1970s and once installed as president of the DRC soon revived his Chinese links. From the start his main concern was military assistance, and China obliged, reportedly supplying large quantities of weapons during the late 1990s.[16] A number of Kabila's military officers including one of his sons, Joseph Kabila, also went to China for training during the same period.[17] At this time Kabila's relations with the DRC's former Western allies oscillated between lukewarm and frigidly hostile, with few donors willing to provide assistance on Kabila's terms. In addition to obtaining military assistance, therefore, Kabila was keen to expand economic links with China. The main fruit of his efforts was the formation of a joint venture between the DRC government and a Chinese state-owned telecommunications company, ZTE, in 2000. ZTE took a 51% stake in a new mobile phone operating company called Congo Chine Télécoms (CCT), with the Office Congolais des Postes et Télécommunications (OCPT) taking the balance.

Barely a month after Kabila ordered all Rwandan troops out of the DRC in July 1998, another Rwanda-backed rebel movement, the Congolese Rally for Democracy, began a war against his government. The conflict swiftly dragged in most of the DRC's neighbours. Uganda also opposed Kabila but Angola, Namibia and Zimbabwe supported him. After a year of fighting, in July 1999 a peace accord (the Lusaka Ceasefire Agreement) was signed in Lusaka, Zambia, by the presidents of the DRC, Zimbabwe, Angola, Rwanda and Uganda. In September of that year the UN launched a military operation in the DRC intended to oversee, and if necessary enforce, the fragile agreement. As it had been during the 1960s, India again became one of the main troop contributors to the UN Mission (Monuc) in the DRC from its beginning in 2000. Particularly in North Kivu, which borders Rwanda and is among the DRC's most violent and troubled provinces, India deployed thousands of troops, and equipment including combat helicopters.

China first contributed troops to Monuc in 2001 and in 2008 there were 234 Chinese military personnel in the DRC out of a total 1 487 posted in UN missions worldwide.[18] By 2011, meanwhile, India had more than 4 000 troops in the DRC.[19]

Kabila was assassinated by one of his bodyguards in January 2001 and was swiftly replaced by his son Joseph. The change in leadership provided immediate impetus to the country's faltering peace process. In July 2002 Kabila and Rwandan president Paul Kagame signed a peace agreement in Pretoria, South Africa, brokered by South Africa's President Thabo Mbeki. Most foreign troops departed the DRC soon afterwards. In December 2002, also in Pretoria, a landmark political agreement was signed between

Kabila, the leaders of the armed groups opposed to him, and representatives of those political parties lacking private armies. This in turn led to a new unity government headed by Kabila, which was sworn in on 17 July 2003.[20]

China continued to sell military equipment to the DRC until some time around 2008, since when no major sales have been reported. Chinese instructors, however, have continued to provide training to the Congolese military at the Kamina base in Maniema province, while each year a number of Congolese military officers are sent to receive training in China.[21] After the DRC Minister of Defence Charles Mwando Nsimba visited China in October 2009 for talks with his Chinese counterpart Liang Guanglie, an official Chinese statement said that the two governments were ready to raise relations between their armed forces to 'a higher level'.[22]

Kabila has been as keen as his father (and as the Chinese government) to foster economic links with China. Equally enthusiastic to extend China's economic reach in the DRC, in September 2007 Beijing signed a multibillion dollar resources-for-infrastructure deal between La Générale des Carrières et des Mines (Gécamines), a Congolese state-owned mining company, and two Chinese state construction companies. The money was to come from China's state-owned Export-Import (Exim) Bank.

At the same time, China's government has been increasingly willing to use its seat on the UN Security Council to the benefit of the DRC. For example – and much to the irritation of the US, British and French governments – a candidate for a UN 'Group of Experts' on the DRC was vetoed by China in the UN Security Council in early 2010 at the request of the DRC government, which had taken umbrage at the candidate's former work for a US-based lobby group, Human Rights Watch.[23] The Chinese government has also affirmed that should the Congolese government give Monuc's successor organisation, the UN Stabilisation Mission in the DRC (newly named Monusco in 2010), a clear deadline to leave the country, it would support that demand.[24]

In July 2007, international news agencies reported allegations contained in UN documents that since 2005 some Indian peacekeepers in eastern DRC had been trading in gold with a Rwandan rebel militia. An Indian army general was apparently implicated.[25] Further allegations about illegal trade between Indian peacekeepers and Congolese armed groups, which were said to have made the former reluctant to assist in Monuc's efforts to disarm the latter, surfaced the following year. The UN Security Council voted to increase Monuc's troop deployment in November 2008, but according to a US State Department cable later released by the website Wikileaks[26] the DRC government requested that this should not include more Indian forces. The Indian government thereupon threatened to pull all its troops and helicopters out of the DRC, a move that would have substantially undermined Monuc's military capacity.

There followed sustained diplomatic efforts by UN Secretary-General Ban Ki-moon and the US government, resulting in Kabila's writing personally to Prime Minister Manmohan Singh officially thanking his government for its troop contributions and asking India to remain engaged in the DRC. The initiative worked, and the Indian government rescinded its threat to pull out.[27] Reacting to Indian government complaints about its relative lack of influence in the upper echelons of Monuc, Ban Ki-moon appointed more Indians to command positions, as a result of which India's Lieutenant-General Chander Prakash became force commander in July 2010.[28] Yet in mid-2011 when Roger Meece, the American head of Monusco, requested that India continue to lease its helicopters to the mission, the request was refused. Meece commented that the withdrawal of India's helicopters would significantly weaken Monusco's military capacity, but the Indian government was unrepentant, retorting that it was not the only country in the world with combat helicopters. India did, however, agree to leave its troops in place at least until the conclusion of the next DRC presidential and legislative election in late November 2011.[29]

The Indian government has no bilateral military co-operative arrangements with the DRC[30] but has begun to take more interest in stimulating trade between the two countries. In the mid-2000s the state-owned Export-Import Bank of India (Exim India) offered a $57 million initial line of credit at preferential interest rates to Indian companies looking to invest or expand in the DRC. In 2011, Exim India announced another low-interest $267 million line of credit for Indian companies looking to do business in the DRC.[31]

TRADE

According to data compiled by the Trade and Law Centre for Southern Africa (tralac),[32] China's total trade with the DRC increased 33-fold between 1996 and 2009, from $44 million to $1.4 billion.[33] The main increases came from 2004 onwards, with a particularly significant leap in 2008, when trade almost quadrupled in one year. Nonetheless the 2009 DRC-China trade total was still only 4% of the value of Southern African Development Community (SADC) recorded trade with China the same year, and 8.5% of China's trade with Angola. This latter trade consists mainly of Angolan oil exports, together with some Chinese construction and telecommunications items. Typically it accounts for about half of SADC's trade with China (SADC contributed 45% of Africa's total trade with China in 2008, and 43% in 2009).

Table 1: China's trade with Africa (import and export), selected indicators, 1995–2009 ($ million)

	DRC	Angola	SADC	Africa
1996	44	272	1,920	4,031
1997	31	633	2,569	5,672
1998	52	190	2,162	5,533
1999	20	372	2,429	6,485
2000	19	1,876	4,466	10,598
2001	20	768	3,536	10,799
2002	31	1,148	4,423	12,390
2003	52	2,351	7,117	18,564
2004	136	4,911	12,240	29,456
2005	225	6,954	16,168	39,801
2006	437	11,825	24,182	55,472
2007	553	14,125	31,711	73,543
2008	1,810	25,301	48,922	38,219
2009	1,441	17,046	106,752	90,007

Source: tralac, http://www.tralac.org.za

The DRC has recorded a trade surplus with China since 2003. Its recorded exports to China are almost exclusively raw materials, with cobalt products first followed by copper products, then timber, tungsten, niobium, tantalum (coltan) and zinc. China's recorded exports to the DRC, by contrast, are highly diversified. Telecommunications equipment, the largest single category, accounted for just 6.5% of the 2009 total. Other relatively significant items included tinned vegetables, footwear, medicines, batteries, and motor vehicles.

These statistics are derived from China's national trade figures. If the global trend in trade figures applies in this case, they are probably fairly accurate as regards China's imports from the DRC, but less so about its exports. Disaggregated Congolese statistics for its trade with China would make for a useful comparison but have thus far proved hard to find. In any case the reliability of DRC's national economic data is notoriously poor, particularly for production and trade. Agriculture is all but absent from Congolese production and trade records and mineral production figures consistently under-capture output.[34] Furthermore, widespread customs fraud means the country's import statistics are also highly unreliable.

Box 1: Artisanal miners, taxis and Chinese motorbikes

Most vehicles imported from China are motorcycles, which are popular throughout the DRC, particularly in artisanal mining areas. In the gold-rich Ituri district of the north-eastern Orientale Province, artisanal diggers who 'strike it rich' often invest in Chinese motorcycles, which they then use as taxis. Bunia, the largest Ituri town, teems with thousands of motorbike taxis, churning up red dust in its unkempt and un-tarred streets. Nearly all the machines in Bunia are Chinese and a large proportion of their drivers are associated with artisanal gold mining. Chinese motorcycles are popular in Bunia, and it seems elsewhere in the DRC, because they are the cheapest available.

Taxi drivers acknowledge that their Chinese machines are of significantly lower quality compared to their Japanese counterparts, but in 2011, at just $600-$800, the former cost roughly half of the latter. Japanese motorcycles were referred to as 'bikes for the bosses' by taxi drivers but the Chinese ones were 'bikes for us'. In Bunia, Indian motorcycles did not appear to be in widespread use. Indian-manufactured bicycles are more common nationwide, though anecdotal evidence from Kinshasa, Lubumbashi, Bukavu, Goma and Bunia suggests that they too are being supplanted by less expensive, though poorer quality, Chinese products.[35]

As they are in other parts of the country, taxi motorcycles in Ituri are subjected to gruelling treatment. They carry passengers and goods loads that are frequently enormous, for long distances over poor roads. Taxi operators do not expect their Chinese machines to last more than eight months. They calculate, however, that in their short life the motorcycles can earn enough to pay for a replacement and generate additional profit besides.[36]

Table 2: DRC–CHINA disaggregated trade data, 1997–2009 ($ million)

	DRC exports to China	Of which:	Cobalt ores and concentrates	Copper ores and concentrates	DRC imports from China	Of which:	Telecommunications equipment
1997	2		0	0	29		0
1997	2		0	0	50		0
1997	1		0	0	19		0
2000	1		0	0	18		0
2001	7		4	0	13		0
2002	12		8	0	19		0
2003	27		24	2	25		0
2004	100		94	3	37		0
2005	176		148	20	50		0
2006	368		214	105	69		7
2007	460		243	77	93		21
2008	1,579		851	138	232		23
2009	1,119		458	124	321		21

Source: tralac, http://www.tralac.org.za

Official Indian trade statistics indicate a very low level of Indian exports to the DRC. India's recorded exports, which were worth a mere $1 million in 2007, peaked at $15 million in 2009, and then fell back to $10 million in 2010. The official figures, however, are much too low. Indian pharmaceutical imports alone are said to exceed official totals by a large degree; the fact that so many of these imports allegedly have exceeded their expiry dates may account for their absence from India's official record.[37] Even so, at a generous estimate total Indian exports to the DRC are unlikely to exceed $50 million a year, insignificant against India's exports to Africa's more developed economies, such as South Africa and Kenya. In 2010 recorded Indian exports to South Africa totalled $2 billion and to Kenya, $1.5 billion: together those two countries consumed one-third of all the continent's imports from India.

Table 3: India's exports to Africa, selected indicators, 2006-2010 (April-March) ($ million)

	2006	2007	2008	2009	2010
Africa	5,441	8,407	11,539	11,391	10,308
South Africa	1,526	2,242	3,606	1,980	2,058
Kenya	577	1,309	1,585	1,362	1,452
DRC	2	1	4	15	10

Source: Government of India, Ministry of Commerce and Industry, Department of Commerce, System on Foreign Trade Performance Analysis. http://www.commerce.nic.in/ftpa/rgncnt.asp accessed 17 July 2011

If India's official trade statistics are to be believed, Africa as a whole exports roughly twice as much to India as it imports. South Africa is the continent's main exporter to India, responsible in 2010 for 27% of recorded total exports. India's statistics suggest that India started buying oil from Africa in significant quantities in 2007. In that year Nigeria's exports to India rose to $7 billion from $72 million in 2006, while Angola's rose from $3 million to $245 million, increasing to $1 billion in 2008. The DRC, meanwhile, has run a modest recorded trade surplus with India since 2008 and in 2010 its recorded exports to India, at $145 million, were nearly 15 times the value of its imports. The main recorded exports are copper ores and concentrates, followed by cobalt ores and concentrates. If there is an export trade in timber, it is all but unrecorded. Diamonds from the DRC are often cut and polished in India, but have generally been exported through Belgium, Israel or Lebanon and do not therefore appear in bilateral trade statistics.

Table 4: India's imports from Africa, selected indicators, 2006–2010 (April–March) ($ million)

	2006	2007	2008	2009	2010
Africa	4,041	11,363	14,928	18,904	20,715
South Africa	2,472	2,470	3,605	5,514	5,675
Nigeria	72	7,009	7,612	8,900	7,288
Angola	3	245	1,024	1,386	4,243
DRC	14	17	14	117	145

Source: Government of India, Ministry of Commerce and Industry, Department of Commerce, System on Foreign Trade Performance Analysis. http://www.commerce.nic.in/ftpa/rgncnt.asp, accessed 17 July 2011

Recorded Indian trade with the DRC is clearly a fraction of what it could be. According to some in the Indian business community, one of the main obstacles to increased trade is the lack of a bilateral investment protection agreement (BIPA). Although the potential for profitable trade in the DRC is great, foreign investors have faced some extremely difficult challenges; expropriation, government-sanctioned looting by the military, hyperinflation, civil war and the apparently arbitrary alteration or cancellation of contracts. A BIPA cannot defend a company from civil war or hyperinflation and would probably be of little use against authorised looting by the DRC armed forces, but it could help with arbitrary contract alterations and cancellations. In 2011, a bill to institute a BIPA with India came before the DRC National Assembly, with the Indo-Congolese Chamber of Commerce and Industry in Kinshasa commenting that its adoption could be the key to enticing 30–40 major Indian investors to the DRC.[38]

As the number of Chinese companies in the DRC grows and the value of their investments rises, Beijing also wants a bilateral investment agreement with the DRC. The Chinese government is acutely aware that in Nigeria, multi-billion dollar oil-for-infrastructure agreements negotiated with President Olusegun Obasanjo during the late 1990s were arbitrarily ditched by his successor President Umaru Musa Yar'Adua; China does not want the same to happen in the DRC. One senior Chinese embassy official in Kinshasa remarked: 'That is why we need this investment code. We are currently negotiating this code.'[39]

MINING

As with its informal, unrecorded counterpart, the DRC's formal, recorded economy is dominated by mining. In addition to its industrial mining enterprises it has thousands, if not tens of thousands, of artisan-mined sites worked by hundreds of thousands, perhaps millions of people. The mines range from the gold deposits of Orientale Province to the tin and coltan mines of the Kivus, Maniema and North Katanga, from southern Katanga's copper and cobalt mines to the rich diamond deposits of the Kasaïs.

Indian and Chinese companies in the DRC's mining sector are mainly in southern Katanga, where they mine, process and trade copper and cobalt ores and concentrates. In many instances these ores are purchased from artisanal diggers. One Indian company is trading and mining tin and coltan in northern Katanga, and one Chinese *comptoir* (buying house) also buys from artisanal diggers. One Indian and three Chinese *comptoirs* buy tin and coltan from artisanals in the Kivus and Maniema. There appears to be no significant presence of Indian or Chinese companies in mining or trading gold in Orientale, nor in mining or trading Kasaïan diamonds.

Copper and cobalt

More than 100 Chinese companies are thought to be involved in mining, semi-processing and trading copper and cobalt ores and concentrates in Katanga.[40] In addition, by late 2011 China's Jinchuan Group Ltd was edging closer to acquiring Johannesburg-based Metorex Ltd, which operates the Ruashi copper and cobalt mine in Katanga, for ZAR[41] 9.1 billion ($1.1 billion). Metorex shareholders voted to accept the takeover in September 2011.[42] Also in late 2011 Perth-based Anvil Mining Ltd, which operates the Kinsevere and Mutoshi copper and cobalt mines in Katanga, agreed to a $1.3 billion takeover by China's state-owned Minmetals Group. (Gécamines, Anvil's minority partner in the two Katanga mines, subsequently insisted that its consent was required for the deal, which stipulation, Anvil warned in late October 2011, might jeopardise the sale.[43])

Should they succeed, those two takeovers would change the face of Chinese mining in the DRC. At the time of writing, however, Chinese mining companies in Katanga are all small, low-volume producers, rarely involved in extraction. Instead, most purchase ores from artisanal diggers and process them into concentrates, or less often, into the metals themselves. Among the main Chinese companies processing copper and cobalt ores in Katanga are Volcano Mining, Guang An Cota Metal Co (Cota Mining), Shaanxi Jiaxin Mining Company Ltd, Magma-Lubumbashi, operating near Lubumbashi, and the Huachin company in Likasi. According to the Katangan provincial mines division, during 2010 these five companies between them produced 10 457 tonnes of 'black copper' (which contains about 95% copper) out of a recorded output in Katanga of 53 801 tonnes, and 35 308 tonnes of cobalt concentrate.[44] That amounted to 16% of the recorded total of cobalt concentrate and 19% of that for black copper. It should be noted, however, that most recorded copper output in the province is listed not as black copper but as 'copper concentrate' (with the percentage of contained copper not defined in the official figures), for which 2010 total recorded production was 328 779 tonnes.

Magma has operated in Katanga since 2002 but began processing minerals only in 2007 when the provincial government prohibited the export of mineral ores. It has a daily processing capacity of 70 tonnes of ore, brought to the plant for sale by artisanal miners. In mid-2011 Magma employed 24 Chinese staff and had no immediate plans to expand production. Unlike many small Chinese mining companies in Katanga, Magma continued its operations there when commodity prices crashed in 2008.[45]

Some, but by no means all the Chinese companies that left during 2008, have since returned. There is often an air of impermanence to the operations of these small companies, with investment in infrastructure at plant sites typically kept to a minimum, possibly to enable them to close down rapidly and without great loss should the need arise. In addition, the companies' Chinese employees seem reluctant to bring their families to Katanga, and although there are Chinese-owned restaurants, casinos, clinics and brothels in Lubumbashi, there is no Chinese school or supermarket.[46]

There are several small Indian companies in Katanga, also processing minerals purchased from artisanal diggers. They include Golden African Resources in Lubumbashi and Delhi-based Mehul Mining Ltd and Congo Min Met in Likasi. In addition, three medium-sized Indian companies, Rubamin Ltd, Chemaf and Societé Minière du Katanga (Somika), are engaged in larger-scale operations.

According to an inspector in the Katanga provincial government's department of labour:

> I have been an inspector for 11 years, and have inspected a lot of Chinese companies. The conditions are barbaric. They don't respect people… Western and South African companies respond to our recommendations with improvements, but the Indians and Chinese are terrible. Instead of responding to our recommendations, they prefer corruption. We get paid $50 a month, so it is easy to corrupt us.[47]

In the view of Moïse Katumbi, the governor of Katanga:

> There are big Chinese companies that respect our laws and Indian companies too. But there are many smaller companies that do not respect our laws … especially concerning pollution.[48]

The governor claims that the problem with his province's inspectorate is not corruption but capacity. 'It is a lack of expertise. They are not trained and we ask for training. We have no laboratories.'[49]

Rubamin is India's largest processor of zinc oxide and cobalt but its subsidiary in Katanga is its only African venture. The company arrived in the DRC in 2004 and in 2008 invested $25 million in a plant to process copper and cobalt. The plant can produce 10 000 tonnes of black copper and 15 000 tonnes of cobalt concentrate (7–8% cobalt) a year. Rubamin itself actively mined until 2010 when its exploration permit was rescinded and since then has relied on ore purchased from Anvil Mining and artisanal diggers. Dependence on these sources alone has made Rubamin's access to copper and cobalt ores more difficult but nonetheless the company plans to increase its copper and cobalt ore production to 50 000 tonnes a year. It exports its output almost exclusively to China.[50] In 2010 Rubamin recorded production in Katanga of 564 tonnes of copper concentrates and 348 tonnes of black copper. Curiously, provincial statistics do not show any cobalt output.[51]

Chemaf is a subsidiary of Indian-owned Shalina Resources Ltd, which is registered in the United Arab Emirates. In 2003 Chemaf acquired from Gécamines the Etoile open pit mine and Usoke mineral processing plant near Lubumbashi. In 2008, Chemaf upgraded the Usoke plant to permit copper cathode production through a process of solvent extraction and electro-winning (SX-EW), which increases output and quality while reducing costs. Shalina has since indicated that it intends to list on the London Metal Exchange.[52] Chemaf's recorded output in 2010 was 504 tonnes of cobalt concentrate, 17 055 tonnes of cobalt carbonate ($CoCO^3$), and 15 196.5 tonnes of copper cathode.[53]

The Usoke plant is notorious locally for alleged environmental pollution. According to one non-governmental organisation (NGO) in Lubumbashi, Chemaf's operations generate large amounts of dust; the plant pollutes the local water supply; pumps out sulphurous air; and poses a serious hazard to nearby residents. The NGO further alleges that Chemaf has refused to discuss these concerns with the local community and instead handed out token financial compensation to a small selection of those affected.[54] In 2010 the provincial mining environmental inspectorate instructed Chemaf to construct a water purification plant. As of mid-2011 the inspectorate had not verified whether or not this had taken place. The inspectorate has blamed power cuts, not Chemaf, for Usoke's sulphur emissions.[55] Chemaf appears reluctant to meet the NGO or local community representatives but has vigorously defended its record in the local press, insisting it is not polluting the water supply; is working on the dust issue; and is active in a range of social initiatives. A personal visit to the Usoke plant in mid-2011 confirmed that the air was heavy with sulphur and heavy truck activity was throwing up dust.[56] The close proximity of residential settlements to Chemaf's operations is clearly highly problematic and if people are to remain there the situation needs urgent attention. Usoke is located in a mining and industrial zone of Lubumbashi, however, and the question of residential settlement appears one for the municipality rather than Chemaf to resolve.

Somika has been active in Katanga since 2001. It operates Kisanfume mine in Kolwezi as a joint venture with Gécamines, and a processing plant in Lubumbashi. Commissioned in 2003, the latter gets the bulk of its material from Kisanfume, with another 30% from artisanal diggers and other mines. The plant, which has been upgraded to use the SX-EW process, produces copper cathode and a cobalt concentrate containing 30% cobalt. According to Somika's management the plant produces 300 tonnes of copper cathode and a further 300 tonnes of cobalt concentrate each month, with an increase to 1 000 tonnes of each by the end of 2011. It sells its output to China, shipping through Dar es Salaam in Tanzania. Somika does not use the rail link between Katanga and Dar es Salaam but transports its product by road due to the apparently excessive logistical problems involved in rail movement.[57] Katanga Ministry of Mines statistics show that in 2010 Chemaf produced 24 332 tonnes of cobalt concentrate, 12 412 tonnes of cobalt hydroxide and 2 840 tonnes of copper cathode.[58]

In 2008 Gécamines, two Chinese parastatals (China Railways and Sinohydro Corporation), and the Zhejian Huayou Cobalt Company formed a joint venture called

Sicomines. Sicomines intends to develop the Mashamba West and Dikuluwe copper and cobalt deposits in Katanga, for which it has earmarked a $3 billion investment. The money is in the form of a loan from China's Exim Bank but is conditional on the completion of a feasibility study that can show that the mines have proven reserves of 10 million tonnes of copper.[59]

In mid-2011 a Sicomines representative in Lubumbashi could not confirm that the company had been able to prove the required reserves, but stated that a feasibility study had been sent to China's National Development and Reform Commission (NDRC). Should the NDRC accept the study it appears that Exim Bank will release the funds. The representative said the company considered it feasible to develop the mining assets and that the project was progressing more slowly than had been envisaged but was 'developing favourably'.[60] Completion of the feasibility study and its submission to the NDRC was also confirmed by the DRC government's Bureau de Coordination et de Suivi du Programme Sino-Congolais (BCPSC), which is in charge of administration and finance for the agreement's infrastructural projects.[61] A senior official in the Chinese embassy in Kinshasa, however, commented that the issue of Sicomines' reserves was 'a big question, which worries us.'[62] The risk is that if Mashamba West and Dikuluwe reserves are insufficient the Exim Bank may not release promised funds – not only those for developing the mines but also a mooted further $3 billion loan to finance planned infrastructural projects across the country.

Tin and coltan

In 2009 Somika established a tin and tantalum division, Mining Mineral Resources (MMR). MMR operates several *comptoirs* that purchase artisan-mined tin and coltan in north Katanga. In 2010, the provincial government granted MMR exclusive access to four mine sites in that region, where MMR is also developing semi-industrial mining. In return, MMR has begun a series of social projects in and around those sites. MMR is also implementing a minerals tagging and traceability scheme devised by International Tin Research Institute (ITRI), a UK-based association working under the auspices of the UN Security Council. The traceability project is part of ITRI's programme to implement due diligence,[63] as defined by the Organisation for Economic Cooperation and Development in its guidance for companies sourcing minerals from conflict-affected and high-risk areas.[64] MMR has applied to the mines ministry in Kinshasa for exploitation rights to its north Katangan assets, but by January 2012 had received these rights for only one of the mines. In the six months to April 2011 MMR said it exported 1 000 tonnes of tin concentrate, containing 65% tin, apparently to China.[65]

MMR has also begun construction of a tin smelter in Lubumbashi on the site of the existing Somika copper and cobalt processing plant. This could have a significant impact on the DRC tin and tantalum mining sector. The MMR smelter is scheduled to begin operations during 2012, and will bring the company's tin to a high level of purity, ensuring that some of the metal's added value remains in the DRC. The smelter could also enable MMR to receive output from other tin mining companies in the country for toll treatment.

Some Kivu-based tin and coltan *comptoirs*, tainted by their association with so-called 'conflict minerals' in those provinces, have been excluded from doing business in Katanga.

This has been a controversial move but Governor Katumbi has been unapologetic:

> In other provinces [in the DRC] people have used minerals to kill people. I don't want those people coming in and doing business in my province. I don't want to hear that these people are coming to buy in Katanga. So we have insisted on traceability. Anything that can't be traced cannot be exported. Anyway, I can't allow Kivu minerals in. These minerals are blocked by US law. Also, I said the other day before everyone, publicly, that whoever does this mining must have a strong social element, and we have to know where they are based. They must be serious companies. Their minerals must be traceable. That is how we will be able to export.[66]

Katumbi's stance has prompted accusations from affected Kivu-based *comptoirs* that he has an undisclosed business relationship with MMR, a claim that both he and MMR have denied.

In 2010–2011 several Kivu-based *comptoirs* that had surreptitious buying operations in north Katanga disrupted changed their approach and established their own officially registered branches in Katanga.[67] The Chinese-owned company TTT Mining, with its head office in Goma, North Kivu, was one of those affected. During this period it set up an official *comptoir* in Kalemie, northern Katanga, where it was reputed to pay higher prices than MMR.[68]

Until 2010 the provinces of North and South Kivu and Maniema produced and exported far more tin and coltan than did Katanga. During that year, however, again in a bid to comply with the Security Council's request regarding due diligence and US legislation on conflict minerals, many of the main international tin and coltan smelters introduced a stipulation that they would buy only tagged material from the DRC. No tagging scheme, however, has yet been implemented in either the Kivus or Maniema. This has led to a de facto embargo on material from those provinces, except for minerals smuggled out of the country, or bought by *comptoirs* selling to smelters that have not introduced these requirements. Almost all such smelters are in China.

The main *comptoirs* carrying out these purchases have been TTT, Huaying Trading and Donson International, all Chinese-owned. In mid-2011 Afromet based in Goma and Bukavu was the only Indian-owned *comptoir* operating in the Kivus. All Afromet's output is sent to India for smelting at the facility of the company's Delhi-based owner, Met Trade India Ltd.[69]

INFRASTRUCTURE, CONSTRUCTION AND FINANCE

China's Exim Bank committed itself in 2008 to a $3 billion loan for a variety of infrastructural projects, including road and railway construction and rehabilitation and the building of new universities, hospitals and schools. These projects in the main are to be implemented by two Chinese state-owned companies, China Railways Construction Company (CREC) and Sinohydro Corporation. This loan is additional to the $3 billion loan to develop mining assets held by Sicomines, in which China Railways and Sinohydro are major shareholders. The money is to be released as and when the Exim Bank approves the Sicomines feasibility study referred to above.

The terms of the Exim Bank loan agreement have been the subject of much controversy since it was first announced. The first objections came from the IMF and the Paris Club grouping of the DRC's (mainly Western) creditors. They demurred at the scale of the $9 billion original loan, which they argued would plunge the DRC government back into debt just as the Paris Club, IMF and World Bank were about to write off the bulk of their loans to the country. The Chinese and DRC governments argued that the debt would be owed by Sicomines and not the DRC government. Given, however, that Gécamines is a major Sicomines shareholder which in turn is owned by the DRC state, the IMF and Paris Club were unconvinced and were not prepared to provide the DRC with debt relief until the matter was resolved to their satisfaction. This led to a prolonged stand-off, but in October 2009 Beijing announced that the Exim Bank, CREC and Sinohydro had signed an amendment to the loan reducing it from $9 billion to $6 billion. They also changed a clause that had stipulated that should the reserves of Sicomines' Mashamba West and Dikuluwe copper and cobalt deposits prove insufficient to cover the loan, the DRC government would provide further mining assets to meet the shortfall. Under the new agreement this latter requirement would come into force only after 25 years.[70] Other IMF and Paris Club demands, respectively for a lowering of the interest rate and a reduction in Exim Bank's requirement of a 19% internal rate of return were not met, but in November 2010 the Paris Club nonetheless agreed to cancel $7.35 billion of DRC debt.[71]

The most vocal critics of the loan agreement since then have been NGOs, with UK-based Global Witness alleging in a 2011 report that the terms of the agreement were too opaque and appeared to be highly disadvantageous to the DRC. Echoing the views of the IMF, Global Witness argued that 'the level of … internal rate of return … is extremely high and substantially removes the commercial risk for the Chinese investors.'[72]

The report continued:

> Without a proper and open bidding process among Chinese companies for each item of infrastructure, it is uncertain whether Congo is getting good value for money. Similarly, without a clear infrastructure management process there may be very little to … prevent cost inflation in any infrastructure contracts.[73]

The Global Witness allegations angered the Chinese and Congolese governments alike. Agence Congolaise des Grands Travails (ACGT) manages the $3 billion infrastructure programme at a technical level. According to its director general, Charles Medard Ilunga Mwamba:

> Our contract with these Chinese companies is a partnership. Private public partnerships usually take ages to put in place. But because there was goodwill on the Chinese side, this deal has moved very fast. The Chinese companies have started work here without any guarantees. That was a very positive development…
>
> I know there are concerns about the 19% rate of return. But as I said, there has to be goodwill. The Chinese started work early, which showed their goodwill. If there are aspects of the contract we are not happy with, there are re-visitation clauses enabling us to change them. The contract is very flexible. As for the question of how their work is valued: this is

> not a public market. It is completely different, so it is going to be more expensive then open tender. But we have independent consultants who are evaluating everything.[74]

Ilunga's argument captures the essence of the official DRC and Chinese government position, namely that the agreement is premised on *la bonne volonte* ('goodwill') and that for this reason critics who become too focused on specifics are missing the point. Based on this goodwill, and also in the light of a re-visitation clause in the contract, Congolese government officials have argued that any problematic aspects of the agreement can always be revisited so that the position of the DRC government vis-à-vis China will always be one of *gagnant-gagnant* (win-win). It could be pointed out, however, that too large an infusion of goodwill could eventually work to the disadvantage of China; should it become too close a bedfellow it might prove vulnerable to any unilateral withdrawal or unprincipled deployment of leverage by the other party.

Chinese government officials and representatives of CREC and Sinohydro in Kinshasa have also disputed Global Witness's contention that they have not assumed any commercial risk. They have pointed to the fact that both CREC and Sinohydro have already started, and in some cases completed, infrastructural projects in the DRC, well before the completion and approval of the Sicomines feasibility study that is the trigger for the promised Exim Bank loan.[75] These projects include the rehabilitation of the road from Kasumbalesa on the Zambian border to Lubumbashi and the 30 Juin Boulevard and other major roads in Kinshasa. Exim Bank is reported to have released $128 million in 2010, with plans to release a further $622 million during 2011. As part of this process, in January 2011 the bank signed a $360 million loan agreement for the construction of a 240 MW dam at Busanga in Bas-Congo province. Only from 2012 onwards, it now seems, will the value of the funds made available by the bank be determined by the productivity of Sicomines' mining assets.[76]

Moise Ekanga Lushyma, head of the BCPSC, which controls the finances of the infrastructural programme, provided even higher figures for disbursements:

> Since 2009 the Exim bank has released $518 million for the Sicomines agreement. In 2009 we received $350 million for infrastructure construction, including the *Cinquantenaire* hospital, the Avenue de Tourisme [and] the Lubumbashi-Kasomeno road in Katanga … $128 million was released [in 2010], and that financed the 30 Juin [Boulevard] … and the esplanade for the Palais du Peuple [in Kinshasa]… The Chinese are in advance of what was envisaged. It is the mining that is going slower.[77]

The probable reason for Exim Bank's decision to provide financing, and for CREC and Sinohydro to commence construction projects before being required to do so (which must have had at least Beijing's consent and, perhaps, explicit instruction) is Congolese politics. For his November 2011 election campaign, President Kabila needed to show the Congolese people tangible evidence of his oft-promised national reconstruction. In 2006 Kabila campaigned on a ticket of '*cinq chantiers*' (five tasks), which include new and better infrastructure, but without the high-profile efforts of CREC and Sinohydro to date he would have had precious few projects with which to seek to impress the electorate. There can be no question that the 'goodwill' decision of Chinese state-owned companies to lend money and start building three years before the poll date provided invaluable assistance to Kabila's successful re-election campaign.

Another probable reason for the early start is that CREC and Sinohydro brought considerable amounts of equipment and large numbers of personnel into the DRC in anticipation of the Sicomines loan; they would be sitting idle if the contract were to be followed to the letter. Using capacity available on the ground may also be why, since 2009, CREC and Sinohydro have submitted low tenders for, won and implemented a range of EU, African Development Bank and World Bank-financed projects in the DRC.[78] These include a 400-metre bridge in Bandundu financed by the World Bank and constructed by Sinohydro. It has dramatically eased transport logistics in the province.[79]

Utilising otherwise under-active capacity is certainly important for CREC and Sinohydro, and the oft-touted goodwill seems genuine enough, but there is also a hard bargain underlying the bonhomie. China's domestic economic growth relies on increased access to natural resources, and particularly minerals, in an era of rapidly rising commodity prices. The DRC is a cornucopia of many items on the Chinese government's 'wish list'. Beijing is therefore seeking long-term access to the DRC's resources on favourable terms and apparently has decided that the surest route to success lies in providing diplomatic and financial support and construction capacity, in such a way that DRC's current political elite remains in place as long as possible while becoming increasingly dependent on China.

In a further sign of the times, in March 2011 the state-owned China Development Bank, was reported to have signed a loan agreement with the DRC for an undisclosed sum. The money is to finance infrastructural development in the mining, oil, road and agricultural sectors. It has not, however, been revealed what, if any, Congolese assets will stand surety for the loan, nor which (presumably Chinese) companies will do the work.[80] The suspicion among some critics is that the terms of the deal were sufficiently controversial to be held back until after the 2011 presidential election.[81]

The Indian government likes to contrast its apparently free market approach with the government-directed strategy of China. According to one official in India's Kinshasa embassy:

> We are not in competition with China, and unlike them, we do not exchange minerals for infrastructure. When Indian companies come here, they might seek advice from us, but we do not open the doors for them. Our businesses know how to do their job. Indian businessmen are very smart.[82]

By all accounts the Indian embassy is right to be modest about its efforts to assist Indian business in the DRC. Historically, however, India's government has not been as free-market and non-interventionist as it is now. Indian governments practised variants of socialist economics for nearly 50 years after independence in 1947, and the country's banks were nationalised by Prime Minister Indira Gandhi in 1969. Deregulation or not, in mid-2011 state-controlled institutions still controlled 75% of bank deposits in the country and since 2007 one of the largest of them, the State Bank of India, is reported to have embarked on a lending spree, allegedly with political overtones that have 'more than a whiff of Beijing' about them.[83]

In 2011, Exim India approved a $267 million line of credit for Indian companies doing business in the DRC, with priority to be given to power projects and urban railways.

Although there is certainly a political aspect to these loan agreements, evidence suggests that India's ambitions for its relations with the DRC are somewhat lower than those of the Chinese government. Judging by the projects so far financed by the Exim India loan, the Indian government has relatively modest targets, pushing for a few Indian companies to win construction contracts and gain some market share while at the same time acquiring expertise in implementing development projects in Africa. As one well-informed Indian source in Kinshasa put it:

> We Indians aren't going for major publicity. It's more about Indian companies gaining experience, implementing turnkey projects with nothing else asked in return. There is no barter.[84]

Among the projects financed with Exim India money are two dams, one at Kakobola on the Lufuku River in Bandundu, and the other at Katende on the Lulua River in Western Kasai. The former has a designed output of 9 MW and has been costed at $42 million, and the latter will produce 20 MW and cost $168 million. The projects are being carried out by New Delhi-based Angelique International Ltd. Work on Kakobola began in February 2011.[85]

TELECOMMUNICATIONS

Also with its headquarters in New Delhi, India's Bharti Airtel Ltd is by some way the largest investor in telecommunications in the DRC. Bharti bought the DRC network of the Kuwaiti telecommunications company Zain Group in mid-2010, renamed it Airtel DRC, and is on track to invest $400 million in its operations by mid-2012. Subscriber numbers have risen from four to five million since Bharti took over, with the company targeting eight million users by 2012. Mobile phone network coverage is relatively extensive in the DRC, but Airtel DRC has nonetheless identified six towns with populations of more than 100 000, and 238 with 50 000 or more, which currently have no network coverage. Airtel works with a range of partners, including IBM, Sweden's Ericsson, and China's Huawei Technologies. Its parent company, Bharti, has become the fifth largest mobile phone company in the world. It bases its African operations in Nairobi; of 15 Africa directors only one is Indian, while the remainder are from Africa. The CEO of Airtel DRC is from Cameroun.[86]

CCT is 51% owned by China's ZTE Corporation and 49% by the DRC government's OCPT. It was formed in 2000 with a China Exim Bank loan of $12.5 million, enabling CCT to purchase equipment from ZTE.[87] In mid-2011 CCT had some one million subscribers, increased from about 600 000 in 2008. CCT's network coverage is not as extensive as those of Airtel or its main competitor Vodacom, but its service is the cheapest.[88] Competitors have claimed that this is because CCT pays too little tax, but the company insists that it receives no favours and has always paid a substantial tax bill.[89] ZTE did not invest significant funds in CCT after the original Exim Bank loan and in October 2011 sold its share in the company to France Telecom-Orange for $10 million. France Telecom-Orange also purchased the OCPT's share of CCT for a further $7 million and agreed to pay $71 million to the DRC government for a new 10-year licence, and $185 million to settle CCT's debts.[90]

Huawei Technologies established itself in the DRC in 2004 and won its first major contract there in 2006. That contract, to supply equipment at a cost of more than $120 million to Tigo, a mobile phone operator associated with Luxembourg-based Millicom International Cellular, was completed in 2009.[91] Huawei's second main contract was agreed in 2008 with OCPT, to install code-division multiple access technology for its network, starting in Kinshasa and extending to the rest of the country. Work began in 2010. The following year Huawei also began collaborating with Vodacom and supplying equipment to Airtel. Huawei acquired some prime real estate on Kinshasa's Boulevard du 30 Juin where it is building an office, a training centre, a sports centre and apartment blocks for its staff. The buildings were scheduled for completion at the end of 2011, at a cost of around $20 million.[92]

In addition to its CCT investment ZTE has its own presence in the DRC as a supplier of equipment to mobile phone networks, though on a smaller scale than Huawei. The company is also reported to be making tentative investments in commercial agriculture. The government is said to have approved 'in principle' a 100 000 hectare allocation to ZTE in 2007.[93] ZTE's website, however, states that its only land currently in production is a 10 hectare experimental farm for planting high-yield crops.[94]

The third prominent Chinese company involved in DRC telecommunications is China International Telecommunication Construction Corporation (CITCC). CITCC has been in the DRC since 2006, providing and laying fibre optic cables. In 2008 it won a contract in conjunction with France's Alcatel-Lucent (which has a 50% stake in China-based Alcatel Shanghai Bell), to connect Kinshasa by fibre-optic cable to Moanda on the Atlantic coast. Alcatel-Lucent had previously connected Moanda to the South Atlantic-3/West Africa Submarine Cable, a communications cable linking Portugal and Spain to South Africa, with connections to several West African countries en route and a continuation link from South Africa to India and South East Asia.[95] CITCC's work was completed in late 2009, leaving the company with little to do but maintain the Moanda-Kinshasa line while it seeks other contracts.[96]

CONCLUSION

The presence of Indian and Chinese businesses in the DRC is increasing and Beijing and New Delhi are significant drivers of that growth. The two governments' professed bounteous goodwill towards the DRC seems genuine enough; but at the same time both want access to the country's raw materials and contracts for their construction companies.

The key difference between the approaches of China and India as regards state-bank finance is that China's loan to the DRC is not simply to finance infrastructure, but also to develop mining assets jointly held by Chinese and Congolese state-owned companies. Exim India, by contrast, has not linked any of its infrastructure loans to mining or other forms of natural resource extraction by Indian companies, and it does not appear to be Indian government policy to do so in future. Whereas China's government is facilitating access by Chinese state-owned companies to large mining deposits through its Exim Bank loan, the only Indian mining companies present in the DRC are privately owned and compete for access to DRC resources without any significant government assistance. (It should be said that like their Indian counterparts, the more than 100 privately owned

Chinese companies involved in mining in the DRC appear to receive little significant assistance from their government.)

Chinese companies are well on their way to dominating the DRC construction sector, thanks to projects linked to the Exim Bank loan, and others financed by international development banks and the DRC government. The companies are highly competitive on cost but the quality of their work is harder to assess. The DRC government has, however, stated that it has mechanisms in place, including external consultants, to ensure the quality of Chinese-built infrastructure, and the Chinese companies concerned are emphatic that their work meets international standards. In the past the DRC has proved a challenging environment for infrastructure; time will tell how durable the Chinese-built roads, buildings and – perhaps – railways are. At this stage, Indian construction companies are a long way behind their Chinese counterparts and look set to remain so, although a few, such as Angelique International, are picking up work in the power sector, mostly financed by Exim India.

In the mining sector, Indian and Chinese companies in the DRC remain minnows compared with the big US, Canadian, Australian and South African-listed companies. Two of the last, however (Metorex and Anvil), are in the process of being bought by Chinese companies; and with a $3 billion investment on the stocks and probably with access to more capital if necessary, Sicomines could within a decade become one of the top three mining enterprises in the country.

The scale of Bharti Airtel's investment in Congolese telecommunications dwarfs all others, including Chinese companies. Huawei, however, is one of Bharti's suppliers in the DRC, and also supplies most other networks in the country.

In manufactured goods China's share of DRC total imports is likely to increase, in line with global trends, while India's seems set to remain low. The DRC is the fourth most populous country in Africa with more than 60 million people, but their buying power is low. The presence of Chinese companies in the retail sector remains modest; no Congolese city has a Chinatown. By contrast, as in so many African countries, Indian-owned shops and businesses proliferate, in some cases dating from the colonial period. They command a large, but unrecorded proportion of total retail trade.

The DRC government has drawn increasingly close to China and values both its bilateral military assistance, and the diplomatic support the Chinese government provides in the UN. This buys Chinese state-owned companies active in the DRC a good measure of protection from the Congolese authorities. Their Chinese employees, for example, seem able to enter and leave the country without much hindrance from immigration officials, and their equipment moves fairly readily at customs posts. Only in the telecommunications sector have state-owned Chinese companies reported problems with excessive and arbitrary taxation. Life is harder, however, for privately owned Chinese companies, which are not protected by their government and must fend for themselves in an often very difficult operating environment.

The DRC's political relations with the Indian government are much pricklier than those with China. The DRC government increasingly has registered objections to Monusco's presence, with the president in 2010 calling on it to leave by the end of 2011.[97] India is the mission's largest contributor of troops, and the DRC government has been particularly aggrieved that, as noted above, some Indian UN troops have at times grown too familiar with the rebel militia they are supposed to oppose. This would, perhaps, be acceptable to the Indian government if it received more credit from the international community for its efforts in the DRC. As it stands, although India has received some plaudits for its work in Monusco, its government has also been irritated by periodic, damning investigations by Western media into the behaviour of its troops and by the persistent reluctance of UN Security Council permanent members and other well-resourced countries to supply troops of their own in any significant numbers.

No scientific study of the issue has been carried out, but it appears a widely held conviction in the DRC that most Chinese and Indian companies are poor employers, reportedly offering low wages and hostile working conditions and providing only parsimoniously for social upliftment programmes. There are some shining exceptions, Bharti being the main one, and many Indian and Chinese companies loudly enumerate their apparently generous social programmes. Yet negative perceptions remain, and have been noted by opposition politicians. Presidential aspirant Etienne Tshisekedi, for example, stated publicly several times before and during the 2011 election campaign that if elected he would suspend Chinese infrastructure and mining contracts. Tshisekedi professed to be worried about a lack of transparency; and indeed anecdotal evidence suggests that the oft-noted propensity of Congolese state officials to seek kickbacks has been well understood by Chinese companies implementing the infrastructural components of the contracts. If bribery has been as prevalent as alleged there is bound to be resistance from the DRC authorities to any efforts to shine a light on the process, for fear of uncovering their own misdemeanours.

The lack of accountability of the authorities has been widely recognised as one of the major problems in the Congolese political system. If China's presence and business practices are further undermining it, the country's political development is commensurately held back.

While some of the political implications of China's Exim Bank deal are worrying, the Chinese and – to a lesser extent – Indian role in delivering infrastructural development in the DRC appears wholly welcome. At independence the DRC was among the most industrialised countries in sub-Saharan Africa (after South Africa),[98] but today its infrastructure mostly lies in ruins. Since the late 1990s Western banks have shown some appetite for risk attending Congolese mining ventures but have generally baulked at the country's infrastructural backlog, leaving the field to international developmental institutions such as the World Bank and African Development Bank. These latter still have a vital role to play in the DRC, but their funds are insufficient and it is in everyone's interest that they have been joined by Chinese, Indian, and increasingly, other countries' state-owned banks.

The best way to ensure the maintenance of international standards of transparency in all loan agreements with the DRC would be the creation of institutional financial partnerships on projects, and continued scrutiny by civil society and the country's democratic institutions. That really would be '*gagnant-gagnant*'. It would improve the prospects for a fair and open balance in the DRC between goodwill and hard bargains, not simply on the part of Chinese and Indian participants but all the country's international partners.

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