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Political Corruption in Congo Zaïre: Its Impact on Development

By

Clement Bota Bamuamba

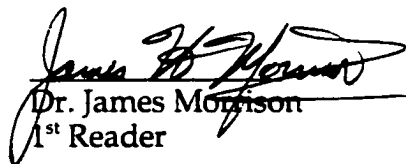
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at
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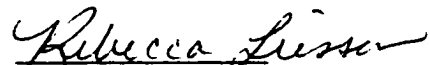
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ABSTRACT

In the past decade or so, the “Great Lakes Region” of Sub-Saharan Africa attracted considerable attention from many observers and scholars. In this part of Africa, events have been always influenced by both the political and economic structures led down by the Belgians as colonizers of this region, but also, by the current changes and shifts in the global political economy. As a result, Congo-Zaire, found itself trapped in one of the worst and consistent crisis ever experienced since it became independent from Belgium in 1960. This study however, will investigate the sources of the “Dire” political corruption and whether there could be any co-existence of corruption and development. The thesis of this study is that the political corruption in Congo-Zaire has been exacerbated by the support of Mobutu’s régime by the West during the Cold War era in Africa. Specifically it is argued that the massive in flows of loans received from the World Bank/IMF in the same period, created an opportunity for the government officials to deviate funds, thus making the state more dependent on the West and legitimizing corruption practices in that country.

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CHAPTER I

INTRODUCTION AND THESIS STATEMENT

1.1 THE PROBLEM OF CORRUPTION AND DEVELOPMENT IN CONGO ZAÏRE

The Belgian imperialists and their Western allies have corrupted some of our compatriots and bribed others. They have helped to distort the truth and bring our independence into dishonour

Patrice Lumumba

Accumulation of wealth at one pole is... at the same time accumulation of misery, agony of toil, slavery, ignorance, brutality, mental degradation at the opposite pole

Karl Marx

The Belgian elections of summer 1958, which led to the Parti Social Chrétien taking office with Liberal support was the beginning of the political changes to come in the Congo. Auguste Buisseret, who was the colonial Minister at the time, announced the decolonization policy which eventually led to a change in title from the Ministère des

colonies to the Ministère du Congo Belge et du Ruanda-Urundi¹. At that point, many political analysts including most Belgian citizens, considered this step as the beginning of the depolitisation of the Congo².

Like many other young countries of the developing world, hopes and expectations for immediate independence were so high that in January of 1959, a general riot was called by the Congolese indigenous elite as a strategy to speed up the independence process. Because of the severity and serious damage caused by the riot, the Belgium government was forced to grant Congo-Zaire its independence on June 30, 1960. As was the case with the so many of the newly independent countries of Sub-Saharan Africa and elsewhere in the developing world, independence was granted or achieved under conditions that tended to undermine a successful transition. These conditions included a lack of élite capable of taking over from the colonial régime, a inheritance a collapsed economy and a lack of political experience in the new administration.

¹ This was the Post-World War II process by which the major practitioners of colonialism in Europe (Belgium, France, Great Britain, Holland and Portugal) and the United States granted independence to the majority of states that now make up the developing World. This process was fostered by ideals of democracy and nationalism and by the devastation Europe had sustained in World War II. Problems at home had forced attention away from colonial upkeep. The decolonization process varied according to how much resistance colonial powers put up. Often the countries went through three stages: Indigenous elite opposition to the foreign colonial power; foreign-educated local leaders' opposition to colonial rule and finally a mass movement against the colonial power. In some cases, as in India and Pakistan, the transition to nationhood was relatively smooth, except for local fratricidal fighting. Decolonization also took place in South East Asia, and most of North and Sub-Saharan Africa. This process has left a legacy of unsettled boundaries as well as ethnic and nationalist tensions.

² The Pronouncement and designs, all dating back to the times when politically organized communities first emerged, which aim at removing government from politics and politics from government (on a mode similar to the notion of separation of church and state) as two incompatible entities, which, when combined, harm rather than favour the output (e.g., public policy). Such notions are common among bureaucrats, particularly those who lack the cognitive abilities to solve problems presented to them by political processes, and who lack the rational basis for reaching a consensus due to impatience with democratic processes or simply lack of capacity for intellectual analysis. The task of depoliticizing politics would in itself be a political task (it would require some consensus among the decision-makers); and, therefore, there is an obvious lack of convincing evidence which would support the notion that politicians will ever find a political solution for depoliticizing politics.

Shortly before Congo's independence, apart from the consistent budget deficit the most serious economic problem faced by the colonial régime was the transfer of funds from the Congo to Belgium. In January of 1960, many Belgians left the Congo and took their money with them, as much as they were able. For those who remained behind, they had continued to send money home since the Leopoldville (now Kinshasa) riots of the year before. The Congo's Central Bank had to draw heavily on its reserves, which decreased by five million Francs in fourteen months. In February, 1960, in order to restore confidence, an agreement that money should not be transferred was reached between the large companies and the government. But this did not affect private persons, and the flight of capital was so great that at the end of March 1960 Belgium placed restrictions on further transfers, limiting severely the amount which private persons could send out of the Congo each month. It was later discovered that the Belgians left the Congo to itself because they became frightened at the constant budget deficit and growing national debt in the colony³. The Leopoldville riots produced a lack of confidence abroad, dried up new investment added to the Congo's debts, leading Belgium to fear financial disaster. Belgian government officials would have been prepared to face the economic difficulties in an orderly Congo but they dared not risk the financial losses occasioned by the disorder. The French war in Algeria was ever before Belgian government's eyes, and the government knew well that although criticizing the Minister the people would have complained even more bitterly had they been asked to continue to rule the Congo by force.

³ Gordon C. MacDonald, Donald W. Bernier, Lyle E. Brenneman, Eileen M. Colligan, Wayne A. Culp, Susan R. Macknight and Michael L. Meissenburg. Area Handbook for the Democratic Republic of Congo (Congo Kinshasa) Washington: US. Government Printing Office. 1971.

The early trip of the Congolese Prime Minister Lumumba to the United States on July 20, 1960 to ask for an emergency financial assistance in order to facilitate his one Month old government to pay salaries of the civil servants and other government employees. This was a sign that the government's coffers had been depleted by the colonial régime. This bankruptcy of the independent Congo was not noticed by the Congolese general public mainly because of the Belgian military intervention to recolonize Congo and also because of the World Bank and the International Monetary Fund (IMF) financial assistance which came in on a special request of the United Nations Security Council for the immediate assistance to Congo in May of 1960 without which, the new administration could face serious administrative difficulties.

As a result of the political unrest that followed in Congo three months after its independence, which led to the cruel murder of Lumumba as the first Congolese elected Premier Minister, Congo-Zaire entered into its first post-independence deep political crisis which later changed into an economic crisis⁴. The reliance on copper as the main source of revenue for the government (about 75%) became a nightmare when the price of copper on the international market dropped dramatically in the 1970s, forcing the Mobutu régime to borrow heavily from the International Financial Institutions⁵.

The debt burden, the decline in export revenues, the internal political unrest, the centre-periphery like relations, and the desire of Mobutu's régime to hold on the power

⁴ . Ntalaja N. Z. (1986). The crisis of Zaire: Myths and Realities. Africa World Press, Inc. Trenton: New Jersey.

⁵ Copper is the country's most important mineral resource. Most of the deposits worked are high-grade oxidized ones, containing various associated minerals; including cobalt. the ones occur discontinuously in a belt about 50 miles. wide and 280 miles long in southern Katanga province; which is a continuation of the richly mineralized Zambian Copper belt; the Congolese part of the belt contains approximately 12 percent of the world's indicated and measured copper reserves.

shifted the attention of the government from managing the crisis and therefore fighting corruption as an obstacle for development to the maintenance of the status quo. And this was also a way through which government officials could amass personal wealth. This study involves an investigation into the resulting corruption and its relationship to economic development in Congo-Zaire between 1965 and 1997 the year Mobutu's empire collapsed.

1.2.1 Recent History

Congo-Zaire, formerly Called Belgian Congo, became independent from Belgium as the Republic of Congo on 30 June 1960. Five days later the armed forces mutinied. Belgium's actions during the ensuing unrest and its support for the secession of Katanga region was condemned by the UN, which dispatched troops to the region to maintain order. In September the head of state, Joseph Kasuvubu, dismissed the Prime Minister, Patrice Lumumba⁶. Later in that month government was assumed temporarily by Col (Later Gen. and, from December 1982, Marshal) Mobutu. Mobutu returned power to President Kasavubu in February 1961. Shortly afterwards Lumumba, who had been imprisoned in December 1960, was murdered.

In August 1961 a new government was formed, with Cyrille Adoula as Prime Minister. In July 1964 Kasavubu appointed Moïse Tshiombe, the former leader of the Katangese renamed the Democratic Republic of Congo. Following elections in March and April 1965, a power struggle developed between Tshiombe and Kasavubu; in November 1965 Mobutu intervened, seizing power and proclaiming himself head of the

⁶. Less than two weeks after the establishment of the Republic of Congo, Belgium encouraged and supported the Katanga Provincial leaders under Moïse Tshiombe to secede from the Congo a move which led to the deployment of the UN troops in that Province and to the murder of Lumumba.

second republic. In October-November 1970 Mobutu was elected President, unopposed, and took office for a seven-year term (From January 1972 he became known as Mobutu Sese Seko.)

In November 1970, elections took place to a new National Assembly (subsequently renamed the National Legislative Council, NLC). In October 1971 the Democratic Republic of Congo was redesignated the Republic of Zaïre, and a year later The government of Zaïre, and a year later the government of Zaire and the executive committee of the Mouvement Populaire de la Révolution (MPR), Zaïre's sole legal political party, merged into the National Executive Council (NEC).

In early 1982 opponents of Zaïre's one party system of government formed the \ Union Pour la Démocratie et le Progrès Social (UDPS). This was followed by the formation, later in that year, of the Front Congolais Pour le Rétablissement de la Démocratie (FCD).

In early April 1991, Mobutu announced that a national conference would be convened at the end of that month, at which members of the government and of opposition organizations would draft a new constitution. However, the conference was postponed, owing to widespread disturbances and anti-government demonstrations in several parts of the country. In late April Mobutu resumed the Chairmanship of the MPR. In July some 130 opposition movements formed a United Front, the Union Sacrée. In early May 1997, following inconclusive peace talks between Mobutu and Kabila, mediated by South Africa, Mobutu refused to resign (despite intense international pressure to do so and thereby avoid a violent battle for Kinshasa) and Kabila reiterated his intention to take the capital city by force.

On 16 May 1997, Mobutu left Kinshasa (travelling to Togo, and then Morocco, where he died in September), whilst many of his supporters and family fled across the border to Congo Brazzaville. On 17 May the Alliance des Forces Démocratiques pour la Libération du Congo-Zaïre (AFDL) troops entered Kinshasa (encountering little resistance, and Kabila, speaking from Lubumbashi, declared himself President of the Democratic Republic of Congo (DRC, the name in use during 1964-71), which swiftly gained international recognition . On 20 May 1997, Kabila arrived in Kinshasa , and by 22 May the AFDL was in control of most of the country . On 29 May 1997 Kabila was sworn in as President of the DRC, assuming full executive, legislative and military powers⁷.

1.2.2 Geography and people

The country lies in Central Africa, bordered by the Republic of Congo to the North-West, by the Central African Republic and Sudan to the North, by Uganda, Rwanda, Burundi and Tanzania to the East and by Zambia and Angola to the South.

The population is unevenly distributed. The population density in the Great Forest is only about one-half of the national average, with stretches of tens of thousands of sq km that is virtually deserted, although this is not because the area can not accommodate more people. However, it is clear that the population (with the exception of some pygmies) can not increase in density as long as the forest is preserved⁸ . Indeed, certain areas belonging to the forest belt but partly cleared for cultivation, although they have no particular natural advantages , have higher than average densities. At the northern edge of

⁷ . A strict governmental rule with direct flow of power from the central authority down to the lowest unit of government and to the masses (e.g., dictatorship or absolute monarchy).

⁸ . This is a very diminutive person or thing (L.G. K). see also pugnacious.

the great forest the population density increases up to 20 people per sq km, and is then reduced to one or two in the extreme north of the country. Certain parts of Mayombé (lower Congo) have 100 people per sq km, but the South of the Republic is sparsely populated (1-3 people per sq km).

The capital, Kinshasa, had 2,653,558 inhabitants at the 1984 census and is the principal urban centre. Other major centres of population are Lubumbashi, with 543,268 inhabitants at the 1984 census; Mbuji-Mayi (423,363); Kananga (290,898) and Kisangani (282,650). To day, the Republic has a population of about 51.000 000 people.

1.2.3 Land and Climate

Congo-Zaire ranks third in area among the countries of Africa. Only Sudan and Algeria are larger than Congo-Zaire. Congo's land includes three distinct kinds of regions - a tropical rain forest, savannas, and a high land. The tropical rain forest covers most of the Northern part of Congo. It is one of the world's largest and thickest rain forests and has an extraordinary variety of trees and other plants. The forest is so thick that sunlight seldom reaches part of its floor. The Equator runs through the rain forest, and the area has hot, humid weather all year.

Daytime temperatures average about 90° F (32°C). Annual rainfall often totals more than 80 inches (203 centimetres). Much of it falls in heavy thunderstorms. The Congo River is Congo's most important waterway. It rises near the south-east corner of the country. The river flows north ward to northern Congo and is called the Lualaba River until it reaches Stanley Falls near the equator. It then flows westward across Northern Congo. Finally, it flows south-west ward until it empties into the Atlantic Ocean in far Western Congo. The Congo River is the world's fifth largest river. It flows

for 2,900 miles (4,667 kilometres). The Congo carries more water than any other river except the Amazon. Many other rivers branch out from the Congo. They include the Ubangi and Aruwimi to the North and the Lomami and Kasai to the south. Several deep lakes lie along Congo's eastern border and the largest is Lake Tanganyika.

1.2.4 Economy

The following section gives only summary of Congo's economy as it will be addressed in greater detail in the second chapter.

Congo-Zaire is a poor country with a developing economy. But it has many valuable resources that give it the potential of becoming a wealthy nation. Mining ranks as Congo's most important economic activity and contributes about 10% of GDP in 1990. This percentage declined to an estimated 4.4% GDP in 1995⁹. Mineral products accounted for about 92% of export earnings in 1993. The most important minerals are copper and cobalt (of which the country has 65% of the world's reserves).

Manganese, zinc, tin and gold are also mined. There are rich diamond deposits, and in the late 1980s Congo-Zaire was the world's second largest producer of industrial diamonds (diamonds became Congo-Zaire's principal source of foreign exchange- US\$532m- in 1993). There are also extensive offshore reserves of petroleum (revenue from petroleum accounts for about 20% of total government income). In 1993 and 1994, however, production of Copper decreased dramatically.

During 1987-95 the sector's GDP (including the processing of minerals) decreased, in real terms, by an estimated annual average of 17.6%. In 1996, according to

⁹. Gross Domestic Product (GDP) is the total value (at current prices of a nation's goods and services during a given period of time, usually one year. This figure excludes international payments or dividends paid or received from abroad. See also Gross National Product. World Economic Survey.

estimates by the World Bank, Congo-Zaire's gross national product (GNP), measured at average 1994-96 prices, had decreased, in real terms, at an annual rate of 10.4% . Over the same period the population increased by an annual average of 3.2%¹⁰.

In 1997 GNP was estimated at US\$5, 100m. (US\$110 per head). Congo-Zaire's gross domestic product (GDP) decreased, in real terms, by an annual average of 7.9% in 1990-95. Real GDP increased by 1.6% in 1995, compared with a 13.5% decline in 1993 and a contraction of 3.9% in 1994.

Agriculture (including forestry and fishing) contributed as estimated 59% of GDP in 1995 about 64.6% of the working population were employed in agriculture at mid-1997. Industry, including mining, processing of minerals, manufacturing, power and construction, contributed an estimated 14.9% of GDP in 1995. Some 15.9% of the working population were employed in industry in 1991.

1.2 Government

Under the terms of a constitutional decree promulgated in May 1997, legislative and executive power is exercised by the President, in consultation with the government. A 42-member constitutional commission was appointed in October 1997, which was to draft a new constitution in 1998 . The resultant draft constitution was subsequently referred to a 300-member constituent Assembly, which was to review the document and submit it to a national referendum. The Assembly was, however, unable to convene, owing to the outbreak of civil war, and the work was undertaken in October by a 12-

¹⁰ . Gross National Product (GNP) is the total value of goods and services produced within a country, i.e.: its domestic product, together with interest payments or dividends received from abroad and minus similar payment made to others. If the national product is described in net rather than gross terms, this means that the capital used to produce the goods and services, i.e., depreciation, has been deducted. In the case of many developing countries which pay out more interest and dividends than they receive, the national product can be less than the domestic product.

member Institutional Reform Commission, appointed by Laurent Kabila. Presidential and legislative elections were scheduled to be held in December, 1998.

1.3 Thesis Statement

In this study I will argue that the Cold War legacy in Congo-Zaire, a massive in flow of loans from the World Bank and the International Monetary Fund (IMF) to Congo-Zaire in addition to the CIA military aid to Mobutu created a dependency of the Mobutu's régime on their Western patrons, hence facilitating the evolution of corruption from its embryonic colonial stage to a more sophisticated and mature form.

Not only did the West's involvement in the Congo's domestic affairs shortly after its independence and in particular, the United States central role in Congo-Zaire, stunt the development of that country. Their policies also took an enormous toll both in human suffering and in the disruption and corruption of the process of development and independence.

I will demonstrate moreover, that no care or particular attention was given to the development process, nor to the alarming poverty which was growing in the country particularly among peasants as this mainly came as a result of the support of Mobutu's régime by the West. Contrary to the main stream's agencies like the World Bank and IMF recent arguments that the current crisis in Congo-Zaire is a leadership crisis attributable to mismanagement and the corruption scandals the Mobutu's régime was subject to, the thesis will argue that although the Congo's élites played a role in this crisis, however, most of its background or forces lying behind it are external.

The study and the thesis argument will consider also other factors that may have directly or indirectly contributed to the current crisis in Congo-Zaire, hence leading to

the “dire” corruption. Such as an inherited ruined economy, an external debt of Z246.5 million or (US\$123.25) before June 1960, a period of internal Civil Wars followed by the secession of Katanga and South Kasai Provinces. In addition, Congo-Zaire’s economy was disrupted by the Angolan Civil War which crippled the transport of copper, and was also affected by falling copper prices between 1974-75.

The Thesis of the study, stated briefly, is: the Cold War legacy in Congo-Zaire, which included a massive inflows of loans from the World Bank and the IMF to Congo-Zaire, in addition to the CIA military aid to Mobutu created a dependency of the Mobutu’s régime on their Patrons in the West hence facilitating corruption to evolve from its embryonic colonial form to a more sophisticated and mature stage.

In support of this thesis, I will argue that the West’s attempt to reschedule four times the Congo’s debt payments, their preference of corrupt leaders in that country over the leftists ones like Lumumba; the West’s selfish economic interests over the welfare and development of the ordinary Congolese and the country as a whole; and finally, the West’s lack of interest and commitment in restoring the democratic rule in the country that they, themselves once disrupted by creating room for the mushrooming of corruption . Thus, by overlooking the hardships and struggles for independence the Congolese people underwent and by supporting Mobutu for more than 30 years, the West not only shares great responsibility in the suffering of the Congolese people, but it is also to be blamed for corrupting and bribing Mobutu . Whether this was in the form of grants or loans, the final outcome reveals that the West’s policies toward Congo-Zaire have destroyed that country’s entire economy.

1.4 Methodology

This study has been conducted through library research, research on site and my own knowledge about Congo-Zaire. Most of the data are derived from documents and secondary sources, i.e academic studies,(published articles and books).The data will be analysed to answer questions related to the relationship between corruption and underdevelopment not only in Congo-Zaire but also in other developing countries . However, the data and the thesis argument are related only to Congo-Zaire.

The Internet played an important role in this study by facilitating my contacts specifically with people and agencies with the needed information for this thesis specifically, data will be evaluated to answer such questions, as is it reasonable to suppose- - it is hypothesized that those countries without corruption do better economically than those ranked as highly corrupt? Can corruption and development coexist? And finally, has external dependency caused damages to the Congo's economic development? Also, data will be evaluated and contrasted with comparative evidence from other countries in the developing world like the Philippines and South Korea ranked as highly corrupt.

I would have wished to mainly relying on the primary sources from Congo-Zaire. Unfortunately, the on going civil war did not permit me to travel nor did it allow my contacts in that country to supply me with necessary data for this study. However, Congo-Zaire's political economy has always been shaped by both regional and global trends and transitions. The prevailing frameworks for the analysis of the relationship between political corruption and development in that country overlap and change

over time thus, since the country got its political independence on June 30, 1960¹¹.

1.5 Framework of Analysis

As Sang-Mpam pointed out, “a theoretically sound analysis of the Zaïrean (Congolese) crisis may have wider applicability to other post-colonial societies in the Third World, and should be particularly useful with regard to Africa”. The analysis in this particular study, is based on a Dependency Theory of underdevelopment, viz.

Propositions advanced in the 1970s in Latin America and subsequently applied by Samir Amin and Walter Rodney among others to the political economies of Sub-Saharan Africa (for a critique of this theory see Neys, 1980) . With reference to this theory it is hypothesized and argued that the country’s underdevelopment is rooted in, and caused by, relations and conditions of dependency on the West rather than corruption, as argued, inter alia, by the economists of the World Bank.

As for subsequent efforts to implement a national development program, the corresponding theoretical and policy framework is derived from neo-liberalism, an approach that achieved wide acceptance (hegemony) in the 1980s. From the same neo-liberal perspective, the lack of development, or the failure of so many Sub-Saharan African countries to develop their economies, can be seen as the result non-modern or traditional values and practices, such as nepotism, rentierism and corruption.

For over a decade now, there has raged a lengthy and complex debate over what constitutes corruption and that assumes that the growth-corruption relationship is heteroscedastic rather than ‘homoscedastic’¹². The case of Congo-Zaïre, this debate has

¹¹ . See David J. Gould (1979) Bureaucratic Corruption and Underdevelopment in the Third World : The case of Zaïre. p. 35.

split scholars into two basic camps:(1) The dependency approach problem of development which emerged as the critique of the modernization paradigm. Advocates of this approach has a complex intellectual background, ranging from Marxism¹³ (or rather Marxism- Leninism), Neo- Marxism and then Latin American structuralism¹⁴.

Although these forms of 'dependency' differed in emphasis, style, disciplinary orientation and ideological preferences, they did share the central basic idea about development and underdevelopment as interrelated processes. Frank, one of the most prominent dependency theorists, argued that individual underdeveloped countries were internally integrated through the permeation of merchant capital. Indeed, Frank argued that "the world capitalist economy was a single integrated whole". While having its roots in the structuralism of the United Nations Economic Commissions for Latin America (ECLA) economists, the dependency approach to development arose most directly and forcefully as an extended critique of the modernization perspective. A series of empirical investigations and theoretical reformulation were undertaken in relation of the central notion on modernization theory, that of the diffusion of modern values from the West (North America and Western Europe) into a society (Congo) oriented towards traditions and of subsequent transformation (industrialisation) of the economy and the society.

¹². A situation in which there are considerably unequal variances in the dependent variable for the same values of the independent variable in the different populations being sampled and compared in a regression analysis or an ANOVA. Comes from hetero. meaning other or different, and scedasticity, meaning tendency to scatter. Heteroscedasticity violates the assumption of homoscedasticity.

¹³. The theory and practice of the revolutionary working class movement as originally propounded by Karl Marx, other classical communist thinkers (especially, F. Engels, Rosa Luxemburg and V. I. Lenin) and extended by later interpreters of Marx in adaptation to specific conditions.

¹⁴. On this background, see Philip O'Brien, "A critique of Latin American theories of Dependency", and David Booth, "André Gunder Frank: An Introduction and an Appreciation", both in Beyond the Sociology of Development, Ivar Oxaal, Tony Barnett, and David Booth, (eds.) . London: Routledge and Kegan Paul, 1975.

Frank and Baran among others maintained however that from the colonial times to present, capitalism in the African periphery was inextricably linked to agents of capital in the West. The idea of the dependency approach to the African setting led by Samir Amin had as a central thesis among dependency theorists that the underdevelopment of Sub-Saharan Africa occurred within the context of the expansion of capitalism in Africa in addition to a dependent role Africa played in the world capitalist system¹⁵.

Through a series of historical phases, African political economies were systematically integrated into this world system, and the possibilities for future \ development in Sub-Saharan Africa were constrained by this historical fact¹⁶. Development, which according to Amin, is blocked by the forces of international capital, might proceed only via African socialism, through some form of self-reliant or participatory development, or some process of delinking¹⁷.

Most dependency theorists, and Frank in particular believe that the world market operates to the disadvantage of the dependent economy and domestic welfare. They also consider trade as a mechanism of exploitation, of underdevelopment, and for more advanced economies, of economic decline, not of growth. Frank, however, argues that the production and export of staple raw materials for almost four centuries did not take the capacity to transform most of Africa, Asia, and Latin America into a staple trap, or at least into a low level disequilibrium trap, from which they are able to escape through

¹⁵. Samir Amin, "Underdevelopment and dependence in Black Africa: Historical origin". Journal of Peace Research .9:2 1972:105-120.

¹⁶. Immanuel Wallerstein. "The three stages of African involvement in the world economy". P.C. Gutkind and I. Wallerstein.(eds.). Political Economy of contemporary Africa . London: Sage Publication. 1985.

¹⁷. See Samir Amin. Delinking: Towards a polycentric world . London: Zed Books. 1988.

capitalist development

Dos Santos viewed dependency as a conditioning situation in which the economies of one group of countries are conditioned by the development and expansion of others.

A relationship of interdependency between two or more countries can expand only as a reflection of the expansion of the dominant countries, which may have positive or negative effects on their immediate development¹⁸. Since the periphery was according to him doomed to underdevelopment resulting from its linkage to the centre, it was considered necessary from this perspective for a country to disassociate itself from the world market, to break the chains of surplus extraction and to strive for national and collective self-reliance, as in the case of the New International Economic Order (NIEO) advanced by the group of 77¹⁹.

The strategy was to turn the concept of culture diffusion on its head by viewing it as a "mechanism" of dependency or imperialism" and by showing that its effects upon the Third World were essentially the opposite of what modernization theory supposed. Instead, the advocates of dependency argued that dependency is a state of conditions imposed on the periphery countries voluntarily by countries of the centre.

Some mechanisms resulting from this dependency are:

¹⁸. Dos Santos, Theotonio. "The Structure of Dependency". American Economic Review.60,(21). May 1970. P. 231.

¹⁹. The Group of 77 was created on 15 June 1964 when 77 developing countries adopted at the conclusion of the first United Nations Conference on Trade and Development (UNCTAD) a joint declaration. The evolution and history of the Group of 77 have been intimately linked with the United Nations system, demonstrating the dedication of developing countries to the goals and objectives of the charter of the United Nations. To date 132 developing countries from Africa, Asia, the Pacific, Latin America and the Caribbean, and Europe are members of the Group of 77.

(1) Metropolitan appropriation of economic surplus from the Third World producers through (a) super-exploitation of Third World labour; (b) unequal terms of trade imposed by monopolistic market structures; (c) transfer pricing by multinational corporations, (d) domination of metropolitan financial institutions which dictate the terms of borrowing and repayment; (e) metropolitan expansion financed by Third World saving etc.

(2) Metropolitan preemption of the requisites of production by means of (a) the take-over and control of Third World raw materials; (b) The plunder of the Third World labour-power as in the slave-trade, etc.

(3) Metropolitan pre-emption of Third World markets through (a) tied loans; (b) multinational corporations take-over of local markets; and

(3) Creation of social situations and class formations which do not replicate those of the metropole, for example, the maintenance of landholding and mercantile classes, military regimes, etc. which mediate imperial domination.

In Frank's words, "development and underdevelopment are two sides of the same coin" two poles of the same process-metropolitan capitalist development on a world scale creates the development of underdevelopment in the Third World. The major mechanism of this development of underdevelopment is the drainage of economic surplus from the satellites. Interestingly, as noted by Ngandu Muambila in his book "Le Zaïre Appauvri par l'Occident", Congo-Zaïre, went through all the stages of dependency Frank enumerates. Other scholars in the recent years have shared the same views that the current crisis in Congo-Zaïre is not the result of corruption as argued by the neo-liberals and the World Bank from a different perspective . In fact, Nathaniel H. Leff argued in the

early 1960s that in certain contexts corruption might help overcome obstacles of growth, including most critically politically induced obstacles that might stifle or distort economic activity²⁰.

J. S. Nye, on the other hand, suggested that even though corruption might generally harm an economy, where corrupt monies end up might actually matter more than the extent of corruption per se and for this reason, corruption is likely to be less destructive if corrupt monies stayed at home and were plowed back into the local economy rather than exported to Swiss banks²¹.

Similarly, Omotunde E. G. Johnson suggests that where corrupt officials invest a significant part of their illegal income in productive activities with forward and backward linkages, corruption might help increase growth rates²².

Finally, in his seminal piece on political corruption, Michael Johnston proposed a typology of corruption that distinguishes between integrative and disintegrative forms of corruption²³. Thus, as indicated by the above scholars and many others not mentioned here, the nature of the crisis in Africa and in particular that Congo-Zaire is going through is far from being explained in forms of political corruption or mismanagement; as argued by dependentistas, it has more factors. In support of this argument, the same scholars

²⁰. Nathaniel H. Leff, "Economic Development through Bureaucratic corruption . American Behavioural Scientist, 8, (November 1964) : 8-14.

²¹. J. S. Nye, " Corruption and Political Development : A cost-benefit analysis". American Political Science Review 61, (June 1967): 417-27.

²². Omotunde. E. G. Johnson, " An Economic Analysis of corruption government, with special application for less developed countries". Kylos 28, No.1 (1975):47-61.

²³. Michael Johnston, " The political consequences of corruption: A reassessment." Comparative Politics 18(July 1986): 459-77.

demonstrate that in 1996, for example, Transparency International (TI), a Germany-based anti-corruption group, ranked China the fifth most corrupt country out of a sample of 54. Nevertheless, of these countries China had the highest average growth rate 11.42 percent per year between 1990 and 1995.

Ranked almost identically in terms of corruption, Cameroon saw its economy contract an average 5.42 percent annually during this same period, while Venezuela grew at an annual average of just 2.22 percent²⁴. In the same period, Singapore averaged 8.04 percent annual growth, roughly the same as Vietnam (8.14 percent) and Thailand (8.16 percent), even though Singapore was considered virtually corruption free and Vietnam and Thailand as fairly corrupt²⁵. Other scholars like Samir Amin in his "Unequal Development" point out that the role of the periphery in the international division of labour continues to be primarily as a supplier of raw materials and that the structure of this relationship, rather than corruption or mismanagement, is the primary source of the problems experienced by so many countries in Sub-Saharan Africa.

The structure of this relationship has persisted and efforts to industrialize in certain regions in the periphery have been mostly unsuccessful because the corporations based in the periphery can not compete with the centre of the world capitalist system.

In this situation, the periphery is doomed to remain a periphery: The development of an industrial sector and a home market remain retarded, unemployment persists and

²⁴. Ranked on a scale of zero to ten, with zero equal to no corruption and ten equal to endemic corruption. China ranked 7.57, Cameroon 7.54, and Venezuela 7.50. Here Mauro and Transparency International's corruption scores have been inverted. In these analyses, a high score represented a high level of honesty. And a low score a high level of corruption. Since the author's interest is in the relationship between growth and corruption in countries ranked as high corrupt, it is rather more intuitive if a high score represents a high level of corruption and a low score a low level of corruption.

²⁵. Singapore received a rating of 1.20 while Vietnam received a rating of 7.78 and Thailand a rating of 6.67.

wages remain at or below the subsistence level. Because of the inherent tendency of the rate of profit to fall in the capitalist mode of production, capitalism is a crisis-ridden economic system and in efforts to offset the propensity towards crisis the world capitalism system is periodically restructured and formulated so as to general conditions of capital accumulation to activate the growth process at the centre, at the expenses of countries on the periphery. This is one theoretical perspective on underdevelopment on Africa, with which we are at least, inclined to agree as the basis for some of our working ideas.

On the other hand, advocates of Neo-Liberal approach to development consider political corruption and the misuse of public office or public responsibility for private (personal or sectional) gain as a major obstacle to improvement of economic development, and thus a rationale for promoting neo-liberal policies of adjustment, conditionality and democratization in the developing world. From the outset, proponents of structural reform linked political corruption to authoritarianism as an explanation of developmental failure, thereby identifying the arguments for democratization and good governance with those for liberalization. Scholars like Paolo Mauro argued that the relationship between corruption and growth is negative when controlling for a variety of economic and socio-political factors.

Those primarily concerned with debt repayment and economic reform (especially the International Monetary Fund (IMF) and the World Bank) regard corruption as a threat to good governance because of its potential to redirect aid, subvert policy reforms and undermine markets institutions . And those more interested in using conditionality to foster democracy and human rights (such as the Nordic countries, the Netherlands and .

since 1997, Britain) have focussed on the role of corruption in the abuse of power, the unfairness of resources distribution and the negation of citizenship rights. For both, a bloated, unaccountable and authoritarian state promoted endemic corruption.

This view also helps to link the agenda of the donor agencies to the demands of African democratic reformers in the nineteen eighties . The idea that corruption flourishes in one-party or military regimes where accountability is lacking and, in turn, produces inequality, dishonest stagnation and debt was a constant theme of critics of the old oligarchies. Multi-party democracy and the liberalization of the economy were presented by donors to African elites as the most effective measures of combatting corruption²⁶ . Ironically, this was a means to remove and punish those who lined their pockets and abused their power. The proposition that democracy can limit the worst excesses of corruption by making it easier to scrutinise and regulate the operation of the state - - because public institutions are more responsible, transparent and accountable and because political and legal costs are more easily imposed on corrupt leaders - - is the core language of conditionality, liberalization, good governance and democratization, of donor and local to a series of vicious circles which sustain clientelism, electoral fraud, administrative inefficiency and criminal activities²⁷.

In 1996, James. D. Wolfensohn ,as the World Bank President, stated in his own words that : “In country after country, people are demanding action on this

²⁶ . See Charlick. R. (1993). Paper published in a special 1993 Issue of Corruption and Reform. USAID/Africa. p. 177.

²⁷ . Term used to describe informal power relations between individuals or groups in unequal positions. based on the exchange of benefits i.e. patron-client relations. In traditional societies clientelism occurs where a person with high status (the patron) takes advantage of their authority and resources to protect and benefits somebody with inferior status (the client) who reciprocates with support and services .

issue.(corruption) They know that corruption diverts resources from the poor to the rich, increases the cost of running businesses, distorts public expenditures, and deters foreign investors. They also know that corruption erodes the constituency for aid programs and humanitarian relief. As well, we all know that corruption is a major barrier to sound and equitable development. The only solution can be home- grown and national leaders need to take a stand as well as civil society”.

Other scholars like Della Porta and Yves Meny argue that corruption undermines institutions and by striking at the very roots of democracy, compromises the values of the system. It substitutes private interests for the public interest, undermines the rule of law, and denies the principles of equality and transparency²⁸. In its 1997 World Development Report, the World Bank states that the state’s monopoly on coercion, which eventually gives it the power to intervene arbitrarily, makes it difficult for the general public to have access to the information. This process also creates opportunities for public officials to promote their own interests, or those of friends or allies, at the expense of the general interest. Again, the report recommends that countries should therefore work to establish and nurture mechanism that give state agencies that - - incentive to work for the common good, while at the same time restraining arbitrary and corrupt behaviour .

1.6 Definition: Political Corruption

In recent years, there has not been a clear definition, even among scholars, as to what constitutes corruption. However, according to the World Bank, political corruption is the misuse of public office or public responsibility for private (personal or sectional) gain. The social science encyclopaedia edited by Adam Kuper and Jessica Kuper defines

²⁸ . Porta, D. and Meny, Y. (1997). Democracy and Corruption in Europe. London: Pinter.p.208.

corruption as follows: “ It is most general sense, corruption means the perversion or abandonment of a standard. Hence it is common to speak of the corruption of language or of moral corruption. More narrowly, corruption refers to the abandonment of expected standards of behaviour by those in authority for the sake of unsanctioned personal advantage”. In the business sphere, a company director is deemed corrupt if he/she sells his private property to the company at an inflated price, at the expense of the shareholders whose interests he/she is supposed to safeguard.

Political corruption can be defined as the misuse of public office or authority for unsanctioned private gain. Several points about the definition should be noted. (1) Not all forms of misconduct or abuse of office constitute corruption. An official or a government Minister who is merely incompetent or who betrays government secrets to a foreign power for ideological reasons is not generally considered corrupt. (2) Legislators and public officials in most countries are entitled to salaries and other allowances. Corruption occurs only when they receive additional unsanctioned benefits, such as bribes.

In practice, it is frequently hard to draw the line between authorized and unauthorized payments and, in any case, this is change over time and will be drawn differently in different countries. A benefit regarded as a bribe in one country may be seen as normal and legitimate in another. Legal definitions of corrupt practices are only an imperfect guide since benefits forbidden by law are often sanctioned by social custom, and vice versa.

The Dictionary of Development by Brian W.W. Welsh and Pavel Butorin defines corruption as an impediment to development. It goes on to say that individual and corporate corruption has a clear effect upon a community's or nation's development

insofar as it interferes with the rational and efficient use of scarce resources. Corruption has existed in all societies at all times and is certainly not exclusive to the developing world. In some large provincial cities in the UK-- otherwise known for national government probity in this respect--accusations of kickbacks and clientilism in the awards of construction and other public works contracts are not infrequent .

In the late 1980s, the government of New York city was wracked by political corruption scandals. Corruption is generally counterproductive because of the waste of resources. Contracts are awarded which are not fulfilled correctly; payments are made for undelivered goods or for goods of substandard quality; jobs are given to cousins or party hacks while the competent are passed over, lowering morale and motivation. Payments are made without proper documentation or at inflated prices. Civil servants claim expenses for travel never taken. Finally, corruption knows no ideological frontiers, from socialist Tanzania to capitalist Nigeria .

Meanwhile, in the past forty years or so, the term **development** has changed its meaning its meaning and continues to do so. Depending on who uses it, no matter the field of study of its user, the definition of development seems therefore imprecise, vague or simply inappropriate to many theorists despite the fact that there is an appreciation of the interdisciplinary nature of the development problem at its root. Still in the past, many viewed it as industrialization, economic growth, exploitation, another form of colonialism, liberation etc. But for the sake of this study, I will join Mahbud Ul Haq, Paul Streeten, The United Nations Development Programme(UNDP) and many other scholars not mentioned here, who think that development should be concerned with **an**

increased welfare and human development²⁹. This means that the above definition in the Congo's situation has to be checked whether a people's basic needs, such as education, food, shelter, clean water and an enlargement in their choices, are met in the day to day lives in a country where both the internal and external conditions are imposed on them! The discussion about the impacts of this political corruption on the development of that country is more elaborated in chapter three.

1.7 Structure of the thesis argument

This study comprises five chapters. Chapter **one** provides a historical, geographical, political, economic and cultural overview of Congo-Zaïre. The theoretical framework, the methodology as well as the thesis statement are also presented as is a working definition of political corruption and development and a description of the structure of the argument, chapter by chapter, for the thesis.

Chapter **two** is a review of Congo- Zaïre's economy. Part one **examines** both the Léopoldian and the colonial economy of pre-independence Congo. A look at what was the engine sectors of the economy is necessary for this study. The second part examines the post-independent state economic policies(1960-1997). This review provides the context for the analysis, and argument that follows in chapter three.

Chapter **three** traces the origins of political corruption in Congo-Zaïre as well as its impact on the country's human development. The Congo debt burden, the role played by the international financial institutions such as the World Bank and the IMF in the Congo's economic decline, Mobutu's role during the Cold War era in Africa and a detailed analysis of the Congo's **dependency** on the West is discussed here.

²⁹. See Human Development Report . 1992,pp. 95-98.

Chapter **four** is an examination of the form of the state in Congo-Zaïre (between 1960-1997). This involves the use of class analysis. A look at the post-independent **state policies** and **regulations** is also critical for this study.

Chapter **five** gives a short conclusion of the study in repeating the **key arguments** presented in the previous chapters. Some general comments regarding the relationship between corruption and development in the Congo will be made as well as some parallels to political corruption in other developing countries will be reviewed.

Finally, general considerations and recommendations regarding the relationship between political corruption and development vi-à- vis people's welfare, independence and social equity in the Congo will be given.

CHAPTER II

A REVIEW OF THE CONGO'S ECONOMY

2.1 INTRODUCTION

Through the combined efforts of bureaucracy, capital and church, each of which fashioned a formidable organizations structure in its own centre of activity, a remarked colonial system was constructed, unparalleled in the depth of its penetration into the African societies upon which it was super imposed and in the breath of its control of nearly the whole spectrum of human activity

Crawford Young

Like in many other African states, capitalism's penetration in Congo-Zaire was organised by the colonial trinity. The intensity of its occupation and organization left an enduring legacy for the post-colonial society and economy , and therefore needs to be described in some detail as the entire economy of the Belgian Congo was in the hands of Belgian trusts working closely with the colonial administration, the Belgian government and the Christian missionaries. The trusts had a monopoly administration which limited itself to governing the colonial state. The colonial Congo state needed the economic support of big business. Public works not only in Congo but also in Belgium were financed by the taxes paid in the Congo and the profits transferred to Belgium.

Effective control of the big companies was left entirely in the hands of the Belgian trusts and their colonial branched . The new Congo state - - legacy to Leopold II as the main shareholders in all the colonial corporations, abandoned its rights of control. During the Leopoldian régime, the export sector depended on a labour intensive system. With the demands made on the Congolese economy by World War I and II, a capital intensive system was mainly concentrated in the mining industries and in the transport

sectors. Other subsidiary industries were established in the Congo, all linked more or less to the major mining industries, such as cement, coal, chemicals and electricity.

But the colonial enterprise was not restricted itself to mining, transport, and complementary industries. The Belgian trust had invested in every profitable aspect of the Congolese economy¹. The administration as well as the church instrumentally supported the colonial trusts. Most of the top officers in the colonial administration and big businesses were Catholic and there were even priests serving on councils such as the Conseil colonial.

The majority of Congolese colonial corporations were directly or indirectly linked to the Société Générale de Belgique which, as we have seen, dominated the Belgian financial world and was present in all areas of the economy; from insurance companies; banks, real estate and investment trusts, construction and building materials, mining; and all types of manufacturing to transportation and the food industry.

Besides its head office in Belgium, the Société Générale had branches in other western countries, the US, France, Canada, and Germany. In the Congo, the Société Générale had the majority of shares in most important industrial societies such as the Leopoldian colonial societies of 1906, Union Minière du Haut Katanga, Forminière, Chemin de fer du Bas-Congo au Katanga. The Société Générale also acted indirectly in the Congo through its holdings, such as the Compagnie du Congo pour le Commerce et l'industrie (the C.C.C.I) and the Compagnie du Katanga (C. K.). The Société Générale had total control of the mining industries, which constituted the fundamental basis of the colonial Congolese economy. Indeed, it was for the benefit of mining industries that the

¹. See La Morphologie de groupes financiers. Published by the CRISP (Centre de Recherche et d'Information socio-politiques).

means of communication were constructed in order to link the productive provinces of the Congo to the Atlantic Ocean.

Because of mining, electrical energy was developed (it consumed more than eight percent of this energy), and again because of the mining industries, other secondary and subsidiary refining industries were created . Until 1960, the mineral resources comprised more than sixty percent of the value of total Congolese exports. Up until independence, the Société Générale controlled at least seventy percent of the Congolese economy, the Belgian Trust involved itself in the Congo by holding a majority of shares in big industrial societies.

Another big corporation owned by the Belgians was the Tanganyika Concessions Ltd., closely related to financial interests in South Africa and Rhodesia in which the Société Générale Belge figured among the shareholders. The Congo state, represented by the Comité special du Katanga, was the predominant shareholder in the Union Minière de Haut Katanga(UMHK), but in fact the UMHK was controlled by the Société Générale which managed the company and gave the Congo state only ten percent of the profits while holding for itself an interest of more than thirty-three percent. The ramification of the UMHK did not end with its own diverse Congolese branches . In Belgium, the UMHK owned forty-seven point seven percent of the Société Métallurgique Hoboken, with the ubiquitous Société Générale owning sixteen percent .

The Société Métallurgique Hoboken had an electrolyte copper refinery located in Olen which was said to be the foremost in Europe. Congolese copper was refined there along with Congolese Cobalt . The strategy of the colonial administration was to co-operate as closely with the big companies as with the missions, and throughout colonial

history, the Congo economy was dominated by a few large companies. The Leopoldian state had taken two fundamental steps in controlling the means of production: It appropriated land not effectively occupied by Africans and then required the local male population to collect marketable products; first monopolizing purchase rights and then imposing production of a specific volume of agricultural products².

King Leopold's concession was ten times the size of Belgium. The Belgian Congo continued these policies, establishing a regime that linked state capital with private monopolies in a way unparalleled in other European Empires. It thus attracted investment not only because of its wealth of natural resources but also because of the unusual degree of administrative support offered for obtaining land and labour. After 1910, it granted five huge concessions to Unilever and many smaller ones to other agro-industries³. The multinational companies which have so dominated Congo-Zaire's economy were thus entrenched very early on. The plantation companies in the Central Basin were followed by the mining companies for copper and other minerals in the South, gold and tin in the east and north east, and diamonds in Kasai. In the period up until the Forties, the colonial state and capital transformed production, firstly by the appropriation by the state of land held to be unoccupied, which was allocated in vast concessions, and secondly by mobilizing a labour force. Labour recruitment in the Congo was carried out under more direct compulsion than in other African colonies. Initially the Free State exacted Levies of soldiers and contract workers from each district, and imposed taxes in kind: Quotas of rubber, portage, paddler and food or wood⁴. This

². "Capital accumulation in Congo under colonialism: The role of the state.(1975a).

³. See The rulers of Belgian Africa 1884-1914. Gann, L. H. & Peter Duignan (1979). p.25.

⁴. See Buell Raymond. The Native Problem in Africa. (1928).p.40.

labour tax of the Congo Free State was extraordinarily onerous . A decree of 1903 exacted forty hours of labour a month from the population , for which they were supposedly paid; in practice they were underpaid and subject to additional obligations. The example of one *chefferie* shows the extent of the burden thus imposed .

The hundred huts of Bumba had to supply monthly five sheep or pigs (or fifty chickens), 60 kilograms of rubber, 125 loads of manioc, 15 kilograms of maize or peanuts and 15 kilograms of sweet potatoes. In addition, one man out of ten had to be a labourer at the government post - - one had to serve in military annually; and the whole population had to work one day in four on public work⁵.

Forced labour took another form in 1917, with the introduction of compulsory cultivation of cotton and food crops, such as manioc, sweet potatoes, rice and corn, to provide food for mine and industrial workers. These crops were sold at fixed and not world market prices. The success of this effort is evident in the fact that although most colonies in their early years imported more than they exported, the reverse occurred in the Belgian Congo - - until the end of 1920, exports exceeded imports in value. Compulsory cultivation was instituted primarily for fiscal reasons but it also integrated subsistence producers into the capitalist economy.

At first, the colonial state did not suppress traditional commercial structures. Customary chiefs, acting as intermediaries, were the principal beneficiaries, but rural producers realized enough of the commercialized surplus to pay for more than their taxes.

⁵ . Since any real class system is fluid, in contrast to the rigidity of Marx's analytical model, individuals move between classes. The new commercial class in Kisangani included two individuals who were politicians for a brief spell in the past but were unable to maintain this position ; in the futures some others may become politicians . In the election of 1977 men locally prominent because of their business activities were elected people's commissioners.

When prices were favourable in regions near to transport, rural producers increased production of export crops, to the point that they were able to buy food instead of growing it. This situation did not last - - the colonial administration opposed the liberalization of commerce, seeing the development of an autonomous economic base as a threat to authority⁶.

With the expansion of compulsory cultivation in the thirties, the state came to exercise direct control over much African village production and thus fully controlled African labour. After 1930, the depression changed the economy - - Belgian industrial investment was reduced, workers returned to their villages and mineral exports dropped. The agricultural market for rural African products disappeared. A more centralized administration than had hitherto existed was made possible by an influx of Belgian capital, an increase in the number of civil servants and the reform of the army. By 1934-5 European companies monopolized processing and marketing to guarantee cotton, rice and palm kernel supplies to the factories, and increased road construction after 1935 brought rural communities into closer contact with markets⁷.

The Congo survived the world depression because it increased its agricultural exports- - they rose by over 60 percent between 1930 and 1935, while the value of mineral exports remained stagnant . African producers, however, were restricted to the production of agricultural products at fixed prices, while foreigners had an effective monopoly of the industrial processing of these products, thus profiting from added value.

⁶ . Bézy, Fernand, Jean-Philippe Peemans, Jean-Marie Wautelet(1981). Accumulation et sous-développement au Zaïre: 1960-1980, p.52.

⁷ . See Jewsiewicki, Bogumil (1976). " La contestation sociale et la naissance du prolétariat au Zaïre au cours de la première moitié de 20^{ème} siècle".

Thus African agriculture deteriorated relative to that of foreign settlers⁸. To sum up, the characteristics of the colonial system in the period 1920-40 had powerful long-term consequences.

The privileged relationship between the state and the big companies, by which the state extended the structure of centralized control, constrained the development and nature of local initiatives. Public resources became increasingly dependent on a few activities, particularly mining. Other resources were essentially extracted from rural areas that were in reach of the formidable apparatus of the colonial state. The stultifying effect on the rural economy of the dependence of production on state control was manifest after independence, when the apparatus of this control disintegrated.

2.2 Development of Léopold's economic legacy

The structure of the Congolese economy imposed from outside by King Leopold to meet the needs of the western financial trusts did not change during the Belgian Congo regime. There was no market for mineral resources in the Congo and, in spite of the abundance of iron existing in the Congo, no iron and steel industries were established there. The Belgian trusts were worried about the eventual competition between a Congolese iron and steel industry and European industries.

The Société Générale controlled these industries in Europe; thus, for the Société Générale Belge there was no need to invest in a Congo which would then no longer need to import European iron. The high level of industrialization in Katanga through the Union Minière de Haut Katanga could be explained only by the abundance of raw materials in that province.

⁸. Jewsiewicki, Bogumil (1976). "La contestation sociale et la naissance de prolétariat du Zaïre au cours de la première moitié du 20ème siècle".

It was cheaper for Belgian trusts to invest in Katanga where they found an exceptional concentration of mineral wealth. The Congolese internal market structure could be viewed in three parts:

1. The urban market in the centres extra-coutumiers where rural peasants sold their products at a very low price to urbanized African workers, soldiers, and civil servants.
2. A subsistence economy accounting for about ten percent of production within the communal groups which satisfied the needs of the community, mainly in the rural sectors, where agricultural work was performed by Congolese women.
3. The colonial market, established all over the country through state postes d'achats where blacks brought their products for export. In exchange for their products, the peasants received prices fixed by the trusts and endorsed by the colonial administration. There was no laissez-faire price of cotton, coffee, rubber, palm oil, peanuts, tea, palm nuts, were fixed by diktat⁹. None of those export products served the needs of the Congolese, and the latter were not motivated to cultivate them.

To escape the stigma put on Léopold II in 1906 for his virtual enslavement of the Congolese people, the Belgian authorities created a new euphemism for forced labour in establishing culture éducative ("educational cultivation"). A decree was issued in 1917 requiring all natives to plant products for export to meet the demand created by the world

⁹. The private ownership of resources and the use of a system of markets and prices to coordinate and direct economic activity characterize laissez-faire capitalism, or pure capitalism. In such market systems each participant acts in his or her own self-interest: each individual or business seeks to maximize its satisfaction or profit through its own decisions regarding consumption or production. The system allows for the private ownership of capital. Communicates through prices, and coordinates economic activity through market-places where buyers and sellers come together. Goods and services are produced and resources are supplied by whomever is willing and able to do so. The result is competition among many small, independent acting buyers and sellers of each product and resource. Thus, economic power is widely dispersed.

war.

Economic development in the Congo during the Belgian rule was a process of accelerated economic underdevelopment for the Congolese. Nothing had changed since the days of Léopold II, as the following illustrations will show.

2.2.1 The case of cotton

Until 1920, the colonial administration bought cotton directly from the Congolese peasants. After that period, a monopoly was granted to the *Compagnie Cottonnière Congolaise (COTONGO)* a branch of the *Société Générale de Belgique*. Cotongo was created in 1920 through the initiative of the Belgian government. Its main share-holder was the *C.C.C.I. (Compagnie du Congo pour le Commerce et L'industrie)* in collaboration with other Belgian financial groups. Officially the price of cotton was fixed by an administrative cooperative society, the *comptoir de vente des cotons du Congo* which fixed the volume of production imposed on Congolese peasants and the price of cotton inside and outside the Congo. Needless to say, those prices had no relation to the labour of the producers.

The Congolese peasants received starvation wages on which colonial taxes were also levied. During World War II, in 1943, another innovation was the creation of the *caisse de Réserve Cottonnière* which had the purpose of insuring compensation during periods of low prices. Cotongo retained a certain amount from the price given to the producer. Of course, no Congolese sat on the committee managing those funds; the president and the other nine members of the committee were appointed by the Governor general (six civil servants, four representatives of the cotton companies). The funds were frozen without any interest for the Congolese contributors.

In 1959, Cotongo declared that it had one hundred and seventy million francs of funds deposited on behalf of the Comité de Gérance de la caisse de réserve cotonnière; funds that Cotongo was using for its own purpose¹⁰. In 1960, the Cotongo controlled eight out of the one hundred and five cotton mills existing in the Belgian Congo. Besides cotton, it had plantations of coffee trees, of oil, of hevea, palm nuts, cattle farming etc. As was the case with any big colonial company, Cotongo did not end with cotton, it had shares in at least twenty diverse colonial societies.

2.2.2 Palm nuts and palm oil

One can draw similar parallels in the case of palm nuts and palm oil, both completely dominated by the plantations “Lever au Congo”, a branch of the Anglo-Dutch lever trust .

2.2.3 Summary

The colonial structure of the Belgian Congo’s economy can only be characterized as a peripheral economy organically linked to the central economy of the metropolis - - Belgium and the world’s international capitalist system. Both traditional and modern sectors of economic life were part of a single capitalist system operating from the hinter lands through the urban areas of the colony to the centre of the international trade and mining interests along side traditional economic structures, but the reality was different . The maintenance of a traditional mode of production in the rural zones was indispensable for the development of western capitalism. They then created the metropolis’ reserves of cheap (if not free) labour, working within the communalist mode of production, and also its sources of cheap agricultural products for the colonizers.

It was to the advantage of the colonial power to keep forms of traditional

¹⁰ . Les Trusts au Congo, p. 77.

structures for use in exploitation; thus they reinforced the role of “traditional” chiefs by giving them excessive coercive power over their subjects. The so-called indirect rule also permitted the colonizers to claim they were not mixing in the internal life of the Congolese¹¹. If in 1908 Léopold II could easily hand over his Congo to Belgium, in 1960 the world’s opinion was not ready to accept Belgian neocolonialism and its monopolisation of the Congolese economy. Where the Berlin conference of 1885 had not succeeded in establishing Free Trade for all western powers in the Congo, “The UN undertook the task to inter-nationalization of the Congolese economy.

2.3 The Economic Structure and Character after Independence

In late 1969, the economy was based on diversified mineral and agricultural production. The country’s mineral resources, particularly those of Katanga (now Shaba) province, were rich in both their variety and their exceptionally high ore content. It was roughly estimated that the country had 12 percent of the world’s copper reserves and about one-half of the world’s measured cobalt and industrial diamond reserves¹². During the late 1960s, the Congo was the sixth largest world copper producer and the largest world producer of cobalt and industrial diamonds¹³.

A relatively large numbers of cash crops, including sugar, cocoa, coffee, and tea, were grown in the late 1960s for export and for the domestic market, offsetting the

¹¹. The system of indirect rule permitted rulers and chiefs to govern certain areas under the careful supervision of the Europeans. The survival of traditional authority did not alter the fact that rulers and chiefs were clearly subordinate to the colonial power structure and could be deposed if they did not follow the dictates of the colonial administration.

¹². See the Europa World Book 1999, P. 1043.

¹³. Ibid.p.1045.

country's earlier dependence on oil products and rubber. The grave political crisis that overtook the country after independence in June 1960 not only interrupted the realization of the economy's considerable potential for further growth and development but almost caused a complete economic collapse. The post-independence disorganization of the economy was primarily attributable to four main problems: Large scale deficit financing, decreased production and income, uninterrupted price rises, and finally to the balance of payments disequilibrium. The reestablishment of political stability and physical security in the late 1960s permitted the government to introduce, on June 24, 1967, a fundamental economic reform program that was designed to halt inflation and restore budgetary and balance of payments equilibrium, thereby laying the basis for resumed growth and development.

Most aspects of the reform program, which encompassed a variety of measures relating to the exchange system, public finances, income policy, credit policy, and price control, were successfully implemented in the eighteen months after its introduction. Thus, despite the continued existence of a number of problems, the prospects for economic growth and development were more favourable in the late 1969 than at any time since 1959¹⁴. The main threats to the country's still relatively fragile economic stability were the conceivable renewal of several inflationary pressures and the possibility of fluctuations in the world market prices for the country's main mineral and agricultural commodities.

2.3.1 The Economic Bases

Although the soils of the country were generally poor and highly susceptible to

¹⁴. Bézy, Ferrand. Problème structurel de l'économie Congolaise. Louvain: Institut de Recherches Economiques et sociales. 1957, p.62.

leaching, varying climatic regions permitted diversity in the agricultural production for domestic consumption as well as for export. The agricultural sector was based on two relatively distinct systems. Plantations operated by foreign companies and individuals produced and processed industrial crop such as coffee, palm oil, rubber, cocoa, and tea for export and sugar for the local market. Congolese farmers, most of whom were small-scale producers, grew cassava, peanuts, plantains, sweet potatoes, maize, rice, pears, beans, and other food crops for their own subsistence and for the domestic market; they also produced some palm oil products, coffee and rubber for export and cotton and fibre crops for local manufacturing industries.

During the pre-independence period, nearly one-half of Congolese agricultural production was commercialized, and the country was usually self-sufficient in basic foodstuffs¹⁵. Substantial food shortages developed after independence as many Congolese farmers either returned to subsistence production or migrated to urban areas because of the insecurity in the rural areas, the destruction or deterioration of the transportation system, price distortions between rural and urban areas, the collapse of the marketing and distribution systems. These factors, in conjunction with the maintenance of an unrealistic exchange rate and the departure of many foreign producers, led to an even sharper decline in production for export than in food crop output.

In the late 1960s agricultural production for both the export and the domestic market began to recover, primarily as a result of the restoration of political stability and physical security, and by 1969, pre-independence levels of production and export had been retained for most industrial and food crops. A major expansion of agricultural

¹⁵. Drachoussoff, Voltaire. "Agricultural Change in the Belgian Congo: 1945-1960". Food Research Institute Studies, 2 .p. 137.

production beyond this level, however, was dependent to a large extent on new investment and restoration of the road network.

After independence, the economy became increasingly dependent on the exploitation for export of the country's vast wealth of mineral resources, the most important of which were copper, cobalt, zinc, industrial diamonds, cassiterite (tin ore), manganese, and gold. Unlike agricultural production, nearly continuous output of all minerals, with the exception of gold and cassiterite, was maintained during the political and economic turmoil of the immediate post-independence period; this factor was, to a large extent, responsible for the country's economic survival. Copper, the most important mineral resource, and its associated minerals, zinc and cobalt were mined exclusively in Katanga province by a government owned company, the General Congolese Ores Company (Générale Congolese des Minerais-GECOMIN). Gecommin assumed the assets and operations of large Belgian mining company, the mining company of Upper Katanga (Union Minière du Haut-Katanga-UMHK), on December 31, 1966.

Copper production was conservatively expected to double by the end of 1970s as a result of significant new investments by Gecommin and the entry into production of a joint Japanese-Congolese government copper mining company in the early 1970s¹⁶. Projected investments in certain other mining operations, both by existing companies and by newly formed companies, were expected to stimulate further development of the mining sector.

Although most of the enormous foreign capital flow into the country during the

¹⁶. Segers; Joseph. "L'équilibre des Secteurs de Production dans L'économie Congolaise". Congo-Afrique (Kinshasa), VI, 13, March 1967, p. 111.

colonial period was directed toward development of the mineral extraction and metallurgy industry, a significant amount of investment was undertaken in the manufacturing sector. As a result, the Congo was one of the most industrialized countries in Sub-Saharan Africa, and by the time of independence it obtained nearly one-half of its manufactured goods requirements from local industries. Excluding the processing of mineral and agricultural commodities for exports, the manufacturing sector catered exclusively to the domestic market. Production was concentrated on the manufacture of consumer durables and non-durables in substitution for imports, such as textiles, cigarettes, beverages, and footwear. An impressive array of intermediate and final foods were produced; however, including building materials, basic chemicals, metal products, and transportation equipment¹⁷.

Most manufacturing activity, particularly production of consumer goods, was stimulated in the immediate post-independence period by increased domestic demand and quantitative import restrictions, but certain intermediate and capital goods industries were adversely affected by shortages of raw materials, spare parts, and new equipment. After the introduction of the economic reform program, some consumer goods industries, confronted with decreased demand and increased import competition, experienced production difficulties and manufacturing output dipped slightly in 1968; however, output began to rise again in 1969.

Economic prosperity and growth were dependent on the achievement of relatively high levels of export earnings to finance the importation of raw materials and intermediate and capital goods essential to the efficient functioning of domestic industry

¹⁷. La croix, Jean-Louis (1967). Industrialisation au Congo: La transformation . Paris. Mouton .

and to cover balance of payments deficits in services and private transfer payments.

Although the composition of exports was diversified, copper increasingly dominated the country's export traffic in the post-independence period; this was initially because of the drastic fall in agricultural production for export and later because of high world market copper prices that offset the increased volume of agricultural export production. Thus, by 1968, copper accounted for 61 percent of total export earnings; other mineral exports for 21 percent; and agricultural exports for only 18 percent¹⁸.

Despite fluctuations in export earnings, the country consistently achieved a surplus in its trade account after independence, but this was possible only until mid-1967 because of the increasingly restrictive application of import controls. Moreover, until mid-1967 the balance of trade surplus, even with relatively large amounts of public foreign financial aid, was not sufficient to permit a build up of the country's depleted foreign exchange reserves or, on occasion, to prevent an overall balance of payments deficit. Export receipts rose markedly after the introduction of the June 1967 economic recovery program and resulted in a spectacular increase in foreign exchange reserves despite the liberalization of imports.

After overseeing the successful implementation of the first phase of the June 1967 monetary reform and economic stabilization program, the Central Bank turned its attention to general problems of the economy's development, such as the ways and means of mobilizing domestic and foreign savings and directing these resources into investment channels. An insufficient number of financial institutions and instruments through which private savings could be directed to those sectors of the economy most in

¹⁸. US. Agency for International Development and Department of Agriculture (1968). Basic Data on the Economy of the Democratic Republic of Congo (Kinshasa) (OBR068-6). Washington: GPO.

need of capital was one of the major obstacles to the growth and developments of the economy in the late 1960s. Two budgets were drawn up annually in the late 1960s. The ordinary budget included the provision of funds for the central government ministries, provinces, agencies attached to the office of the President, and autonomous semi-public organizations; expenditures on personnel absorbed more than one-half of ordinary expenditures in the post-independence period.

The extraordinary budget covered government investment activities. The ordinary budget was financed primarily by taxation, particularly taxes on foreign trade; the extraordinary budget, which had no receipts of its own, received a predetermined proportion of the ordinary revenues¹⁹.

From independence until 1969 the government operated on a deficit budget, financed largely by advances from the Central Bank, despite the fact that the country had one of the highest tax efforts (measured by the ratio of tax revenue to monetary gross domestic product) of the world's developing countries. The budgetary deficits incurred by the government were the main source of inflation that plagued the country for seven years after independence although a budgetary equilibrium was achieved in 1969. According to provisional data, the high level of expenditures posed a potential threat of renewed inflationary pressures should the level of revenue decline appreciably.

The independent government did not inherit from the Belgian colonial government a strong role in the country's basically free-enterprise economy. Although the political and economic instability of the immediate pre-independence period precluded an examination of the desired relationship between the public sector and the

¹⁹. See Congo: Ministère des Finances, du Budget et du Portefeuille. Budget de la République Démocratique du Congo pour l'exercice 1969. Kinshasa: n. Pub.: 1969, p.90.

private sector in the development of the country's considerable resources, the government had declined by the late 1960s that the most appropriate type of economy would be what some public officials termed a flexibly administered mixed economy²⁰. Through such a formula, the government believed that it could achieve its goals of increased Congolese participation in and control over economic activity and, at the same time, be involved in the exploitation of the economy's potential, the foreign technical and financial resources on which the country would remain dependent for the foreseeable future. Thus, on the one hand, the government was expanding its own role within the economy, both as an active participant through the ownership of institutions and enterprises and as a formulator of general economic policy, and; on the other hand; the government was attempting to create a growth of private foreign and domestic enterprise.

The government efforts to assert greater control over the functioning of the economy were in direct response to the concentration of economic power in the hands of a few major foreign financial groups during the colonial period and the absence of competition between them. Five Belgian corporate empires; in particular, dominated the pre-independence economy, the commercial and mining company of the Congo (Société Commerciale et Minière du Congo- COMINIÈRE); the Brussels Company for Finance and Industry(Société de Bruxelles pour la Finance et L'industrie-BRUFINA); a Belgian subsidiary of Unilever limited; the Belgian Congo Oil Refineries (Huilleries du Congo Belge-HUILVER); the Baron Empain Banking Interest; and the General Company of Belgium (Société Générale de Belgique-SGB) and its Congolese holding company; the

²⁰ . Pure capitalism and the command economy are loans towards pure capitalism. but with important differences government activity participates in the economy by promoting economic stability and growth. providing certain goods and services that would be under produced or not produced at all by the market system. and modifying the distribution of income.

Congolese Company for Commerce and Industry (Companie du Congo pour le Commerce et l' Industrie-CCCI).

The SGB was the most powerful of the five companies, controlling directly or indirectly, according to one source, as much as 70 percent of the monetary economy. Alone or through CCCI, SGB controlled or held a substantial interest in rail roads, copper mining, industrial diamond mining, agricultural and mineral concession-granting organizations, banking; shipping, and inland shipping construction . Other businesses affiliated with CCCI included various agricultural enterprises and important cement, metallurgical, textile, and hydro-electric plants.

2.4 National Output

Although national income accounts data were incomplete, available information indicated that gross domestic product (representing the total value at market prices of all final goods and services produced by the nation's economy before deduction of income transferred overseas, salaries paid outside the country, indirect taxes less subsidies, and depreciation changes) at current prices, including the imputed value of subsistence agriculture, increased 565 percent between 1959 and 1967, from Z65.1 million to an estimate Z433 million²¹. Gross domestic product at constant 1958 prices (which eliminates the effect of changes in prices and reflects only changes in volume), however, remained at approximately the same level throughout the 1959-67 period (see table 1 below).

Government sources estimated that gross domestic product in real terms rose by 7 or 8 percent in 1968 but projected the 1969 increase at only 5 percent because of

²¹. See. AZAP (Zairean Press Agency), December 8, 1975, p.7.

unfavourable weather conditions and depressed world market agricultural prices. The stagnation of gross domestic product after independence cancelled important quantitative and qualitative changes in the contributions of the various economic sectors. Total production declined 11.3 percent in value between 1959 and 1966 and still further in 1967 because of the rise in the cost of imports and in indirect taxation that occurred in conjunction with the June 1967 monetary reform and economic stabilization program. Except for manufacturing and power, the value of output of all productive sectors was at a lower level in 1960 than in 1959. In contrast, indirect taxes as a proportion of gross domestic product rose from 8.6 percent in 1959 to 17.7 percent in 1966 and then to an estimated 19.8 percent in 1967²². Administrative services and national defence also increased as a proportion of gross domestic product, from 13.7 percent in 1959 to 15.9 percent in 1966.

The value added to monetary gross domestic product by commercial agriculture, usually the largest sector, declined by 42 percent between 1959 and 1966, before increasing by about 6 percent the following year, as the volume of industrial crops was reduced by almost one-half and that of food crops by about one-quarter. Despite increased production, mineral extraction declined 30.3 percent in terms of value added between 1959 and 1966 because of an increase in indirect taxation during the last two years of the period; however, the value added by metallurgy decreased by only 16 percent²³. The value added by manufacturing; particularly consumer goods production, rose by 26.1 percent before declining slightly during the second half of 1966 because of

²². Congo. Banque Nationale du Congo. Department des Etudes. Service des Statistiques. Bulletin de la Banque Nationale du Congo, 7, 4th Quarter 1968, p. 18.

²³. Ibid. p. 40.

reduced internal demand and increased import competition after the implementation of the June 1967 economic recovery program.

Construction and public works decreased by 41.5 percent in terms of value added, although individual home building, which was excluded from the data, expanded during this period. The value added by the transportation sector fell by 37.5 percent between 1959 and 1966, reflecting the decreased output of the primary and secondary sectors, as well as the deterioration of much of the transportation system after independence. Despite the decline in transport activity, the contribution to monetary gross domestic product of the tertiary sector as a whole increased because of the growth of services, particularly commerce.

The fall in domestic production and the decline in the volume of imports in conjunction with increased monetary demand enabled the commercial sector to double its profit margins through the proliferation of intermediaries and prices speculation; however, the liberalization of imports and the introduction of a more realistic rate of exchange as part of the June 1967 economic recovery program reduced commercial profits and restored a measure of competition to the sector. The proportion of gross domestic product at current market prices that remained within the economy after deduction of income transfers overseas and salaries paid outside the country, or Gross National Product (GNP), increased after independence.

2.4.1 The Agriculture Sector

In 1969 complexity and diversity continued to characterize the agricultural sector. Primitive techniques of cultivation and low productivity existed together with some of the most high developed agricultural technology in Africa . Widely varying types of climate;

Table 1. Gross Domestic Product of the Congo (Kinshasa), Selected Years, 1959-67

(In millions of Congolese Zaïres, at constant 1958 prices)

	1959	1964	1966	1967
<i>Primary Sector:</i>				
Subsistence agriculture	7.000	6.500	6.550	6.550
Commercial agriculture	12.313	7.891	7.143	7.567
Mineral extraction	4.907	3.974	3.734	3.421
Total	24.220	18.365	17.427	17.538
<i>Secondary Sector :</i>				
Metallurgy	4.488	4.286	4.297	3.770
Manufacturing	3.660	4.040	4.617	4.455
Power	.944	.845	1.004	.890
Construction and public works	2.000	.900	1.163	1.170
Total	11.092	10.071	11.081	10.285
<i>Tertiary Sector:</i>				
Transportation	4.633	2.749	2.916	n.a.
Commerce	5.000	6.350	7.500	n.a.
Services	5.690	5.600	6.040	n.a.
Total	15.323	14.699	16.456	n.a.
<i>Total Gross Domestic Product at Factor Cost:</i>				
Indirect taxes less Subsidies	5.565	7.885	12.010	12.700
<i>Total Gross Domestic Product at Market Prices</i>				
Administrative services	8.090	7.470	9.110	na
National defence	.770	1.290	1.690	n.a.
<i>Total Gross Domestic Product</i>				
Monetary Gross Domestic Product	58.060	53.280	61.224	57.450

n.a.— not available

1. Figures before June 24, 1987, were re-valued on the basis of 1 Zaïre per 1,000 Congolese Francs; 1 Congolese Zaïre equal US Z\$2.

2. Estimated.

Source. Adapted from Congo, Banque Nationale de Congo , Rapport Annuel 1967, Kinshasa, 1968, p.38.

soil, and topography combined to produce a diverse pattern of land utilization and cropping . The complexities created by natural factors were compounded by divisions of a historical, racial, cultural, and political nature.

The agricultural sector was dualistic in two senses- - the division between subsistence and cash crop production and the division between European and Congolese farming²⁴. These factors combined to give the country's agricultural sector a distinctive set of problems and advantages. Approximately 80 percent of the population derived its livelihood directly from agriculture, mainly as small-scale farmers. Food crops for domestic consumption included cassava, maize, rice, bean, plantains, and peanuts . Industrial crop production, primarily for export, was based on oil palms, coffee, and rubber. Before World War II period, the commercial sector of agriculture was largely coterminous with European plantation production, but increased Congolese participation in the market economy during the 1950s eradicated the dichotomy between European cash crop and Congolese subsistence crop agriculture.

Moreover, the distinction between large and small units of production no longer served as the dividing line between the subsistence and commercial sectors, since almost one-half of Congolese production was for sale at the time of independence. The agricultural production was however, more seriously affected by the post-independence political disorders than any other sector of the economy. Before 1960, the country was normally self-sufficient in food stuffs and exported an impressive value of agricultural produce. Subsistence and commercial agriculture contributed was attributed to production for industry and export, 20 percent to food production for consumption within

²⁴. Congo. Ministère de L'agriculture. Land Reform in the Congo (Paper presented at the World Land Reform Conference; Rome, Italy, June 20-July 2, 1966.) Rome: Food and Agriculture Organization of the United Nations. 1966.

the family.

Agricultural exports accounted for one-third to one-half of total export earnings. About four-fifths of the wage earners in the private sector labour force were employed in agriculture²⁵. Between 1960 and 1966, total agricultural production fell drastically. Physical insecurity, arising from the rebellions and mutinies, was the underlying cause of the decline in output. Deterioration or destruction of the transportation system, which isolated producing areas in the interior from urban markets, became a major obstacle to production for the domestic market and for the collapse of the marketing system. The breakdown of the distributive system, together with the deficient transportation system, led to a shortage of consumer goods and production requisites in rural areas.

An unrealistic exchange rate, as well as other monetary and fiscal policies, discouraged production for export and led to the establishment of clandestine export networks, while price distortions between rural and urban areas hampered food crop production. As a result of these and other factors, there was a marked return to subsistence production among Congolese farmers after independence, while many European producers temporarily or permanently abandoned their farms or reduced the scale of their activities.

The proportion of gross domestic product contributed by subsistence and commercial agriculture fell to 20 percent in 1966: within the sector, approximately 48 percent of production was attributable to subsistence output. The value of recorded agricultural exports declined by about 58 percent between 1959 and 1966, in which year they accounted for about 16 percent of total export earnings, while the volume exported

²⁵. "Congress of the Union of Congolese Workers". International Labour Review (Geneva), XCIII, No.6, June 1966: p. 668.

decreased by approximately 50 percent²⁶. The production of food crops fell by about 20 percent, and rice, corn, wheat, and other staples in which the country was previously self-sufficient had to be imported after 1961 to meet food shortages, particularly in the urban areas. The private sector employment in agriculture declined also by 65 percent between 1959 and 1966.

In the late 1960s the goal of the government's agricultural policy was to reach the pre-independence levels of production and export. The restoration of security eliminated a major obstacle of food production for local consumption, while the monetary reform and stabilization program of 1967 drastically altered the incentives to export producers. Legal imports became three times more expensive than before the monetary reform but, on the whole, were more readily available. The reform also tripled the value of legal exports, although this stimulus was partially neutralized by an increase in taxation of export produce.

The monetary reform apparently did not serve as a stimulus to food production for local consumption; consumer goods, although more abundant, doubled in price on the average, while the sale price received by farmers for most food stuffs failed to rise as much. Over all, agricultural production increased in 1967 and 1968, but achievement of the government's agricultural objectives continued to be hampered by a number of intractable problems, including a shortage of qualified agricultural technicians and financial resources and the disruption of the transportation system²⁷.

²⁶. "Plan de Relance Agricole du Haut-Commissariat au Plan et à la Reconstruction Nationale (Juillet 1966)". *Etudes Congolaises* (Kinshasa), IX: No.4, July-August 1966, p. 22.

²⁷. Ibid, p. 67.

2.5 Colonial Government Policy

The basic goal of colonial government agricultural policy was to raise the low productivity of traditional Congolese agriculture and to draw the citizenry into the monetary economy. Belgian efforts to improve and expand Congolese production took two main forms- - the compulsory cultivation of educative crops and the establishment of planned agricultural settlements. The policy of compulsory cultivation was initiated in 1917 and continued until the late 1950s, at which time the educative crops covered 14 percent of the acreage cultivated by the Congolese farmers²⁸.

The crops selected by the colonial authorities-usually cotton for export and food stuffs to provision the towns and mines were, at least until about 1950, those that would not conflict with the European agricultural production. To promote the development of "educative" crops, the government not only fixed planting quotas and provided improved seed but also issued cultivation directives, based initially on farming in temperate regions rather than on observation of local climatic and soil conditions.

2.6 Independent Government Policy

The civil wars and political upheavals of the immediate post-independence period prevented the formation of an agricultural policy by the independent government and virtually eliminated the ministry of agriculture and the provincial offices capable of administering any policy or programs²⁹. In the period of relative stability after President Mobutu's assumption of power, however, an attempt was made to formulate policy and

²⁸. "Draft outline of the first five year plan of the Republic of the Congo". Economic Bulletin for Africa: (Addis Ababa). V. January 1965, p. 80.

²⁹. Congo. Bulletin Trimestriel des statistiques générales de la République Démocratique du Congo. X: No. 4. December 1965, p. 24.

to plan the county's development. A planning and reconstruction commission was established in early 1966 to prepare a comprehensive development plan. In order to strengthen the agricultural sector before the scheduled starting date and the plan; the commission drafted an agricultural pre-plan for 1967; the Interim plan for agricultural recovery (Plan Intérimaire de Relance Agricole), based on the reports and recommendations of three regional agricultural commissions³⁰.

Although apparently never officially approved or funded, the draft agricultural plan was indicative of the government's agricultural objectives and probable programs. As stated in the draft plan and reiterated in subsequent public statements, the basic objectives of the government's agricultural policy were to retain self-sufficiency in food stuffs and to reach the pre-independence levels of industrial crop production and export. Achievement of these overall production goals, however, was hampered by a number of continuing problems. With the reestablishment of security in rural areas, the single most important remaining obstacle to increased food production for local consumption was probably the deficient nature of the transportation system.

In the late 1960s, farmers received only a small proportion of the retail price of most agricultural products; a situation largely attributed to the high cost of transportation. Although price information was lacking, it was generally assumed that a large amount of the benefit of cheaper transportation for agricultural produce would accrue to farmers, thereby providing an incentive for increased food crop production. Moreover, restoration of the transportation network would not only facilitate the flow of farm produce to market but would also facilitate the flow of consumer goods and production supplies to rural

³⁰. Dumont, René . African Agricultural Development : Reflection on the major lines of advance and the barriers to progress. (United Nations Publication E/CN. 14/342.)New York: Food and Agriculture Organization of the United Nations: 1966.

areas. Another major obstacle to increased production was the inability of small -scale producers to obtain credit through existing commercial channels to buy equipment and materials, because they did not possess the requisite collateral³¹.

A special loan fund established by the colonial government to aid small farmers apparently dried up after 1960; in any case, it did not operate very successful, except on paysannats; primarily because of inadequate supervision and funding. In 1967, an experimental agricultural credit program was set-up in areas where security had been reestablished, but the results were not known in mid-1969. Individual Congolese and European plantation owners could obtain medium-and long-term loans from the Credit Society for Middle Classes and Industry (*Société de Crédits aux Classes Moyennes et à l'Industrie-SCCMI*), although its lending activities were curtailed after independence because of reduction in deposits and delays in the collection of outstanding loans.

2.6.1 Vis-à- vis Industrial Crops

Production of industrial crops; primarily for export, was more seriously affected by the post-independence disturbances than was food crop output(see table2) . Although national income accounts data did not differentiate the contributions of food crops production and industrial crop production to national output, the value-added component of commercial agriculture in constant 1958 prices declined by 42 percent between 1959 and 1966; in 1967 it increased by an estimated 6 percent . The proportion of total gross domestic product contributed by commercial agriculture fell from 18.9 in 1959 to 10.5 percent in 1966 before rising to an estimated 11.8 percent in the next year. Its share in monetary gross domestic product dropped from 21.2 percent in 1959 to 11.7 percent in

³¹ . Bongy, Yvon, "Exportations Congolaises en 1965". *Etudes Congolaises (Léopoldville)*, IX, No.3. May-June 1966, p. 68.

1966 but then increased to about 13.2 percent in 1967. Exports of agricultural products also declined markedly after 1960, although smuggling, particularly in the mid-1960s, obscured the actual magnitude of the decrease³².

Before independence, agricultural exports contributed one-third to one-half of total export earnings; changes in the price and quantity of mineral exports rather than in agricultural exports accounted for most of the variation. Despite an increase in Congolese cash crop farming in the pre-independence period, European specialization in, and domination of, industrial crop production was preserved through control over processing, marketing, credit, and pricing. Thus, in 1959 plantations owned by individuals Europeans and European companies accounted for 95 percent of palm oil production, 88 percent of coffee production, 90 percent of cocoa production, sugar for commercial use was produced on two company-owned plantations. Only cotton and urea were grown exclusively by Congolese. The structure of industrial crop production undoubtedly was modified to some extent after independence, but the amount of information available was contradictory.

2.6.2 Vis-à-vis The Mining Sector

Unlike food and industrial crop production, mineral production was relatively well maintained after independence. General political and social stability in the mining regions of Katanga and Kasai provinces permitted the fairly uninterrupted production and exportation of copper, cobalt, zinc, and associated minerals, as well as of diamonds³³.

³². Bongy, Yvon, "Le Rôle des Entreprises dans Le Commerce Extérieur du Congo". Cahiers Économiques et Sociaux (Kinshasa), V, No.4, December 1967, p. 481.

³³. Ibid. p. 466.

Table 2. Estimated Production of selected Industrial crops of the Congo. 1959,1962-68 (in Metric tons).

<u>Crop</u>	<u>1959</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
Tea	4,200	4,024	5,581	3,850	4,178	6,050	3,100	6,050
Sugar (raw)	38,621	41,473	37,289	27,136	32,717	31,874	34,664	42,664
Cocoa	4,514	5,993	5,823	5,250	4,059	4,108	5,300	5,130
Cotton fibber	63,200	18,126	21,126	14,913	4,500	7,381	8,050	12,000
Rubber	40,152	37,529	37,590	35,240	21,940	30,360	32,300	40,817
Palm oil	244,500	190,128	178,485	177,030	137,500	146,883	178,928	210,000
Arabica Coffee	10,300	3,190	4,803	3,400	5,191	6,700	3,810	6,000
Palm Kernal oil	61,100	43,120	33,502	47,400	34,400	33,600	44,300	n.a.
Palm Kernal oil cake	67,000	47,302	37,796	53,200	38,944	34,700	48,610	n.a.

n.a – not available

Source: Adapted from Congo, Banque National du Congo, Rapport Annuel 1967. Kinshasa, 1968, p.48; Congo, Banque Nationale du Congo, Département des Études, Service des Statistique, Bulletin de la Banque Nationale du Congo, VII, No. 4, 1968, p. 21.

Military activities in Orientale province and in Kivu province, where the main gold and tin deposits are located, respectively, disrupted production of the two metals, and many mining installations were damaged. Nevertheless, favourable world market prices for copper, cobalt, and zinc compensated to a large extent for the production declines in tin and gold, and mining continues to be the country's dominant source of foreign exchange.

The value of mineral exports increased from about Z140.4 million in 1959 to about favourable world market prices as well as the decline in the production of industrial crop for export, the production of total foreign exchange earnings contributed by mineral exports rose from 60 percent to 82 percent. In 1960, copper exports alone represented 75 percent of the value of mineral exports and 61 percent to total export earnings, compared with 57 percent and 34 percent respectively, in 1959³⁴.

Despite its role as the main source of export earnings, mining was neither a major determinant of national income nor a major source of employment. The value-added component of mineral extraction in constant 1958 prices declined by 30.3 percent between 1959 and 1967, despite generally increased levels of production. This decline was primarily attributed to an increase in indirect taxation in 1966 and 1967. The proportion of total gross domestic product contributed by mineral extraction fell from 7.5 percent in 1959 to 5.3 percent in 1967, whereas its share in monetary gross domestic product declined from 8.2 percent to 6 percent to 5.9 percent and its share in monetary gross domestic product fell from 7.7 percent to 6.6 percent.

Conclusion

The colonial government, concerned with the organization and techniques of

³⁴. N'dongola, É. (1966). "Développement Rural et Fonction Coopérative dans L'agriculture Congolaise Avant la Décolonisation." Cahiers Économiques et Sociaux (Kinshasa), IX, No.4, December, p.387.

economic exploitation, worked in close cooperation with the large foreign financial interests. It believed that close European control of the economy-exercised through the organization of capital, management, and marketing and through direct production was necessary to overcome the problems of a sprawling country and a small labour force.

The preoccupation of the Belgian administration and private business with economic exploitation led to a remarkable expansion of the economy after world war II and left as a legacy to the independent government a relatively well-developed industrial, plantation, and transportation system; between 1949 and 1958; more than the equivalent of Z1 billion (One Congolese Zaire equals US\$2) was invested by private business, primarily the large financial groups, and by the government, mainly through a ten-year development plan begun in 1949³⁵. Nevertheless, the economic system that evolved during this period was one in which the Congolese were only marginal participants and over which they exerted no control. The efforts of the post-independence government to limit the power of foreign-owned and operated enterprises within the economy and to involve the state more directly in the functioning of the economy were indicative of its desire to break with the economic system of the past and the relinquish the role played by the colonial government in that system.

The independent government inherited from the colonial government a relatively important investment portfolio, which it expanded during the 1960s. Public control was particularly extensive in the fields of transportation and mining. the principal transportation agency was an autonomous government organization: it operated the main ports, river transport on the Congo and Kasai rivers and their tributaries, and two rail

³⁵. From the Congo Free State to the Belgian Congo. Belgian administrators issued a series of decrees requiring all Europeans to register their landholding, reserving to the state all unowned lands and their products, and forbidding Africans to collect rubber and Ivory except for sale to the state.

lines³⁶. Two of other three main rail companies were joint public-private ventures. The government also had a majority interest in air Congo, which had a monopoly on domestic commercial services, and in an ocean-shipping company. The government significantly expanded its control over the mining sector in late 1966 when it nationalized UMHK, which was the largest single investment in the country.

The state participated in nearly all other mining companies, including the most Important industrial diamond/mining company, in which it held one-half of the capital. Through subsidiaries of GECOMIN, the state-owned copper mining company, the government controlled electric power production in Katanga province, where most of the country's generating facilities were located. The government also held one-half of the capital in the country's only petroleum refinery. Other important government holdings included minority interests in three commercial banks, in addition to state ownership of the Central Bank and a credit organization.

³⁶. Although the agriculture production saw its decline in the mid of 1950s, however, the newly independent country found a good start in agricultural sector among a few other sectors of the economy.

CHAPTER III

“We told ourselves that Mobutu was the only guarantee of holding Zaïre together, of preventing it from splitting up into Hostile mini-states subject to Soviet influence. So we watched as Mobutu raped one of the richest countries in Africa, took the rewards as Congo has always had its problems, but much of the current disaster can be attributed directly to our support for the rapacious Mobutu”.

Robert. A. Flaten, January 8, 1999

3.1 INTRODUCTION AND THE COLD WAR LEGACY IN AFRICA

The African continent, which was once the exclusive domain of the European colonial powers, in the post second world war context became a battleground in the global struggle between communism and capitalism¹. Countries as different as Ethiopia, Liberia, Somalia, Sudan and the former Zaïre shared a common trait at various times all fit neatly into Washington's geopolitical plans. As a result, they received a disproportionate share of US assistance, nearly US\$6 billion, from the early 1960s through the late 1980s, at the height of the Cold War².

In strategic terms: the struggle against communism in Africa apparently succeeded. Even before the fall of the Soviet Union in 1991, its power and influence were on the wane throughout most of the continent . But the leading African recipients of the US assistance shared something else - - each was an economic and political basket case. Michel Clough , a senior officer at the US Council on foreign relations, argued that

¹ . For colonial powers see Phyllis M. Martin and Patrick O'Meara (1995) Africa, 3rd edition. Indian University Press . p. 39.

² . Nothing so demonstrates the impermanence of political life than the history of the cold war. As a concept, cold war gained popularity shortly after the last hot or shooting war to involve all the major powers, the second world war. It describes a state of extreme hostility between the superpowers , associated with arms races, diplomatic conflict, and hostile measures of every kind short of overt military action. The cold war started, at the latest, in 1947 with the Berlin blockade, and remained intense until the middle 1960s with incidents such as the Cuban missile crisis and the building of the Berlin wall.

“security- motivated aid to Africa had produced a dismal balance sheet”. However, those who shaped the Cold War policy for Africa say that it was the correct response to the geopolitical imperatives of the time.

Peter W. Rodman, director of the state department’s policy planning staff during the Reagan administration, strongly defended the aid policy against what he termed “revisionism about the past”. Moreover, there was a scant evidence that the assistance did anything to promote the economic and political stability in any of those favoured nations. Between 1965 and 1980, these countries grew more slowly than most Sub-Saharan African countries³. During that same period, the per capita gross national product (GNP) for countries in the region grew by an annual rate of 1.5 percent, according to the United Nations Development Program (UNDP). By comparison, Congo-Zaire and Somalia had a negative growth rate and the annual per capita GNP growth in Liberia and the Sudan were about half the regional average⁴.

But Data collection in the four countries is said to be an exercise in guesswork, and statistics provide only a hint of the deterioration that has occurred . Between 1980 and 1989, the per capita GNP declined in Zaire, Somalia and Sudan at almost the same rate as it did throughout the rest of Africa. This data however, did not include the period between 1989 and 1991, when those countries were wracked by war or internal strife. The civil wars that have plagued Africa since the late 1970s were primarily the result of superpowers competition on the continent⁵ . During this war period, the United States

³ . Congressional Quarterly Weekly Reports . 5/16/92. Vol. 50 Issue 20,p.1354. 2 p:1bw.

⁴ . See UNDP 1989 Country Report, Zaire. p. 74-

⁵ . For superpower’s competition, see the independent paper, 17 May 1988, p. A75.

propped up dictators who, at best, were uninterested in human development or in a stable Africa. In his own words, Howard Wolpe, former chairman of the house foreign affairs subcommittee of Africa in the United States Senate in 1980s, confirmed that “ we poured billions of dollars into Zaïre, Somalia, Sudan, Liberia and many other Sub-Saharan Africa countries at war solely on the basis of their leaders claims to be anti-communists”.

Liberia, Sudan and Somalia alone received US aid between 1962 and 1990 of USS3.6 billion , according to statistics from the US Agency for International Development (USAID), despite the fact that these countries have been devastated by civil war. Ethiopia was also ranked among the leading aid recipients since the 1960s, although the United States cut off all financial assistance to Ethiopia except for food aid during the country’s famine in mid-1980s following a Soviet-backed coup in 1974⁶.

As for Congo-Zaïre, the United States provided the country with USS1.3 billion in military and economic aid between 1962 and 1990. Almost all of it went to bolster the late President Mobutu, who took control of the government in 1965 with a US backed coup⁷. The case of the Congo-Zaïre is particularly troubling, but for decades, the United States ignored evidence that Mobutu was looting the national treasury. The US , however, became identified with Mobutu’s régime ,a move that directly made the US complicit in the Zairean chaos. During the years of the Ronald Reagan’s Presidency, Mobutu played a key role as a conduit for the US covert assistance for rebels battling the Cuban- and Soviet-backed régime in neighbouring Angola. The strategic importance of Zaïre was hard to dispute as long as the Angola war was going on .

During the early 1980s, the Reagan doctrine of helping anti-communist régimes

⁶. See Financial Times, 15 March 1988, p. A33.

⁷. Ibid.

world-wide had significant support in Congress among members of both parties. A close look at the US. foreign policy shows that Zaïre's Mobutu worked hard to garner congressional support. Some members of the US Congress were convinced that Mobutu resumed ties with Israel in the early 1980s when much of Africa was strongly pro-Arab. In part, this was done as a ploy to neutralize the opposition of American Jewish congressman to his régime but it failed to turn the tide as many; such as Howard Wolpe of Michigan and Stephen J. Solarz of New York Democrats, continued to oppose aid for Congo-Zaïre. But some Jewish campaign contributors tried to persuade members of the US Congress to mute their criticisms, according to sources familiar with the incident⁸.

In Liberia, for example, President Samuel Doe, who took power in a bloody coup in 1980, was not adept. But his brutal régime had several things going for it in maintaining US aid. Just as important was the historic US interest in Liberia, which was founded in 1822 by a group of former American slaves expelled from America. In this connection, it should be remembered that Moscow's foothold in Southern Africa began in the aftermath of the Watergate scandal and the US defeat in the Vietnam war, which limited the political will of the US government to become heavily involved in another Third World conflict, even clandestinely through the Central Intelligence Agency(CIA)⁹. Soviet and Cuban support for the Popular Movement for The Liberation of Angola (MPLA) proved decisive in the internal struggle for power against the National Union for The Total Independence of Angola (UNITA) .which was backed by South Africa and the US in the conflict over who would replace the departing Portugese colonial power. As

⁸. Congressional Quarterly Weekly Reports, 5/16/92. Vol. 5. Issue 20, p. 1355. 2p: 1bw.

⁹. See Africa Confidential. 24 June 1987. p.14

already stated, when Ronald Reagan assumed the US Presidency, a new Cold War era ensued, fought out mainly in the Third World¹⁰.

The Reagan administration, however, developed a policy of constructive engagement for Southern Africa, in which the goal was to encourage change in South Africa through dialogue rather than economic pressure and to work with South Africa as a regional ally to combat Soviet and Cuban influence. Hence, the US created a linkage issue between the withdrawal of the Cubans from Angola and negotiations for Namibian independence. The US managed gave the green light for South Africa to confront the Angolan government and its allies. In turn, the former Soviet Union (USSR) indicated firmly that it did not intend to desert its allies, setting the stage for an escalating confrontation in the 1980s , which , as it turned out, could not be conclusively resolved militarily.

Global developments towards ending the Cold War helped set an agenda for resolving regional conflicts. The low intensity warfare that in the 1970s had brought revolutionary régimes to power on the periphery was ironically employed to undermine the viability of those régimes through the use of "contra"-style forces. Whilst South Africa's policy of regional destabilisation carried out under the rubric of an overall strategy provided a convenient ally to the global US policy of rolling back communism throughout most of the 1980s, it could not be allowed to go too far and challenge overall US hegemony in the region. Reasserting US hegemony required curbing the influence .of the military within the South African decision-making process, which was exercised through the powerful state security council, and wresting the key instruments of South Africa's regional foreign policy, UNITA in Angola and RENAMO in

¹⁰ . Frank. H. (1989) Cold War in the Third World. London: Century Hutchinson.p.38

Mozambique, away from South Africa's control.

The aim was to delink UNITA from South African influence using Namibia as a launch pad and switch the operation to Zaïre under US control . In short, the CIA recruited Mobutu to help displace and then replace the local pro-Soviet leaders. Mobutu became a one-man régime from the beginning because the United States and the former European colonial powers did not trust the people of Zaïre to elect a leader who would let the West control the country's resources at a time when national liberation movements were sweeping the Third World, true democracy would likely have resulted in socialists of one kind or another taking control in many places .

The Cold War presented a rationale for preventing such an outcome. Thus, in the 1960s and 1970s, dictatorships became the norm in areas controlled by the West¹¹ . Such states were considered more manageable, and the cost of protecting corporate interests was relatively low for all except the people living in those countries. The US government could down play the brutality visited on the natives or, if publicized, explain it away as necessary to prevent what was called the greater evil of Soviet footholds in the contested areas of a bipolar world . On the other side of the great Cold War divide, dictatorships were also the rule. The communists believed in the one-party state. In their areas of control or influence, they sometimes allowed other token parties to exist , notably in Europe where multi-party systems had been well-established before World War II. But in the Third World; where few of the newly emerging countries had experience with parliamentary democracy and where political parties were weak and the authoritarian traditions of colonialism strong, one- man rule backed by military force was

¹¹ . Conference on problems of socialist orientation and democracy. Institute for African and International Affairs: Feldkirchen-Westerham; Bavaria . October 1989.p.22

a natural outcome of Soviet policy¹². These policies on both sides took an enormous toll in human suffering and in the disruption and corruption of the process of independence and development.

In Congo-Zaire and the new states surrounding it, this was especially true. While Mobutu and the western corporations he served made billions, his own country sank deeper and deeper into misery. And beyond Zaire's borders, at the CIA's urging, Mobutu helped prevent other people from going about the business of nation-building¹³. In Angola for example, Mobutu helped the US prevent the left-wing MPLA from consolidating its new government. Acting as a conduit for the CIA, Mobutu supplied arms both to his brother-in-law Holden Roberto, who led a group called the FNLA or the National Forces for the Liberation of Angola and the Jonas Savimbi's UNITA. The FNLA did not last long but Savimbi, who got aid from China and South Africa as well as the US managed to keep Angola in turmoil and in poverty up to present .

Only with Mobutu's imminent demise has Angola been able to form a coalition government. Now, after the fall of the leader that the CIA created and kept in power with massive amounts of military aid, a situation which made the western leaders to believe that Mobutu was their man. The cold war is over but as the firestorms in Zaire and Angola make clear, the Third World is still bearing the bitter fruits of neo-colonial interventions. These fruits not only exacerbated corruption, it instituted as normal practice¹⁴.

¹². Macrum. J. (1978) *The Angolan Revolution. Vol.1: The Anatomy of an explosion. 1950-1962.* Cambridge, MA: MIT Press.

¹³. Sennen. A. (1996) "Zaire : l'État Néant". *Jeune Afrique*, 18-24 Sept. p.34.

¹⁴. See Chand. S.& Karl O. M. (1999) "Controlling fiscal corruption" . World Development Report, 27. 6. p. 1062.

3.2 The Third World and the International Lending Institutions

During the 1970s, international borrowing by non members of the organization of petroleum exporting countries (OPEC) in the developing countries increased substantially to fund ambitious development projects and relieve the balance of payments tensions provoked by the 1973 quadrupling of petroleum prices. At the end of 1974, medium and long-term indebtedness of non-OPEC developing nations rose from US\$90billion to US\$145billion in 1976, a 75 percent increase over 1973. Approximately one half of new non-OPEC Less Developed Countries (LDCs) debt since 1975 came from private sources, a relatively new phenomenon.

As a result, by mid-1977 about 40 percent of non-OPEC Less Developed Countries debt was held by the private sector, at terms less generous than those granted by official lending institutions¹⁵. American banks alone were owed about US\$45billion by non-OPEC developing nations by mid-1976¹⁶.

3.3 Private Lending to National Governments

The mushrooming of overseas US banking ventures after 1963 was as a result of the American exchange restrictions and corporate client's borrowing needs, not by the lure of lucrative loans to national governments. The swift expansion of the Euro-markets also was rooted in US exchange restraints¹⁷.

¹⁵. State department estimates provided by Robert Ryan, Acting Deputy Assistant Secretary of State: April 14, 1977.

¹⁶. Morgan, G., World Financial Markets, December 4, 1976, p.4.

¹⁷. See: Jonathan, A. (1978) Money and Power: Banks and the International System. Los Angeles : Sage, p.45

While sovereigns and states have long borrowed from private bankers, their repayment record is mixed. US bankers were active throughout Central and Latin America during the 1920s, but pulled back with the onset of world wide depression. After the second world war and particularly in the 1950s and 1960s, American bankers funded loans to foreign governments and their agencies from their domestic headquarters without wandering the globe. However, inter-bank competition for corporate clients stiffened as the potential of the burgeoning Euro currency markets became clear and US bankers began contemplating new loans to developed country governments¹⁸.

European nations sought to stabilize their economies in the wake of energy price increases by supplementing the International Monetary Fund (IMF) drawings with balance of payments loans from international banking syndicates. France, Italy and Great Britain all borrowed heavily from private sources. Commercial banks, flush with newly deposited petrodollars and pressed by deteriorating profit margins in their commercial lending, were delighted to extend stable, developed democracies almost unlimited funds at favourable interest rates. However, in the "borrower's market" of the early 1970s, loan margins for industrialized nations plummeted to as little as 3/8 of 1 percent over the cost of money to the lending institutions. Few private bankers could say no to such borrowers. Lending risks increased as bankers made profits on loan volume rather than on loan margins. Bankers began searching for new, profitable activities¹⁹.

¹⁸. Saloman Brothers' Report "United States Multinational Banking: Current and Prospective Strategies" 1976: p.3 examined the profitability of the 13 largest US banks and found that between 1970 and 1975, 95 percent of the total earnings increase of the companies came from overseas activities. This potential profitability lured new banks abroad without the depth of experience to handle the environment. They had to cut corners and take risks or lose money.

¹⁹. Foreign exchange was one such area. Until 1969 or 1970 foreign exchange was perceived as a service sector not a profit centre in all commercial banks. Exchange rate volatility changed this. New entries into the Euro-markets used

Hungry non-oil Less Developed Countries were obvious potential borrowers. The great attraction of LDCs loans to banks were high, front-end service fees collected by managers and the relatively large spread LDCs was perceived as riskier than lending industrialized nations. banks' bargaining positions were better and therefore their profits were also higher in the developing world. David Rockefeller acknowledged the changing texture of international banking when he wrote, "Multinational financial services corporations were called upon not only to expand their traditional activities, but also to take an important new responsibility as well"²⁰.

Table 1 provides World Bank and Citi Bank estimates of the magnitude bank claims on selected non-oil developing nations at the end of 1976. Brazil and Mexico had borrowed more than five times as much from US banks as other non-oil less developed countries. Argentina, Peru, South Korea, Taiwan, and the Philippines were also major non-OPEC borrowers . At the same time, despite their oil wealth, Venezuela and Indonesia built up multibillion dollar debts to private, foreign banks. All these nations relied heavily on private, foreign borrowing when their economic growth sputtered after 1973. Their borrowing demands outstripped the ability and willingness of international organizations and industrialized governments to provide loans and aid at favourable terms.

Even after commercial banks were rocked by Herstatt and other foreign exchange fiascos in 1974, their lending to the wealthier developing nations increased . Bankers saw

foreign exchange profits to tide them over until Euro-market activities were established and profitable. The collapse of bankhaus Herstatt and the crisis of the banking system in June 1974 was the ultimate result.

²⁰. Cited in Emma Rothschild, "Banks: The coming Crisis." The New York Review of Books: May 27, 1976; p. 16.

these loans as a semi-safe alternative to foreign exchange activities and the real estate and tanker lending and not as part of an interdependent banking system.

Risks surrounding LDC lending were perceived as real, but acceptable. Even then, richer less developed countries were forced to borrow in the more expensive Euro-currency market while most industrialized nations could borrow at fixed rate, long term funds in the Euro-bond market . Commercial bankers never seriously considered heavy Euro-currency lending to extremely poor nations unable to generate sufficient capital flows to repay their borrowing. Throughout, Citibank which made 40 percent of their 1974 profits in developing nations served as a model for commercial lenders²¹. However, only Citibank, Chase Manhattan, and Bank of America among US banks possessed sufficient international diversity of operations to weather a major default in the large less developed countries . Smaller commercial banks with international operations concentrated in a few nations were potentially more vulnerable to a single major loss in one of those nations.

Lending to non-oil less developed countries had several attractions for Commercial banks. First, banks could earn higher rates of returns by lending to less developed countries rather than to prime customers because loan margins and services. Fees were usually higher on less developed countries` deals. Second, banks believed that less developed countries lending insures their continuing participation in those nation`s economic future. If commercial bankers feel they can avoid major loan defaults and minimize rescheduling problems by splitting risks, they eagerly lend to nations which show potential for economic development²². Bankers stress and less developed

²¹. Sanford, R. "Why They Call it 'Fat City'". Fortune (March 1975), p.108

Table 1

Total long-term public and publicly guaranteed external debts of selected developing countries* (billions of US dollars).

	End-1973		End-1974		End-1975		End-1976
Non-OPEC (LDCs)	Total debt	owed bank	total debt	owed bank	total debt	owed bank	total debt
<u>Latin America</u>							
Mexico	5.42	2.36	8.08	4.24	11.25	6.66	14.00
Chile	3.04	.51	3.73	.55	4.00	.50	4.20
Brazil	6.92	2.60	9.30	4.40	11.50	5.80	15.00
Peru	1.44	.56	2.07	.95	2.67	1.34	3.30
Colombia	1.94	.22	2.12	.26	2.36	.37	2.70
Argentina	2.89	.66	3.35	.63	3.16	.52	4.20
<u>Africa</u>							
Congo-Zaire	.89	.41	1.31	.66	1.68	.89	1.90
Zambia	.57	.23	.68	.21	.95	.35	1.20
Egypt	1.73	.19	3.89	1.08	6.31	1.21	7.30
Tanzania	.46	.02	.61	.02	.79	.01	.96
<u>Asia</u>							
South Korea	3.20	.31	3.98	.64	5.23	1.00	6.20
Taiwan	.96	.05	1.16	.14	1.69	.42	1.90
Philippines	.81	.22	1.03	.28	1.28	.32	1.80
Thailand	.44	.01	.51	.02	.62	.05	.80
India	10.40	.03	11.24	.01	11.88	.02	12.20
Pakistan	4.30	.06	4.52	.08	4.89	.11	5.50
Total above	45.41	8.44	57.58	14.17	70.26	19.57	83.66

²². For a discussion of the mechanisms and risk-splitting lending see: Jonathan Aronson, "Politics and The International Consortium Banks", Stanford Journal of International Studies, (Spring 1976), p. 59

Others	11.69	1.21	15.82	3.03	20.24	4.53	26.34
Total: 71 non-OPEC (LDCs) at time	57.30	9.65	73.40	17.20	90.50	24.10	110.00

Debt contracted by the public sector of the borrowing country or by a private borrower with the guarantee of the public sector with an original or extended maturity of more than one year, repayable in foreign currency, goods or services. Such debt encompasses the bulk of a country's external debt, but not all of it. By definition, it excludes all short-term credits and all long term non-guaranteed private borrowing. Adding these credits to long-term external public debt brings the total debt of 71 non-oil LDCs outstanding at the end of 1976 to somewhere around US\$160billion . Data on public and publicly guaranteed debt are collected and published by the World Bank. Unfortunately, the data on the other types of debt are neither as reliable nor as comprehensive as those of the World Bank and are therefore of only limited value.

Source: World Bank and Citibank estimates as cited by Harold Van. B. Cleveland W. Bruce Britain, "Are the LDCs in over their Heads?" Foreign Affairs .55 (July 1977)p.734.

countries understand that defaults destroy national credit worthiness world-wide. Therefore, until recently bankers felt relatively safe since less developed countries' international financing needs were pressing. Third, bankers can often minimize their direct exposure to default and expropriation by lending funds to a government deposited in their own nation.

Citibank's Cuban experience is illustrative. Castro's expropriation of Citibank's assets and liabilities cancelled each other out, leaving Citibank with small profit on the transaction²³. Although Euro-currency lending often makes such balancing impossible, bankers believe that their risks are manageable while less developed countries need funds. By the mid-1970s, bankers eagerly lent to less developed countries as well as to shaky middle income countries and industrialized nations. David Harum's classic definition of banking as "lending money and getting it back" was no longer accurate.

Today, contrary to popular belief, bankers do not want to be repaid. But they want to feel confident that they could be repaid. Bankers prefer borrowers which dutifully repay the interest on their loans while maintaining steady or slightly increasing borrowing. If a large loan is repaid, bankers must relent the funds or allow them to idle in less profitable investments. In an economy where loan demand is slack, banks must maintain existing loan levels or face declining profits and edgy stock-holders²⁴.

Formerly, a renewable loan to General Motors was ideal for banks. Even before the oil

²³. Cuba actually sued unsuccessfully in US Courts to recover the profits Citibank made on the expropriation. *First National City Bank V. Banco Nacional de Cuba*, 92 Supreme Court Report 1808 (1972).

²⁴. This has not always been the case. A decade ago, the idea of permanently rolling over loans to a customer would have been doubted by bankers and attacked by government regulators much more quickly.

embargo, commercial banks stepped up their lending to non-oil less developed countries because official institutions could or would not meet existing loan demand.

The World Bank's lending policies were questioned. Critics argued that loans should go to the neediest and not to the most likely to repay²⁵. While less developed countries prefer soft, official loans over private loans, most growing less developed countries wished to supplement available official capital. Since commercial bankers need to supplement available official capital. Since commercial bankers need Third World loans to maintain their current profitability, they are eager for non-oil less developed countries economies to prosper²⁶. Moreover, major less developed countries defaults could shake and perhaps topple banks throughout the world.

It is therefore sensible to examine past debt renegotiation mechanisms and their implications for future developments. Current "risky" situations should also be considered to better comprehend the potential political role of multinational banking institutions in world politics. Lending is a two-way street. Banks exert tremendous influence over nations through their ability to extend or deny credit. Banks' lending policies affect national policies and development. However, once banks have extended substantial sums to borrowers, they are, for all practical purposes committed to the borrower through thick and thin. When huge sums are involved, banks are unlikely to cut their losses and run even though they have no wish to throw bad money after good. Traditionally, when nations were unable to meet their payments they have rescheduled their public debts and refinanced their private ones. Public and private lenders are firm

²⁵. Hayter, T. (1971). Aid as Imperialism. Harmondworth, Middlesex, England: Penguin .p.28

²⁶. The serious question remains of whether it is so important that certain LDCs borrowers prosper that banks would be willing to neglect the interests of their home countries to assure prosperity.

because they control the borrower's credit worthiness but understanding because default would be calamitous. In a game of brinksmanship, however, the threat of national debt repudiation gives the borrowers a clear advantage. The classic example of Russia's threat to default on French loans unless France joined Russia at the outbreak of World War I illustrates this²⁷.

At the end of the 1960s, little medium-term Euro-currency lending to non-oil LDCs had been undertaken. Offshore loans of more than 180 days were a rarity. By 1975, almost half of all lending to non-oil less developed countries came from private sources. By the end of 1976, about 40 percent of total loans outstanding to non-oil less developed countries were private in origin. Yet, little of the principal from even the earliest medium-term Euro-currency credits had been repaid. This shift in debt composition portends major changes in future rescheduling negotiations. Since 1956, there have been approximately 40 official multilateral debt renegotiations involving 11 developing countries²⁸. Less developed countries debtors included Brazil, Chile, India, Ghana, Argentina, Indonesia, Turkey, Peru and Zaïre²⁹. Official national and international institutions working under the auspices of an official creditor club almost always occupied the centre stage in debt renegotiations. Private lenders do not participate in these proceedings although they sometimes refinanced their own obligations in parallel meetings.

²⁷. Herbert, F. (1965) Europe: The World's Banker: 1870-1914, New York: WW. Norton & Co., p. 218

²⁸. Statement of undersecretary of Economic Affairs, Richard Cooper, before the subcommittee on International Finance of the US Senate Committee on Banking, Housing and Urban Affairs, August 29, 1977, p. 4.

²⁹. International Bank for Reconstruction and Development. "Multilateral Debt Renegotiations: 1956-1968", prepared by Patrick de Fontenay, April 11, 1969, p. 4.

Normally countries threatened by perilously high debt servicing requirements seek relief through the credit club mechanism after having established a link with the International Monetary Fund (IMF). Paris has been the most frequent host for such negotiations which the French Ministry of Finance usually chairs. Facts are analysed and umbrella agreements between creditor countries and the debtor nation are negotiated. The resolution of differences are usually based on the principle of equal treatment of all creditors and generally sets the tone of subsequent bilateral and private agreements.

Debt rearrangement may consist of (1) a moratorium allowing for temporary suspension of debt service payments, (2) a debt refinancing under which creditors provide debtors with new loans to make possible the continuation or resumption of debt service payments, (3) a debt rescheduling providing for the rephasing of payments of principal and interest on outstanding loans, or (4) debt cancellation³⁰. Such arrangements have depended on creditor clubs' case by case approach, their focus on conditionality, and the mutual interests of creditors and debtors in reaching a settlement³¹.

The IMF has played a critical role in many creditor club negotiations by providing assessments of debtor nations' economic situation. The IMF may also provide technical assistance to debtor nations and survey the implementation of the debtor's financial program for creditors. In some cases, the IMF also helped debtor nations prepare for private debt renegotiations and then attended the sessions. While most creditor countries have been pleased with the functioning of creditor clubs, the proliferation of lending to less developed countries and the possibility of more frequent renegotiations has provoked

³⁰. Ibid . . p. 1

³¹. Richard Cooper. Statement. p. 5.

a search for new methods. At the 1977 conference on International Economic Cooperation, Europe and the United States proposed more formal guidelines for future creditor clubs. These proposals were rejected by the developing countries which would, by and large, have preferred some sort of generalized debt relief. No new plan emerged. The growing volume of private lending to non-oil LDCs had also made it necessary to consider private creditor clubs to deal with over extended debt.

Although private bankers did not at that time participate in official creditor clubs, official lenders had, on occasion, made their agreements with debtors contingent on their willingness to reach agreement with their private creditors. Frequently, these secondary meetings closely parallel the results of the official creditor clubs, but usually rely on refinancing more than rescheduling. Thus, in Chile in 1972 substantial amounts of bank credits were negotiated by private banks outside the Paris Club framework but on terms closely related to official guidelines³². As important as these structures were for the continued economic prosperity of debtors and lenders, it was critical to focus on the relationship between individual problems and the wider picture. What were the implications of such interactions for relations between industrialized and developing nations? By looking critically at the differences in creditor-debtor relationships in the major cases, it is possible to begin drawing wider conclusions.

3.4 Loans, debt burden and Zaïre

Although Zaïre was the only nation that had required official and private creditor clubs since 1974, it has not faced shipwreck alone. Argentina approached financial collapse in 1976, called for rescheduling but persuaded banks to extend more funds by ousting Eva Peron and imposing an austere new economic program. Peru attempted to

³². Ibid . p. 6.

avoid IMF constraints by raising money in the private sector in 1976. When commercial banks sourced on their unfamiliar regulatory role, Peru was forced to submit to IMF authority to assure its continued support by international financial circles.

Commercial banks were also becoming concerned about their loans to socialist nations. Until late 1970s, communist national had been regarded as ideal credit risks. This image was dashed when North Korea went into technical default on loans to Swedish, French, Japanese and Russian banks in late 1975³³.

Many western banks were approaching their lending limits to eastern Europe and were hesitant about the ability and willingness of these nations and their Soviet godfathers to service their indebtedness. Zaïre, however, was the major test case and prime problem for commercial banks. Its rich copper bounty and seemingly unending mineral wealth promised to make Zaïre The Brazil of Africa³⁴. On the other hand, its people were poor, its infrastructure primitive, and its birth rate high. Still, the prospect of stable government and high copper, cobalt and zinc exports persuaded commercial banks particularly those from nations needing Zaïre's minerals to consider financing Zaïre's growth. Other banks faced with massive liquidity after 1973, were attracted to Zaïre by its potential riches but also to determine whether the private sector might lend safely to some of the world's least developed nations.

³³. These difficulties were first announced in the Far Eastern Economic Review . October, 1975. North Korea presents a special problem to lenders: it is not a member of the IMF and does not provide lending banks extensive economic data. In addition, it is not a member of COMECON and therefore can not be pressured through that group. See also: San Francisco Chronicle . 1976.p.51.

36. New York times, June 6, 1976, Wall Street Journal, February 22, 1977, and Richard Portes, "East Europe's Debt to the West : Interdependence Is a Two-Way Street" Foreign Affairs, 55 (July 1977) . p.755.

³⁴. New York times, June 6, 1976, Wall Street Journal, February 22, 1977, and Richard Portes, "East Europe's Debt to the West : Interdependence Is a Two-Way Street" Foreign Affairs, 55 (July 1977) . p.755.

Table 2 indicates that in 1973, fifteen Japanese banks entered into thirty-three separate Euro-currency syndicate participation to Zaïre. No other nation's private banks were nearly as active. European and American banks were reluctant to be shut out of this market so they too participated in loans to Zaïre. Belgian banks with their traditional involvement in Zaïre were active. Indeed, any foreign bank with some sort of permanent office in Zaïre found it extremely difficult to avoid participation in Zaïre's money raising efforts³⁵. US and European banks with representation in Zaïre continued to raise money for the country in 1974 and 1975. Significantly, Japanese banks which were pressed by difficulties in the aftermath of Herstatt's collapse in mid-1974 and were free of entangling investments, did not participate in publicized loans to Zaïre after 1973. By the time Zaïre faced severe repayment problems in 1975, the Japanese were unwilling to make new commitments. Other foreign banks were by then more deeply involved.

Zaïre's economy was disrupted by the Angolan civil war which crippled the transport of copper. The war also impoverished the Zaïre's government which was sending material aid to one faction. Falling copper prices in 1974 and 1975 and Zaïre's inept handling of newly nationalized industries siphoned away foreign exchange and left the economy in shambles by late 1976. Banks refused to enter into new agreements and cancelled a previously negotiated but unsigned loan in early 1976 when foreign investors in a new mining project abandoned it³⁶. Private banks were left holding approximately US\$500million in loans to Zaïre which the government was unable to repay.

³⁵. Interview with a bank of America official. London. September 1974.

³⁶. See David, O. B. "Rescuing the LDCs." *Foreign Affairs*, 54 (July 1977) .p. 726.

Table 2 *

Publicly announced private lending to Zaïre by the largest 300 banks in the world : 1973-1976.

<u>Bank's origin</u>	In Top 300	1973		1974		1975		1976
par		Man	par	Man	par	Man	par	Man
Canada	7 0	0	9	0	4	0	3	0
Europe	10 0	5	14	1	2	0	0	0
Japan	15 0	2	33	0	0	0	0	0
Britain	7 0	1	13	0	1	0	1	0
USA	13 0	2	14	3	2	2	6	0
Total top 300	52 0	10	84	4	9	2	10	0
Other non-300	24 0	5	30	0	2	1	4	0
Banks								
Total all banks	76 0 0	15	113	4	11	3	14	0
Ratio T300/ other	.68 0		.73		.82		.71	
Ratio par/man		7.53		2.75		4.67		

* Note: These contain publicly announced loans only and were not complete.

Man= Managed, Par = participated. Note: Banks often managed or participated in multiple loans to a country in a year.

Syndicate loans could have multiple managers and varying numbers of participants . Finally it should be emphasized that not all loans to a nation were publicized so this is an incomplete list. In

1973 the publicly announced credits to Zaïre were managed by 5 European, 5 US , 2 Japanese, 2 Consortia, and 1 British banks.

Source: Amex Euro-money syndication guide.

In spring of 1976, after extensive technical aid and advice from the IMF, Zaïre announced an economic stabilization plan, requested an official creditors club for the purpose of general debt rescheduling, and expressed willingness to meet with its private creditors. Citibank's Irving Friedman who had previously worked with the IMF and the World Bank became the private bank's chief negotiator. In November 1976, commercial creditors agreed to allow Zaïre to postpone payment of 85 percent of their 1975 and 1976 source loans for three years and then stretch repayment over another seven years. The remaining 15 percent could be stretched over a three year period. Zaïre also agreed to negotiate with the IMF for eligibility to draw a US\$ 110 million which could allow it to begin repaying private creditors. In return, Citibank agreed to make their "best effort" to assemble a US\$250 million short-term loan, to be used to speed Zaïre's industrialization and not to repay the US\$250 million due to private banks through 1978.

Once the agreement was reached to refinance rather than reschedule, Zaïre's Government changed tactics. The government insisted that the US\$250 million be a medium term, 5-7 year loan rather than the originally negotiated six months trade credit. Zaïre, however, paid its past interest, but placed the owed principal in a blocked account at the bank for international settlements and refused to release it until the US\$250 million was delivered. Given the political uncertainties raised by the outbreak of hostilities in Zaïre's copper rich Shaba Province, Citibank refused to deliver the US\$250 million³⁷. Commenting on why the bank could no longer lend money to Zaïre, Irving Friedman said that Zaïre was "Broke, as broke as any country in the world"³⁸.

³⁷. Wall Street Journal . January 7, 1977 and May 24, 1977.p. 7.

³⁸. Cited in Barrons . October 17, 1977. p. 12.

Surprisingly, Zaïre's problems have had little effects on the rate and nature of lending elsewhere. Bankers perceived Zaïre as a possible new profit source with distinct prospects and problems which separated it from other non-oil LDC borrowers. Significantly, despite provocation, commercial banks had not declared Zaïre to be in formal default on their debts. Apparently, problems in Chile, Argentina, Turkey and Peru had been far more important to commercial banks' decision-making concerning LDC loans. Citibankers in particular had attacked the notion that loans to developing nations were likely to decline³⁹.

3.5 The Role of The West in Zaïre's Economic Crisis

This part will attempt to use dependency theory in combination with some elements of "organization theory" to analyse the internal and external factors that interacted to create blockage mechanisms, disincentives and economic crisis in Zaïre and kept that country under a condition of permanent underdevelopment. This is however, an effort to study the interactions between western powers and the Zaïrean régime in power and the policies which resulted from these interactions. The study will mainly be based on the World Bank and the International Monetary Fund (IMF) documents collected in Washington D.C. between 1977-1978. The integration of Zaïre into the world economy dates from the colonial period as a producer and exporter of raw materials. This role was not only reflected in the economic structure built in that country during the colonial period, but also in the control of Zaïre's economy by foreign financial groups which, with the help of the state apparatus and churches, made sure that Zaïre performed its role of raw material producer and exporter⁴⁰.

³⁹. See: Costanzo: G. A .Vice-Chairman Citibank. "Is the Third World a Sound Debtor?" New York Times Editorial April 18, 1977 and also Harold Van B. Cleveland and W. H. Bruce Britain. " Are The LDCs in Over Their Heads?" Foreign Affairs, 55 (July 1977), p.750.

The consequences of this was (a) the vulnerability of the Zaïrean economy to the whims of the international economic system (b) The existence of an unbalanced, disarticulated economy whose sectors would not complement each other and whose main stimulation came from abroad and (c) The proletarianization of the local population due to the colonial policy which prevented the development of an African rural capitalism⁴¹. Also, because of Zaïre's strategic position in the heart of Africa, it became a geopolitical centre of interest for the West, especially the United States, in its effort to seal off the continent from communism. This anti-communism theme forced the United States, as the leader of the Western alliance, to get involved in Zaïre's local politics through the promotion, support and defence of politicians considered as moderates and who defended the West's interests.

One of the main consequences of the peripheral producer and exporter of raw materials role played by Zaïre since the colonial period and reinforced by the late President Mobutu was not only the control of the country's economy by foreign groups, but also the designing of economic and investment policies which suit foreign needs and the needs of bureaucrats in power during his presidency. The determination of these economic and investment policies were made through western countries-sponsored consultant and research firms and multinational corporations.

These policies gave priority to industrialization through large-scale, capital intensive projects in mining, import-substitution manufacturing with high import content

⁴⁰. Depelchin, J. (1981) "The Transformations of The Petty Bourgeoisie and The State in Post-Colonial Zaïre". Review of African Political Economy, 22, p. 35.

⁴¹. This was originally written as chapter four for of an unpublished Ph D dissertation titled *Bureaucracy, Dependency and Underdevelopment in Zaïre* (Berkeley, California : University of California, Department of Political Science, 1979).

and power infrastructure⁴². On its part, the Zairean government had undertaken a series of legislation and other measures to complement the above mentioned policies and to attract foreign investments. These included the adoption on June 7, 1966, of an ordinance promulgation the Loi Bakajika, the promulgation of the National mining law of May 11, 1967, the establishment of mining regulation of September 23, 1967, the adoption of a liberal investment code in 1969, and the signing of investment guarantee agreement with leading western countries⁴³. The government also returned, as said earlier, to the old colonial policy of state capitalism in order to increase its source of revenues, the bargaining position of the class of bureaucrats in power, and to fill the gap left by foreign investors who were interested in the more profitable sectors of the country's economy.

The combined World Bank and IMF and western countries- sponsored policies designed for Zaïre and the actions of Mobutu's régime to complement them produced structural blockage mechanisms and disincentives which prevented the development of non-export sectors that serve are basis needs of the Zairean people . Thus, the Zairean people in general and Zairean peasants in particular underwent a unique experience in world history. Indeed, after being incorporated into the world market and capitalist system by the colonial régime in which they played a major role in capital accumulation of foreign enterprises, they have since independence and particularly since 1965 faced a situation which has forced them to return to their pre-colonial subsistence economy that prevents them from continuing to participate in the market economy.

3.6 Debt Effects on The People

⁴². Jean-Marie, W. (1981) Accumulation et Sous-Développement au Zaïre.1960-1980 . Louvain-la-Neuve. Presse Universitaire de Louvain. p. 185.

⁴³. Ibid .p. 186.

With its rich natural resources, one would expect the Congolese people to have at least a good life. Unfortunately this is still a dream for the majority of the people in Congo-Zaire. From official figures on prices, wages and the decline of the real income, it would seem to be impossible for the majority of the people to stay alive in that country! Living there, however, it is soon apparent that people somehow not only feed themselves but pay for housing and utilities, clothing, schools fees, and that they not only survive but a few do very well as they feed themselves on the idea of *se débrouiller* in a highly organized system of income-generating activities that are unrecorded in official figures and left out of official reports. The scale and extensiveness of these activities have profound implications for determining the real power of the state, for understanding the processes of class formation and class struggle and for assessing Zaire's degree of economic development.

The activities of the second economy deprive however the state of enormous amounts of revenue and significantly decrease foreign exchange earnings from primary export commodities. The huge scale on which these activities take place and their pervasiveness at all levels of society are evidence of the weakness of the state's administrative capacities and its ability to control the structures of production and distribution. This situation affects the process of class formation and class struggle - - the opportunities for capital accumulation provided by the more lucrative activities of the second economy have been instrumental in the emergence of the commercial middle class outside the state that have been documented. Rural and urban workers find not only a means for survival but also alternatives to proletarianization and in so doing, they find means to rebel against oppression. The political aristocracy consolidated its position

with enormous accumulation of wealth and, in addition, managed to control and monopolize the most profitable of irregular activities in order to close its class boundary against mobility from below.

3.7 Conclusion

Congo-Zaire and its citizens have paid a heavy price for the country's strategic importance, its extraordinary mineral wealth and its role in the Cold War⁴⁴. Independence in 1960 was poorly prepared for and the chaotic years that followed it gave ample opportunities to the protagonists of the Cold War to manipulate local factors⁴⁵. With western support and the IMF guidance, the Mobutu régime succeeded in restoring the conditions for economic growth, and its first years brought about positive changes for the country's population. The external shocks of 1973-75 caused by the increase in oil crisis, and the government's decision made during the same period to "Zaireanize" all economic activities and to launch high-cost and non-viable projects with the support of the western commercial lenders and bilateral credit institutions brought the process of economic recovery to a halt⁴⁶.

During the late 1970s and early 1980s Congo-Zaire struggled to recover from these shocks, but without much success. Chronic shortage of foreign exchange crippled economic activities and the infrastructure deteriorated. The donor community provided

⁴⁴. See Stephen . R. W. (1978) "The CIA and US. Policy in Zaire and Angola". In René Lemarchand (ed .) American Policy in Southern Africa: The Stakes and The Stance. Washington D.C.: University Press of America. p. 382.

⁴⁵. Madeleine. G. K. (1982) The Congo Cables: The Cold War in Africa From Eisenhower to Kennedy. New York: MacMillan. p. 48.

⁴⁶. See World Bank Annual Report 1975, p.19.

financial and technical assistance to help run public institutions and the large public enterprise sector which was in charge of most mining and infrastructure activities. Although some progress was made, it could not be sustained, mostly because of an inappropriate macroeconomic framework. There were however some bright spots, particularly in those institutions where systematic on-the-job training took place⁴⁷. The economic reform started in earnest in 1983 with the IMF assistance. After a long slide, the economy showed signs of bouncing back.

This was then a short episode. The bilateral creditors who were also the major supporters of the country and its régime, did not seize the opportunity to help establish the reform process on a sound footing. They got paid, but for lack of sufficient resources, the reform program fizzled out. In addition, the external support came too late, and was indirectly used to enlarge the capacity of the régime to spend for non-development purposes. The so-called western reformers who counted on the help of the international community had great difficulties fighting against the populist sentiments, which were stirred up by the régime as a means to better maintain its staying in power.

Finally, it is important to remember that the endless search for economic interests created by Mobutu and his western allies brought chaos to the country which many people view as the completion of a full circle back to the early years of independence.

⁴⁷. See Zaïre: Current Economic Situation p. 85; World Bank Report No. 821-ZR July 23, 1975. p. 86.

CHAPTER IV

THE TYPE OF STATE IN CONGO-ZAÏRE

And on all the lips she found a weary desire for people, the Dread of officialdom with its nightmarish parody of administration without law, without security, and without justice

Conrad Nostromo

4.1 Introduction

To start with, there is no uniform agreement on the definition of state. For most scholars, it is still difficult to precisely locate and define it, so much so that many find it easier to describe its functions rather than defining it. Among some of the attempts to define it, Alan Vincent sees the state as a set of institutions and a body of attitudes, practices and codes of behaviour¹. Functionalised or defined, the idea of state ought to be understood in its historical and social context. Starting from its early days in ancient cities or in its modern manifestation, the state is noted as to its importance in society's economic, political and social life. Such importance notwithstanding, history is reminiscent that life hardly ceases without state. On the other hand, Carol Pierson is of the opinion that "for most of its history, human kind functioned without even a primitive form of state" though it has become almost impossible to imagine the contemporary world without the state². However, still what is state and what does it do?

The conception of state vacillates between those who loathe its absence and those who loathe its presence. For example, while Thomas Hobbes (1588-1679), a British political philosopher and Max Weber (1864-1920), a German sociologist, viewed societies in some form of order, structure, and stratification through the collective

¹. Vincent, A. (1987). Theories of State. Oxford : Blackwell. p. 27.

². Pierson, C. (1996). The Modern State. London and New York: Routledge. p. 2.

organization of a political framework (e.g. a government or a state), Marxists wished an eventual withering away of the state with the supposed culmination of class struggle and the formation of a classless society³. On the latter extreme are the so-called anarchists whose ideas and practice hardly got off the ground. In the case of the former group and for Hobbes in particular, state represented an institution of social order necessary to avoid a collapse into civil war and anarchy.

In his book entitled "Leviathan", he advocated absolutist government as the means of ensuring order and security. It is not surprising if, appalled by the experience of civil war in his home country, he entrusted the state, the 'common power' of individuals to direct their action to the common benefit. That is the protection of individual liberty entailed the need for a common liberator. His fears were based on what he called a 'war of all against all'. Later Weber also found virtue in what he called 'legitimate violence' directed by the state. The works and ideas of these and a great many other thinkers came to dominate the scene, often in the service of the preservation of the status quo. Equally important and influential were also views and ideas which portray state not in its 'law and order' framework but as a pervasive instrument of domination at the hands of the ruling classes.

The "state" here expresses on organised violence involving intense class antagonisms in deeply divided societies. To those who aspire for change and revolution, this perception serves as a recipe for shaping their attitudes and guiding their actions. The key concepts are class, class struggle and contradictions in production relations and technology. In spite of their differences in the Europe of the time (mainly France, Britain

³. Hameso, S. (1997). State, Society and Development: An assessment of African experience. London: TSC Publication, p. 22.

and Germany). And today's world is suffocated by varying interpretations of the past and differing visions of the future. These visions, ideas as well as the practices based on them were exported, as it were, to different social environments as if human experience is one and the same all over the world. This prompted a mistaken view in the West that states, their authority, functions and more importantly their social and economic background are universal and similar whose salient features includes - - monopoly control of means of violence, territoriality, sovereignty, constitutionality, impersonal power, public bureaucracy, authority and legitimacy, and citizenship⁴. Controversial enough, these elements are also seen as replicable everywhere .

Regardless of the controversy, the state is still seen as an important institution, often a social and impersonal agency catering for the greater good in society. Thus, whatever violence it inflicts on disparate societies, it is justified from the West's historically circumscribed experience. No wonder if there has been preoccupation with order whose alternative is usually cited as chaos. For this reason, times were not remote when Mobutu of then Zaïre was cast as a good alternative to bad chaos.

4.2 The Evolution of The State in Congo-Zaïre

Since Zaïre's independence in 1960, a number of models have been proposed to describe the state in that country and many have captured important aspects of its nature and functioning. Unfortunately for the constructors of these models, the behaviour of that state in relation to Zairean society had hardly been static, but rather was steadily evolving. Hence, none of these models fully explains the Zairean state that emerged at the end of the 1970s, nor would anyone predict the steady decline of the Zairean state in

⁴. See Pierson. C. (1996). The Modern State. London and New York. Routledge. p.8.

the 1990s.

By the 1980s, the best label for the prevailing political institution in Zaïre was the extractive state. During those years the main role played by the state in Zaïre had been to extract wealth from the population and to exploit the country's mineral endowment for the benefit of a few citizens and foreigners. While all states are extractive in the sense that they tax economic activities, the Zairean state had practised extraction as an end unto itself rather than to provide public goods. As a result, the signal feature of the extractive state is that it progressively alienates itself from society and destroys that connection from which it derives its sustenance. Recently, there has been an increasing number of African states that seem to be developing similar socio-economic patterns which are one source of state collapse⁵. While the extractive qualities of the Zairean state have often been noted in the literature, as the widespread use of the label kleptocratic to describe Zaïre indicates that this model remains in need of specific elaboration .

While it is argued here that the chief role of the Zairean state has been extractive, all states play a variety of roles which vary in importance over time. The most important of these roles include their methods of resolving order-threatening socio-political disputes and their function in organizing economic production and distribution. For African societies, two other parameters of the state are critical: (a) the extent of their control over social norms and behaviours, including particularly their ability to build national consciousness and (b) their impact on socio-economic development broadly defined .

With regard to the first of these parameters, one must further ask whether state

⁵. See. William. I. Z. (1995). Collapsed States: The Disintegration and Restoration of Legitimate Authority. Boulder, Co: Lynne Rienne .p.10.

influence over society is growing or declining. While a complete model of state origins, functioning, and evolution must include much more, these are the basic requirements. At least five different models have been used to describe these basic features for the Zairean states - Neo-Marxist, Dependent, State-Corporatist, Absolutist, and Neo-Patrimonial. Each of these models reveal something about its functioning, but none as well as the extractive model particularly since 1980. Two other models - the Liberal and Developmentalist have frequently been promoted as alternatives for the Zairean state. The liberal state is well enough known that one needs not describe it here⁶.

Suffice it to say that in the liberal view, the state is to be limited to the functions of resolving civil disputes between individuals and providing community goods. Under the development state model, the state attempts to mobilize capital resources to promote national welfare, either in the short or long term. If the state emphasizes the short term, its policies may be quasi-socialist or redistributionist. If it tends towards the long term, its policies will be neo-mercantilist and capital-forming. It may equally practice import substitution or export promotion though industrialization will always be a medium-term objective. In east Asia, a successful long-term approach has been taken. In Africa too, virtually all states have undertaken to promote national welfare in one fashion or another as evidenced by the ubiquitous ministries of planning, but with conspicuously less success. A successful developmental state would slowly extend its influence into society and build a national consciousness.

With regard to Zaïre, a few scholars focussing on the agricultural sector like Victor Dimbele who concludes that the role of the state in pursuit of development has

⁶. On the liberal state in the United States, see Martin Carnoy, The State and Political Theory. Princeton, N.J.: Princeton University Press. 1984. p. 18

been shammed⁷. Instead of making the public programs for development successful, Mobutu's entourage focussed on promoting their political party's manifesto in the rural areas while doing little to promote development⁸. Other recent studies document the failure of the state in Zaïre to crystallize a national identity or, more specifically, to overcome deep-seated ethno-regional feeling⁹. Hence, the liberal and developmentalist models serve only to underscore the Zairean state's failure to serve the public interest, either by merely providing public goods or by actively improving the country's economic capacity and social welfare.

In repudiation of these models, the widely applied neo-Marxist and dependency models argue that the Third World states pursue the interests of class interests at the expense of the larger society. In the Neo-Marxist model, this is the ruling class and, in the dependency model, this serves foreign capital interests. Neo-Marxist observers noting the absence of the classical bourgeoisie in Africa, have had to redefine the ruling class for the African context. Markovitz gave one influential formulation arguing that an organizational bourgeoisie or bureaucratic elite controls state functions while not engaging in classic bourgeoisie activity and capital investment¹⁰. Those describing a

⁷. See Dimbele, V. (1990). The Role of The State. Nairobi. Saint Paul's Publications; p. 30.

⁸. Young, C. (1985). "The Zairean Crisis and American Foreign Policy". In Gerald J. Bender, James S. Coleman and Richard, L. S. (eds.) African Crisis Areas and US. Foreign Policy. Berkeley. University of California Press, p. 168.

⁹. See Frank, C. (1993). "Ethno-Regionalism in Zaïre". Jeune Afrique, No.1700. (August) p. 11.

¹⁰. Recently, Markovitz has observed that this class "acts as an economic class in its role as manager, sometimes as the owner of the basic means of production, distribution and exchange. Thus, the ruling class uses its position of control over the economy - - first to control wage labour and, second, to siphon off surplus". Irving Leonard Markovitz (1987). "Introduction: Continuities in The Study of Power and Class in Africa". In Markovitz (ed.) Studies in Power and Class in Africa. New York: Oxford. p.12.

dependent state acknowledge the existence of such a class but argue that it owes most of its hegemonic capacity to the support of the International Capital and International Financial Institutions (IFIS).

Under both models, the chief source of social conflict is class antagonism and, thus the main political role played by African states is hegemonic and coercive. They seek to ensure acceptance for state policies that preserve class status through nationalist rhetoric and social mobilization through military intimidation . The former strategies serve to divert the attention of the masses from their own misery; suppress the emergence of class consciousness and legitimate the dominant class. The latter is typically employed when the former fails. The state promotes either national or ethnic consciousness to forestall the beginning of class identity. This model does envision a kind of economic (but not social) development specifically of a sort that makes capital penetration and labour exploitation easier. There is economic growth but also a growing inequality.

State influence over the population grows in the short term although this model may envision an eventual overthrow of state power. Given the rapaciousness of Mobutu's régime, it is not surprising that this view has been applied to Zaïre. Notably, a number of Zairean scholars take Neo-Marxist views of the Zairean state¹¹. Significantly, the mode of production is the chief determinant of state structures and suppressing class antagonism one of the Zairean state's key roles. While not disagreeing with these views, those stressing the international context of the Zairean state primarily as a creation of either Belgian or American capital interests, set-up to serve their purposes. Perhaps David Gould was most direct in stating that the Zairean economy is clearly managed in

¹¹. See Makidi- ku-Ntima(1986). "The External Dimension of The Crisis of The Revolution in Zaïre: Revolutionary Solidarity Vs. National Interest. Trenton, NJ: Africa World Press. p.290.

terms of an alliance between the international and national bourgeoisie, focussing on consolidating control over the state apparatus¹². These analysts all agree that Mobutu's régime survived only because of its foreign ties and that the Zairean state served the interests of Mobutu's foreign patrons .

The classic examples of the state-corporatist model are perhaps those of Mussolini's authoritarian rule¹³. These states relied on populist support typically generated by reference to external threats as their source of legitimacy. The political role for such states has been to contain the potential class conflict of market societies through co-optation of both labour and the bourgeoisie and the reorientation of their respective focuses from class-directed to nation-directed goals. With class or group interests contained in this way, the state then arbitrates in allocating investments and economic incentives. The chief economic role of the corporatist state has been to direct investment in a way to serve national economic purposes. Thus, corporatist states are often developmental states as well.

Many African states of both the putatively Marxist (Congo, Benin) and putatively market- oriented variety (Côte d'Ivoire, Kenya) have attempted to play such a corporatist role¹⁴. Rulers frequently created single national labour unions in which membership was compulsory at least for those working in state-owned enterprises. In order to bring more of the population under the rubric of the corporatist state, other associations including

¹². Gould, D. J. (1980). Bureaucratic Corruption and Underdevelopment in the Third World: The Case of Zaire. New York. Pergamon Press. p. 35.

¹³. See Crawford, Y. (1985). Patrimonialism, Banapartisan and The Formation of Ruling Classes. University of Wisconsin Press. p. 95.

¹⁴. Nyang'oro, J. and Shaw, T. M. (1989). Corporatism in Africa: Comparative Analysis and Practice. Boulder, CO: West view Press. p. 24.

women's, peasant's and professional organizations were simply created. The corporate states in Africa, however, have all suffered traditionally from a heavy over-lay of patrimonial policies that further eroded economic efficiency. Thomas Turner however, recognizes the partial fit between the corporatist model and Zairean practice after 1965¹⁵. Turner also demonstrated that Mobutu had, at various times co-opted the army, parts of the working class and the church in a corporatist fashion¹⁶.

Under the patrimonial model, a ruler attempts to mobilize and control national resources, but for personal rather than national reasons. Service to the common good is either incidental or instrumental. That is, designed to reinforce patrimonial rule by creating new resources for distribution. Politically speaking, the patrimonial state typically coincides with personal rule or a system in which the loyalties and expectations are tied more to individual leaders than to state offices¹⁷. Since public offices are appropriated on a personal basis. Thus, political power in a patrimonial system may partially devolve to regional or local centres.

Among the first to use the patrimonial label for Zaïre was Jean-Claude Willame, who, drawing on Weber, actually applied the term to the Zairean state in the 1960-1965 period¹⁸. Mobutu's program of Zaireanization beginning in 1974 served as his most

¹⁵. Turner, T. (1984). "The Case of Zaire: Is Mobutu a Corporatist?" In Nyang'oro and Shaw. Boulder, CO: Westview Press. p. 140.

¹⁶. Callaghy, T. (1984). The State-Society Struggle: Zaïre in Comparative Perspective. New York: Columbia University Press. p. 316.

¹⁷. See Jackson, R. & Rosberg, C. (1982). Personal Rule in Black Africa : Prince, Autocrat, Prophet and Tyrant. Berkeley: University of California Press. p. 15.

¹⁸. Gould, D. J. (1980). Patrimonialism and Political Change in the Congo. New York: Pergamon Press. p. 28.

notorious opportunity for patrimonial rule¹⁹. All of the major studies of Zaïre under Mobutu (e.g. those of Turner and Young; Schotzberg and Callaghy) contain some allusion to the patrimonial aspects of Mobutu's rule. A final model of state function relevant to Zaïre and other African states is the absolutist model. Under this model, skilfully elaborated by Thomas Callaghy, the purpose of the state is to realize its own potential sovereignty over an identifiable territory²⁰. As Callaghy puts it, the state is an organization of domination, controlled with varying degrees of effectiveness by a ruling group or class which seeks to control a population in a given territory using an administrative apparatus backed by a coercive capability and various legitimating ideas. Here, state formation entails the initiation and projection of a new definition of authority in opposition to those that already exists: it is a struggle for internal control, political unification and external security²¹.

Callaghy derives this model from the experience of several early modern European states, notably the régimes of absolute monarchy in seventeenth and eighteenth-century France. Then, he distinguishes this model from the Bonapartist state that characterized nineteenth-century France and twentieth century Latin America, essentially what has become known as the bureaucratic - authoritarian model²². For Callaghy, the absolutist state serves as a theoretical link in the Marxist chain of development for states governing societies with a capitalist mode of production. As

¹⁹. See "The Patrimonial State and Personal Rule". In Crawford Young and Thomas Turner (1985) The Rise and Decline of the Zairean State. Madison: University of Wisconsin Press. p. 51.

²⁰. This model underlines Callaghy's analysis in his 1984 book (The State-Society Struggle)

²¹. Ibid: p. 94.

²². Ibid: p. 97.

classes become better developed and bureaucratic activity more routinized, rulers replace charismatic and patrimonial styles of legitimation with more rational and corporatist ones.

The absolutist state has a limited reach into the society but a growing one. Unlike the patrimonial model, which suggests that personal motivations alone animate rulers, the absolutist model suggests that rule is instrumental towards the formation of ever stronger states, that centralize power and allow evolution to some more advanced stage.

4.3 The Notion of State Formation in Zaïre

Each of the above models are not necessarily an ideal type of state function and as such, none can accurately or fully describe the state without some reference to other models. At the same time, each underscores important aspects of how the Zairean state has functioned during specific periods of time. Yet, by the late 1970s, the state has begun to function- - or malfunction in a way unanticipated by the various models used to describe it before. Hence, the need for a model that can explain the development of events in Congo-Zaïre since that time.

The first states in the territory now known as the Democratic Republic of Congo were, of course, indigenous ones governing such peoples as the Luba, Lunda and Kongo as well as other peoples sometimes brought into informal empires. Other peoples were allegedly stateless. The first state governing the entire area however, began its existence as a creation of King Léopold of Belgium, who established the Congo Free State. It was succeeded in turn by an official colonial state of the Belgian government which took charge of the territory partly because of the horrific excesses of Leopold's rule. While the colonial state was not as openly brutal as that of Léopold, it did not differ in its

fundamental function- - to exploit the material and human resources of the territory for outsiders. The Belgian colonial state closely resembled the depressing image resented by the dependent state model.

Indeed, those like Depelchin, who insisted that the dependent state model continues to accurately describe Zaïre directly link the current state to its colonial past²³. While the colonial state took on more developmentalist functions after World War II, again its fundamental function did not change. Willame accurately characterized the early independence period as one in which a patrimonial state function prevailed. Interestingly, Willame saw Mobutu's 1965 as the end of patrimonial role, noting a clear trend toward a political rationality relatively soon after Mobutu's coup. Willame could credibly write in the early 1970s that the Mobutu régime's emphasis on economic rationality had produced positive results and Mobutu's emphasis on economic and technical rationalization was paralleled by a deep distrust for politics²⁴.

Similarly, the work of Young and Turner catalogued the rise as well as the decline of the Zairean state. Of course, in the wake of four years of devastating civil war, just to restore a modicum of social peace was an accomplishment. Willame described Mobutu's early style of role as "Black Caesarism", a form that combined civil and military authority with attention to relative bureaucratic rationality reinforced with direct popular appeals to nationalism²⁵. Indeed, the Zairean state in the 1965-71 period even had some developmentalist qualities. Hence, from the late 1960s through the mid-1970s, Callaghy's compelling label "Absolutist", and Turner's tentative designation of

²³. Depelchin; op. cit.

²⁴. Patrimonialism and Political Change in the Congo. p. 133.

²⁵. Ibid. p. 141.

“Corporatist” fit the Zairean state reasonably well.

As Mobutu consolidated his power in the late 1960s, he moved to create new institutions to perpetuate and formalize his role, notably his Popular Revolutionary Movement (MPR) and the single-party constitution. The new constitution also abolished the Prime Ministership, concentrating all powers in Mobutu’s office. It was then during the 1970s that Mobutu was able to wrest the most power away from local and regional leaders as described by Callaghy. The early 1970s also represented the high tide of “Mobutisme”, the putatively radical-nationalist ideology designed to mobilize the population on behalf of Mobutu and national glory. Co-opting regional and religious leaders to these state goals with some success, Mobutu was able to centralize power in Zaïre as never before. Meanwhile, from the early 1970s onward, the rational-efficient gloss on the Zairean bureaucracy quickly wore off. The number of those trying to live off the state increased continually, while the resources available to the state, especially after the collapse of copper prices in the mid-1970s shrank.

Writing in the 1980s, Turner concluded that corporatism only partly characterized Mobutu’s political practice which still included the non corporatist tools of clientelism and divide and rule tactics. Indeed, the mass of Zaireans were never well enough incorporated into various organizations for this to be a particularly useful way of viewing the maintenance of the Zairean state. By 1980, it was clear that the development schemes of the early 1970s, notably Inga-Shaba electrical dam, were utter failures and the enthusiasm for Zaireanization, Mobutisme and the MPR had long evaporated . Meanwhile, Zaïre had its first debt crisis in 1976 leading to its agreement with the International Monetary Fund (IMF). In 1980, the Blumenthal Report confirmed that

Mobutu no longer had any serious intentions of taking steps to restore Zaïre's International Financial Credibility.

Since that time, Zaïre had simply engaged in a series of futile, dishonest and meaningless negotiations with the IMF and the World Bank. Only the most naive had believed since then that Mobutu régime had either the will or capacity to clear all of its arrears and achieve a positive balance of payments. Nonetheless, partly owing to the renewal of the Cold War, Zaïre maintained its standing with the International Financial Institutions (IFIs) until the late 1980s and its external debt steadily accrued from about US\$4 billion in 1980 to nearly US\$11 billion in 1992²⁶. It was in 1980 that Zaïre's courageous thirteen parliamentarians issued their famous demand to Mobutu that he reopen the political sphere to political forces other than the MPR²⁷. Thereafter, Mobutu's political policies became more repressive, but less effective and the centrifugal forces reasserted themselves again, loosening the grip of Mobutu's central administration on the regions.

The Shaba invasions of 1976 and 1977 had underscored the failure of Mobutu to engender ethno-regional integration as the absolutist state model predicts. Meanwhile, the levels of extraction from an increasingly impoverished society during the decade grew to the point that the state was consuming itself, choking off the very sources of its sustenance²⁸.

²⁶. See Willame, J. C. (1992). L'automne d'un Despotisme: Pouvoir, Argent et Obeissance au Zaïre Dans des années Quatre-Vingt. Paris: Karthala, p. 40.

²⁷. Turner, T. (1997). "Zaire: Flying high above the Toads: Mobutu and Stalemated Democracy". In John F. Clark and David E. Gardinier (eds). Political Reform in Francophone Africa. Boulder, CO: West view, p. 254.

4.4 The Politics of Resources in Zaïre

Global recognition of the sovereignty of the Zairean state was central to Mobutu's political strategy, especially as this allowed him to attract diplomatic support and foreign aid. As noted by Jackson, global recognition of sovereignty bestowed such prerogatives to rulers of weak African states²⁹. Beyond the Cold War era analysed by Jackson, however, unquestioned formal sovereignty also served the useful purpose of simplifying deals with some foreign firms and creditors as another key component of Mobutu's politics. Such a view was consistent with analyses which concluded that the exercise of political power in Zaïre owes more to informal political networks based upon economic control, rather than formal notions of proper state behaviour .

As they stress, however, such political practices clashed with economic efficiency³⁰. Yet, from at least 1990, Mobutu discovered that the contradiction between the exercise and consolidation of political power on the one hand, and economic inefficiency on the other, rapidly decreased his capacity to reward loyalty among associates. Changes associated with the end of the Cold War aggravated this . Mobutu had then to find a way to fragment the power of increasingly unruly strongmen and do so while tapping new sources of wealth. This strategy continued to be pursued by the late President Kabila. Mobutu's success as a patrimonial ruler saddled him with an extensive network of clients who exercised power in their own right. Mobutu later managed this

²⁸ . Willame, J. C. (1992). L'automne d'un Despotisme: Escalation of Corruption and Extraction during the 1980s. Paris: Karthala. p. 42.

²⁹ . Jackson, R. (1984). Quasi-States: Sovereignty, International Relations and the Third World. New York: Cambridge University Press. p.175.

³⁰ . Callaghy, T. (1994). State-Society. Paris: L'Harmattan. P.90.

vulnerability with new non-bureaucratic strategies of rule through manipulating market opportunities, even where actual sources of accumulation were not under his direct control. For example, in 1976 Mobutu gave the German firm Orbital Transport and Raketern A. G. virtual sovereignty over a 150,000 square kilometre portion of Shaba Province in exchange for rents³¹. Kabila later used this same strategy to oppose, then unseat Mobutu. Mobutu left individual military units and commercial syndicates to forage on their own, signalling what appeared to be the dissolution of Zaïre.

Different factions jealously guarded useful territory and opportunity from rival entrepreneurs. But competition among these groups reduced chances of military or coordinated attacks on Mobutu. Individual strongmen appealed to Mobutu for protection against local rivals even as they consolidated virtually autonomous fiefdoms organised around commerce in diamonds, coffee, timber, gold, cobalt and arms³². This benefited Mobutu insofar as it forestalled resistance and contained challenges amidst collapsing patron- client networks. Mobutu realized that his best chance for survival lay in using opposition among factions of his patronage network to neutralize the network's threat to him. Mobutu used this method because it did not require a command hierarchy that could acquire interests of its own and it obstructed rivals' attempts to build their own organization.

The existence of multiple centres of accumulation in Zaïre facilitated this radical decentralization of politics. An archipelago of copper, cobalt, gold and diamond deposits in parts of the country leaves broad stretches of "Afrique inutile" that physically

³¹. Young, C. & Turner, T. (1985). The Rise and Decline of the Zairean State. Madison: University of Wisconsin, p.388

³². Andriamirado, S. (1996) Les Nabobs". Jeune Afrique, 7 Feb. 1996: p. 66.

separates some political groups. Because of the breakdown of rail and road networks, mineral rich provinces like Shaba and Kasai initiated a new way of doing business with Southern neighbours like Zambia, Zimbabwe and South Africa than with Zaïre's domestic market. Kivu in the east had closer contact with Rwanda, Burundi and Uganda than with most of Zaïre. Collapsing infrastructure also encouraged Mobutu's associates to exploit local opportunities rather than joining others to mutiny against Mobutu.

In this context, ownership of air cargo firms highlighted contours of political competition or alliances better than did formal agreements or individuals' titles. Competition at these centres of accumulation for control over trade was what left a political space for Mobutu to manage crises. This situation made sovereignty more important to Zaïre's state rulers as a license to make deals with essentially private allies.

The political struggle focussed on resources and trade as opposed to formal declarations of political authority or state institutions and this created a special role for some mining companies in Zaïre. These firms utilized their unusual capacity to do business in this contentious political environment. Their arrival reinforced the decentralization of Zairean factional politics since many of these firms became insinuated into local strongman's political strategies and shared in the commercial benefits of Zairean state sovereignty. Here, too, firms found that they could manipulate liberalization to attract creditor support for their operations. Some even tried to convince creditors to subsidize their joint ventures with local strongmen!

For these outsiders, the cloak of Zaïre's sovereignty helped conceal to others the extent to which their deals were integrated to the country's personal politics. The specific features of decline after the Cold War's end and Mobutu's response to this crisis

highlighted the innovative strategies that Mobutu and his rivals used to reshape politics within conventions and formal boundaries of Zaïre that global society recognized. Zaïre however, boasted many commercial and diplomatic opportunities that could be translated into political resources. Taking 1986 as a baseline, before mineral exports began to fall precipitously, copper, zinc, cobalt and diamond exports of state-run firms generated US\$1.15 billion in the formal economy. Coffee, the country's main agricultural export, added US\$80 million³³.

This left uncounted profits from money laundering, illicit exports and the drug trade which Mobutu translated into patronage when he exercised direct control over the exchange of these goods. Trading a staunch anti-Communist stance for aid from superpower patrons netted him US\$448 million in 1986 alone³⁴. Visible non-tax resources at Mobutu's disposal thus stood at almost US\$1.7 billion in 1986. Added to this was US support for loans from multilateral creditors in return for aiding UNITA rebels in Angola and access to a Zairean air base at Kamina to resupply UNITA³⁵.

Because of the success of Mobutu's régime to incorporate creditors into his political alliance during the 1980s, Callaghy however observed that this situation led him (Mobutu) to manipulate relations with creditors, alternating promises with brinksmanship to keep loans coming³⁶. Creditor patience with Mobutu seemed almost limitless during

³³. See The International Monetary Fund, International Financial Statistical yearbook (1990) Washington, D.C. IMF, p.78.

³⁴. World Bank, 1992 World Development Report. New York: Oxford, p. 256.

³⁵. See Braeckman, C.(1992). Le Dinosaur: Le Zaïre de Mobutu. Paris : Fayard, p. 73.

³⁶. See Blumental, E. (1982). "Zaïre: Rapport sur Sa Crédibilité Financière Internationale". La Revue Nouvelle, 77, 11 Nov., p. 366.

the Cold War. From 1976 to 1990, IMF officials devised 14 stabilization programs for Zaïre. Between 1975 and 1985, gentle treatment at Paris Club debt renegotiations led to rescheduling US\$3.5 billion of Zaire's 1985 external debt of about US\$7.5 billion³⁷.

4.5 The Nature and Uniqueness of the Extractive State

While the Zairean state under Mobutu has had many "extractive" qualities since its founding, the label became most apt beginning in the 1980s. One may begin by recognizing that the Zairean state had not served any socially meaningful purpose that could promote the interests; however defined, of the Zairean people. Rather, it existed to the extent to which it existed at all, to enrich and empower the small group that control it.

As noted in the first section, the central functions of states are the resolve or manage order- threatening socio-political disputes and to organize economic production and consumption either directly or indirectly. As the Zairean state had become increasingly extractive, it had gradually lost the ability to do either in a meaningful way. For more than two decades, social order in peripheral areas had owed far more to the society-level actions of local élites than to the state per se ; and where these mechanisms fail, as in Shaba and Kivu provinces, social breakdown was evident. Meanwhile, at the centre, order was maintained by the brute repressiveness of Mobutu's security forces.

One might say that the "reach" of the state into society had steadily declined during this period .With regard to the second key function of states, the Zairean state not only did not organize a major development effort, it no longer even provides the most basic of public goods associated with the liberal state, notably the provision of a widely acceptable public currency. The state of the transportation and communications network

³⁷. Pound. E. (1990). "IMF/World Aide has Dealings Hinting at Conflict of Interest". Wall Street Journal. Dec 28:p.233.

in Zaïre is also illustrative³⁸. The road network that Zaïre inherited from its former colonial rulers, already badly deteriorated by the late 1970s, had gone completely unrepaired since the 1980s. Yet, as the state had declined in its other functions, it had continued to extract wealth from society both directly and indirectly. Cases of outright seizure of property by the state, on the slightest pretext, were not at all uncommon in contemporary Zaïre.

This kind of extraction frequently took place with the acknowledgement of the country's highest authorities, including Mobutu himself. Schatzberg described this sort of extraction well several years ago:

In Mobutu's system of rule the powerful used political or administrative office to create economic wealth. This usually meant officials exploit their power to extract what they can from those in contextually inferior positions in the social hierarchy and, in so doing, created new sources of scarcity. Zairean citizens - - were thus caught in the grip of ever increasing insecurity, never knowing when their rulers may appropriate what few resources they had accumulated³⁹.

The only objectionable word in this quotation, as Schatzberg might agree, is "created", since the Zairean state had no record of being responsible for the creation of wealth. The direct extraction of small amounts of wealth from ordinary citizens by minor security officials was pro forma in Zaïre. Notable examples included the twenty-odd services that operated at Kinshasa's airport, each of which was designed to allow some minor government agents to extort money from those Zaireans (and foreigners) who could afford international travel⁴⁰. Similarly, the infamous roadblock technique of

³⁸. MacGaffey, J. (1992). "Initiatives from Below: Zaïre's other Path to Social and Economic Restructuring". In Goran Hyden & Michael Bratton (eds.) . Governance and Politics in Africa. Boulder, CO: Lynne Rienner, p. 42.

³⁹. Schatzberg, M. (1998). The Dialectics of Oppression in Zaire. Bloomington, IN: Indiana University Press, p. 135.

extorting money from travellers; common in many African countries; ubiquitous in Zaïre. Motorists were also randomly stopped in the cities, particularly during times of tensions; and made to pay small bribes before proceeding.

In Eastern Zaïre, different factions of the armed forces had vied with one another for the privilege of extorting money from travellers. In the capital Kinshasa, where changing money on the street was technically illegal, gendarmes were known to simply take the money of citizens on their way to or from Wall Street, where money was changed in the Gombe District of Kinshasa. Thus, the issuance of a firearm to a soldier or civil guardsman in Zaïre became a kind of license to extort. Even more effectively, the state extracted wealth indirectly, by manipulating the value of the currency, for instance. Knowledgeable Zaireans reported that Mobutu simply demanded funds from the bank of Zaïre when he required them. Since Mobutu himself had been the largest shareholder, this was not surprising⁴¹. In fact, Mobutu's ruling group had used a great many different instruments for indirectly extracting wealth, extending down to minor operations like the state's coffee marketing board⁴².

Such practices were widely acknowledged since the infamous "Blumenthal Report" was issued⁴³. Since 1991, Mobutu's group had resorted to simply printing money, and thereby taxing the society with inflation in the 2,000 to 20,000 percent range. Finally, the Zairean state was extractive in a more literal sense; that is, it exploited Zaïre's vast mineral reserve. The two most important instruments in this effort were

⁴⁰. See Ndjemoti, J. and Shabani, P. (1994). "L'aéroport International de Ndjili: L'enfer des Voyageurs". Periodique Des Droits de l'homme No.009, Janvier-Fevrier, p. 28.

⁴¹. Young, C. and Turner, T. (1992). Mobutu et L'argent du Zaïre. Paris: Harmattan. p. 179.

⁴². Africa Confidential (1989). June 9, p. 8.

Gecamines, the main state mining company, which succeeded the nationalized Belgian Union Minière and MIBA, the state diamond enterprise. Gecamines took responsibility for exploiting the country's important cobalt, copper and zinc reserves. the Zairean state took steps to make sure that these vital enterprises could import needed capital equipment throughout the 1980s, even when such equipment were difficult to get for other purposes in Zaïre.

The state also heavily taxed the profits of those enterprises, both officially and through illegal transfers of funds. As the state was gradually delinked from society(and the tax base), and as the black and grey market displayed the formal economy, the state was left with only such rent as a source of income⁴⁴.

These observations help to distinguish the extractive model from the absolutist and the neo-patrimonialist counterparts. Both models are accurate in describing the main source of political legitimacy for the state; namely the patronage of the central government. The main difficulty, though with the first of these types in describing the Zairean state is that it lacked little of the coercive and unifying power that is the main goal of an absolutist ruler. The model presumes moreover; that the state will in fact become stronger; uniting a national people who will eventually develop an industrial economy and finally, self-conscious economic classes based on the new mode of production.

Callaghy himself was quite well aware of the tentative nature of the alliances that Mobutu worked out with traditional regional leaders, noting that many were veritable feudal lords vis-à- vis local populations⁴⁵. Some of these alliances became broken down

⁴⁴. Cf. Yates, D. A. (1996). The Rentier State in Africa : Oil Rent Dependency and Neocolonialism in the Republic of Gabon. Trenton, NJ: African World Press. p. 41.

altogether. Indeed, by the 1990s it was abundantly clear that the Zairean state was becoming weaker and its reach into society became shallower⁴⁶.

The difference between the neo-patrimonial and extractive models is subtler and is partly one of degree. The most important difference is that the neo-patrimonial model assumes that rulers use the wealth that they extract to reproduce their own rule. Otherwise; of course, they fall from power. While neo-patrimonial may not socially or economically develop a society, it does not usually destroy it either. The extractive state model however, is one that envisions a gradual decline and collapse of the state. In many ways, the extractive state is a virtual antithesis of the corporatist state, particularly one that is successful in promoting full employment and economic growth. While the corporatist state invests money extracted from society in industry, the wealth extracted in Zaïre had gone primarily to fund lavish lifestyles for the few, including conspicuous consumption in Europe, and for foreign investments and savings. Moreover, the leaders of the labour unions, church, army, business associations, and other groups no longer exhibit loyalty to the goals of the state as one would expect of a truly corporatist state.

To distinguish the extractive state model from the neo-Marxist and dependency models, one must focus most directly on the question of who benefited from the junction of the Zairean state . To begin, it is indisputable that Mobutu and his clique had become fantastically wealthy from the extractive activities of the Zairean state. As for the President himself, his immense personal wealth was beyond dispute, even if he was forced to spend some portion of his legendary billions since 1990 to bribe opposition

⁴⁵ . See Particularly his distinction between Pays D'états and Pays D'élections. *The State-Society Struggle*, p. 121.

⁴⁶ . See Crawford & Clark (1994), p. 17.

politicians. Beyond Mobutu, the most direct beneficiaries of the extractive state were a small group of family members, high functionaries, political advisers, security officials and military officers⁴⁷. A significant proportion of these associates came from Mobutu's own small ethnic group; the Ngwandi⁴⁸.

More widely, what Callaghy calls the "political aristocracy", including the group referred to as "*la classe politique*", had reaped large financial rewards from the sinecures provided by the extractive state. "*La classe politique*" encompassed all of the Zairean politicians who have served in myriad Mobutu governments over the three decades, in high-level bureaucratic posts or in the MPR legislatures⁴⁹. This circle of beneficiaries also includes those managers of parastatals and the acquerieurs of the foreign businesses that Mobutu nationalized in the 1970s; which suggests that the phrase "politico-economic aristocracy" would be an even more apt label⁵⁰. Mobutu personally redistributed some of the wealth that he extracted in classic patrimonial fashion to reward members of this group and to entice opposition politicians back into the fold. This of course stripped them of legitimacy in the eyes of the population.

Callaghy has rightly acknowledged that the label "Bourgeoisie" mischaracterises

⁴⁷. Some of the many estimates of Mobutu's personal holding may be found in Callaghy (The state-society struggle in Zaïre, p.179); Turner and Young; and Dungia. Mobutu reportedly owned at least seven residences in Belgium and France, and controlled a larger number of Zairean businesses, organized under the CELZA Holding Company. Despite intense speculation, no one says exactly how large Mobutu's personal fortune was; though the US\$5-8 billion range was most common.

⁴⁸. On Mobutu's closet associates see Braeckman, C. (1992). *Le Dinosaur: Le Zaïre de Mobutu*. Paris : Fayard, p. 75.

⁴⁹. Callaghy's 1987 chapter includes a very detailed discussion of this "Political Aristocracy"; defining it with some precision; p. 102.

⁵⁰. Cf. Schatzberg, M. (1980). *Politics and Class in Zaïre: Bureaucracy, Business, and Beer in Lisala*. New York: Africana p. 176.

this class on the ground that this group does not accumulate capital so much for investment as for consumption or overseas deposit. The classic bourgeoisie, those who attempted to accumulate and invest capital for profit, were the object of frequent harassment from the Zairean state; often having their goods and capital seized. Traders paid enormous bribes merely to get their products into the country; often more than what they paid for the products they were importing⁵¹.

4.6 The Final Stages of the Extractive State (1994-1997)

Events of the 1996 period would seem to represent the final culmination of extractive state practices. With the opening of the political arena, there was an enormous expansion of la classe politique; over which Mobutu had decreasing control. In response, Mobutu was forced to extract even more resources from the Zairean society to coopt and pacify those political aspirants. During the interminable national conference; for instance; Mobutu spent an enormous amount to corrupt or compromise hundreds of the five thousand-odd delegates in an effort to moderate the conference's proceedings and divide the opposition⁵². Beginning with Nguza-Karl-I-Bond and ending with Faustin Birindwa, Mobutu named a succession of Prime Ministers in this effort; each with his own cabinet and clique of supporters; and virtually all greedy for the power and wealth that the extractive state could provide.

Many of Mobutu's opponents demonstrated that they, too, were willing to enjoy the benefits of office without regard for the welfare of the Zairean state or society⁵³.

⁵¹. Ibid. p. 180.

⁵². Le marchand, R. and Turner, T. (1994). "Mobutu and the National Conference: The Arts of Political Survival". Flying High above the Toads, p. 257.

⁵³. On the large per diem amounts commanded by the conferees; see Braeckman, C. (1994). p. 362.

Macroeconomic chaos accompanied the loss of political control. The riots of 1991 destroyed a large percentage of the country's (weak) industrial infrastructure⁵⁴.

Zaire's real GDP declined by 7.2 percent in 1991; 10.7 percent in 1992 and 12.6 percent in 1993. Copper production steadily dropped from 441,000 tons in 1989 to 48,000 in 1993. Control over the state's finances was lost; and arrears on the debt escalated from US\$140 million in 1989 to US\$265 million in 1990⁵⁵. Inflation steadily spiralled up from 81 percent in 1990 to about 4000 percent in 1992; to over 20,000 percent in 1994⁵⁶. Needless to say, the international financial institutions had long since suspended all financial relations with Zaire. Due to the poor conditions of the country's infrastructure, in Kinshasa for example, the supply of water was sporadic and the quality frighteningly low. In Kananga and many other major cities, electricity networks had failed; leaving them without power⁵⁷.

The condition of the most public hospitals declined to the point that residents found little use in going to them⁵⁸. Not surprisingly, the property and machinery of the state itself had disintegrated or had been privatized. As Mulamba Mvuluya put it, "there is little left of state property in terms of real or movable estate- - what used to be state property became unprofitable and were sold". Often, it was the same officials who declared state property unprofitable who then turned around and bought it up⁵⁹. The

⁵⁴. For a graphic account. See Braeckman .C.p. 359.

⁵⁵. EIU (1994). 22 and 40. p. 19.

⁵⁶. EIU Country Report: Zambia and Zaire. 4th quarter 1995.p.18.

⁵⁷. See Shiner, C. (1994). "Diamonds and Dollars Rule in The Wild West". The Observer (London); June 19; p. 25.

⁵⁸. Runsu, A.N. & Mulamba, A. L. (1993). "Hopital Mama Yemo de Kinshasa: on y entre Ok; on en sort KO". Periodique des Droits de L'homme. No. 007. (September-November 1993) p. 28.

systems of justice and public order were similarly in a state of collapse. In Zaïre's prison system, prisoners die of malnutrition and neglect by the hundreds often as they await trial in a moribund court system⁶⁰. Meanwhile, the ubiquitous gendarmes provided little security with banditry and random violence increasing even as they themselves violated the human rights of the population. Indeed, in 1993-94, citizens were organizing to protect themselves against the regular abuses by the local soldiers⁶¹.

While political challenges may have brought down the weight of the state quickly, ordinary crimes went unpunished. Meanwhile, the centrifugal ethno-regional forces that nearly ripped Zaïre apart in the early 1960s had begun to assert themselves once again. Massacres in Shaba and Kivu during 1992-93 symbolized the breakdown in state authority in the regions. Thus, the extractive qualities of the Zairean state became its dominant feature in the 1990s. In the era of political reform, Zaïre had experienced an acceleration in the disintegration of the state, the economy, the social fabric, and the nascent national consciousness during the Mobutu's era. Mobutu hung on to power only due to the failure of the West (particularly France and the United States) to properly confront him, the utter exhaustion and intimidation of the population, and the willingness of so many key opposition figures to be co-opted⁶².

4.7 Conclusion

⁵⁹. Mvuluya, M. (1994). "State and Structure: The Perennial Search for Stability". In Kankwenda Mbaya (ed.) p.77.

⁶⁰. Africa Watch (1994) "Prison Conditions in Zaïre". January. p. 55.

⁶¹. See Association Zairoise de Defense des Droits de L'homme (AZADHO). "Auto-Defense Populaire: Le Sud-Kivu Prend la Tête de La March". No. 10 (March -April 1994) p. 113.

⁶². On France's change in attitude, see "Mobutu Redivivus". Economist, October 15, 1994: p. 54.

Most observers of the former Zaïre did not foresee the manner in which Mobutu's régime would ultimately collapse. Many were only dimly aware of the existence of Kabila, a figure who had not been in the international news since the 1960s; and then only briefly. In the event, however, it was Kabila and not other well known political rivals to Mobutu like Tshisekedi who would ultimately bring down Mobutu. The question for the Democratic Republic of Congo (Zaïre) was what kind of régime could be created from a society that had been little sapped of political civility by the extractive state. Kabila had shown little inclination to move rapidly towards multi- party politics. The new régime of Congo-Zaïre was already being criticized for its repressiveness in the regions even before it seized power in May of 1997.

Once in office, Kabila followed exactly Mobutu's steps with no clear policies of his own nor any intention to repair the formal economy in restoring a modicum of civility to political life. Until February of 2001 when Kabila was assassinated, Congo-Zaïre still struggled to find itself a leader capable of putting it on the path to economic and social development.

CHAPTER V

SUMMARY AND CONCLUSION

It is wrong to talk about political corruption in Congo-Zaire as if this were the only major factor responsible for the country's economic chaos and thus the suffering of the people. To accurately speak about Zaire and political corruption, there is a need to admit that this is one element among many others contributing to the deterioration of people's living conditions. First of all, this study is an attempt to investigate the issues of corruption and mismanagement which the West attributes to the failure of Congo-Zaire to promote its economic growth.

But this study has found that although political corruption has also played a role in the persistent economic crisis, most of its problems were external. For instance, Chapter one of this study reveals that before even the partition of Africa by the European powers in 1885; the area known today as the Democratic Republic of Congo was considered as a personal property of the King of Belgium Léopold the second¹. Léopold's economic policies were based on the extraction of Congo's natural resources for his own personal interests.

As a strategy designed to this end, Léopold's régime instituted a forced labour policy that later led to human atrocities and other forms of human rights abuses as an attempt to force the indigenous people accept doing such harder jobs! But due to the nature of these atrocities, the news was heard throughout the world and, as a result, more pressure was put on Léopold the second to abandon the large territory, a situation that led to the transfer of Congo's ownership to the Belgian government in 1908².

¹. See Phyllis. M. Martin & Patrick O'Meara (1995) Africa. Indiana University Press, p. 90.

This ownership transfer, however, as shown in the same chapter, created an opportunity for the Belgian government to transform the Congo into a producer and exporter of raw materials for the European market. This role of the Congo was used as a mechanism to deprive the indigenous people of their basic needs, thus maintaining the status quo with the Europeans controlling all sectors of the economy. Based on available evidence, the Belgian government did not promote a diversified economy. Its focus was given to specific sectors such as mining, agriculture and transportation that allowed the Congo to serve as a source super-profits or vast reservoir of natural resources.

Chapter 1 shows political corruption during the colonial régime in its early embryonic stage. Cases such as transferring huge sums of money from Bank of Congo to the Belgian Financial Institutions a few months before the Congo's independence in 1960 are a few among many others. This, however, was exacerbated by the shipment of Congo's natural resources to Belgium, which could have benefited and helped the newly independent Congo to improve the social standards of its own people.

Chapter 2 argues that Congo's post-independence leaders inherited a weak and ruined economy from the colonial régime. The early trip of Lumumba as the elected Prime Minister at the time, to the US to seek the financial support was an indication that the government's coffers were empty. It is also stated in this chapter that the failure of the colonial régime to prepare the local élite for a take-over of power, the Congo had, in addition to financial crisis, the serious challenge of weak political institutions and the lack of an educated élite. These factors led to an internal crisis, which followed the assassination by Mobutu of Lumumba and other members of the political élite backed by

². Ibid . p. 144.

the West.

Due to lack of his own clear economic policy, Mobutu decided also to follow the steps of his predecessors. The new administration concentrated on the mining industry, and in particular the copper and the diamond industries. Finally, it is argued in this chapter that, Mobutu's régime had at least made some progress by the late 1968 in improving the state of a bad economy inherited from the colonial régime though at the expense of other neglected sectors of the economy.

Chapter 3 traces the exacerbating factors of political corruption in the Congo and how this led Mobutu and his entourage to neglect the basic needs of the already impoverished people.

These factors include:

(1) The 1967 IMF stabilization program effects on the introduction of a new taxation policy linked to export of minerals. Imports were at the same time liberalized as this removed the dual exchange rate. This taxation of exports had significantly contributed to the instability of the whole tax system and government finances.

(2) The use by the West of Mobutu as a big player during the Cold War era in Africa and in particular, in the Central African region, made Mobutu to shift his focus on the country's building process to the then involvement in the Angolan civil war matters.

(3) With major support from the US, the then Zaïre became a channel of arms supply to the rebel leader Jonas Savimbi in Angola. This new role brought to Mobutu what I may term new "blessings" such as the inflow of loans and grants from the West. Zaïre became a big recipient of military aid, had its external debt rescheduled by the Western financial institutions at five times, and gained full support for its extractive state

role. But behind those “blessings” were also curses that brought the country’s economy to a condition of chaos.

(4) The decline in revenues from copper and the oil crisis of the 1970s in addition to the official closure of the Benguelo railroad, which previously was used to take the Congo’s copper and other minerals to Lobito Port in Angola due to the Angolan civil war that started in 1975.

These four factors and many others not mentioned in this chapter shaped the Congo’s earlier embryonic political corruption to its more sophisticated stage. However, although the World Bank and IMF experts portray this political corruption in the Congo as the source of the economic crisis, but in consideration of cases such as Ivory Coast, Kenya, South Korea, Vietnam and China, ranked among the world most corrupt nations between 1995 and 1996 by Transparency International, Mauro finds that these nations in the same period were on the list of the nations with high economic growth³. These findings suggest that political corruption is not an inhibitor of growth.

This is not to say that political corruption in the Congo should be tolerated. Rather, the study shows that the focus on political corruption in the Congo, over emphasises its presumed negative effects on the economy. For one thing, whether it is a campaign finance reform, soft money or hard money as Americans call it, conflict of interests in the Canadians context or *un pour boire* in the French context, political corruption, bribery, favouritism and mismanagement seem to exist in most governments.

Chapter 4 argues that the West support of the Congo’s extractive state during the Mobutu’s régime was mainly based on the economic interests. The chapter also argues that the authoritarian régimes such as that of Mobutu were given a green light to

³. Mauro, P. (1995) “Corruption and Growth”. *Quarterly Journal of Economics*, 110, August, p. 681.

continuing the misuse of the public finances in the name of debt service.

History, however, shows that the debt problem around the world today is primarily a political problem as it can be solved through the political will to establish effective, equitable and sustainable debt relief for the poorest countries. For political reasons, such relief has been given historically to Germany after the World War II , to Egypt after the Middle East settlement and to Poland after the fall of the Soviet empire. While sufficient resources have been found, and are being found today, to bail out collapsed economies in Asia, such generous assistance still remain a nightmare for the heavily indebted poor countries, especially those of Africa whose leaders served the interests of the West in the destruction of their own people.

To turn around its current political and economic crises, which have contributed to the suffering of its people over forty years, what Congo- Zaïre needs to do is adopt a nationally model of an integral and sustainable development that is more focussed on improving the lives of the people than is the current neoliberal model that focuses exclusively on economic growth. For sure, there is no doubt that economic growth is a necessary component of human development, but it is not a sufficient condition to bring about that development.

The questions which must be asked about it are: what kind of growth ? Who participates in the growth? Who benefits from the growth? Who suffers because of the growth? And how sustainable is the growth? Answers to these questions should determine policy decisions that will put the economy at the service of the people, not the other way around. In this connection, international policies that benefit poor countries like Congo- Zaïre, which struggle to reform their economic system in accordance with

the needs of the people, should adopted .

To conclude, African leaders may choose to refrain from taking foreign loans if they expect to improve the welfare of their people in the future because loans bring dependency from the West, drain resources from poor countries to the rich ones, lead to unfair trade, create a mechanism to promote globalization and other trade policies which benefit only the developed nations, thus leading to a worsening of the living standards in countries like Congo-Zaire.

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