

## **THE CONGO WAR: ECONOMIC CAUSES AND CONSEQUENCES**

ROB QUINN

*Senior Sophister*

*The causes and consequences of civil war are varied and complex. Using the modern Democratic Republic of Congo's recent war as a case study, Rob Quinn approaches this issue of modern civil conflict from an economic perspective. He examines the issues that create and influence such conflicts and employs the 'Collier model' to assess the ensuing economic consequences. He argues the case that there is a link between the causes of war and poverty and as such there is an economic facet to the prospect for peace in the DRC.*

### **Introduction**

"The Heart of Africa" is a title the Democratic Republic of Congo (DRC) should justifiably claim. Geographically huge, bordering nine other countries and drenched in mineral wealth the DRC has the potential to be a catalyst for prosperity across the continent. Sadly, this behemoth nation has come to embody everything that has gone wrong since Africa's wave of independence. Chronically mismanaged for decades, the DRC is one of the poorest places in the world. Its Gross Domestic Product (GDP) per capita of \$100 (International Crisis Group, 2006) is a telling sign of the conditions in which its populace live. However it is an even grimmer reality that has defined Congolese lives this past decade. Between 1998 and 2003 the country fell victim to one of the bloodiest wars since World War II, which claimed 3.9 million lives, and continues to kill another thousand each day through the conditions it has created (Roberts, 2003). Regional, national and international armies clashed for five years, competing over security, political and ultimately economic interests. The country was brought to its knees. The gruesome acts of savagery committed by all sides harking back to an era when colonial brutality moved the novelist Joseph Conrad to describe the DRC as humanity's "Heart of Darkness" (Conrad, 1902).

The DRC war underlines a trend that has emerged in recent decades; the movement from international, high tech wars for ideals, to ones that take place in the confines of a single country with little to motivate those that fight them, other than a lack of alternative opportunities and riches from resource rents (Watkins et al., 2005). Lack of opportunity, or utility, suggests a link between poverty and war. As such, this essay seeks to qualitatively evaluate the

economic issues that create and influence modern civil conflicts, using the DRC's recent war as a case study. Part one gives a brief account of the events that lead up to the Congo war in 1998, describes the actors involved and their motives. Part two evaluates the effect that the war has had on the Congolese economy using the Collier (1999) model of the economic consequences of civil war. The final section discusses the core causes of violent conflict and further problems accumulated during war, applying them to the DRC.

## **The Emergence of Economic Agendas**

The DRC's people have suffered from the richness of their resources for close to 150 years. Estimated to possess half of the world's coltan reserves, the DRC also holds significant diamond, copper, zinc and gold deposits. During the late nineteenth century through to 1963, when independence was gained, the Congolese were brutalised by their Belgian occupiers and used as slaves to mine the rich mineral seams that litter the country, especially in the east and south (Meredith, 2005). Post independence, the country was ruled by Joseph Desire Mobutu, the central source of power in the DRC (renamed Zaire) for over three decades. Mobutu's regime was characterised by patronage, corruption and economic mismanagement so acute that it weakened the DRC's institutions and economy to the point of collapse (Wrong, 2002). The Human Development Report 2005 characterises governance issues in resource-rich states that mirror the DRC's woes, post Mobutu. Owing to the huge windfalls accruing from natural resource rents, the Mobutu regime became completely unaccountable to the electorate with no incentive to diversify economic activity or establish a tax base. Gécamines, the copper producing parastatal, offers a perfect example; it brought the government 50%-80% of its revenue between 1960 and 1975 (Nest, 2006). Incentives for off budget activity also fester where resource rents are available (Watkins et al., 2005), as was the case in Zaire. The result: a weak and predatory state with little capacity or legitimacy to govern.

Mobutu was ousted in 1996 by a Rwandan orchestrated coup and replaced by the warlord Joseph Kabila. Kabila soon proved hostile to his allies, fostering former Hutu militia from the Rwandan genocide of 1994 in the forests of Eastern Congo, whilst arbitrarily distributing resource concessions that further disabled the economy. In August 1998, Rwanda simultaneously invaded with her own army whilst funding a newly formed pro Rwandan rebel movement, the RCD.<sup>1</sup> Uganda followed suit, allied with a northern rebel movement named the MLC<sup>2</sup>, composed of disenfranchised Congolese

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1 Rassemblement Congolais pour la Démocratie.

2 Movement for the Liberation of Congo.

businessmen. The DRC government's plea for help was answered by Zimbabwe and Angola. Thrown into the mix were the Mai Mai; a nationalist, inter-ethnic, crudely-armed militia determined to expel any foreign force (International Crisis Group, 1998). Eighteen months and millions of civilian deaths later, a stalemate was reached, the DRC roughly divided between west (the government side) and east (the rebels). Starved of cash, all actors began to seek means of funding their military campaigns that would provide quick return for minimum effort. A series of economic agendas emerged that converted motives from military funding into private gain (Nest, 2006).

Each actor in the conflict raised funds using different means and patterns of leadership. Rwanda, in control of the coltan-rich Kivu regions, integrated a commercial wing into her army. Known as the Congo Desk it netted the government \$340 million between 1998 and 2000 (Ba- N'Daw, 2001). The RCD, complicit in Rwanda's activities, extorted from the local populace, through control of a number of trading routes which it taxed heavily. Uganda's operations further north came under the discretionary control of high-ranking army individuals. In co-operation with the MLC, the UPDF<sup>3</sup> organised security and logistics for a number of mining areas, exporting minerals through Uganda and controlling strategic border towns where any trade was taxed.

Kabila's administration benefited from international recognition that allowed it to fund raise by distributing mining concessions in the areas still under its control. Easily taxable items such as gasoline were heavily marked up while widespread state sponsored predation kept the government army in AK-47s and government ministers in pink champagne (ibid). In return for their military support, Zimbabwe and Angola were given rights to exploit resource-rich regions. Zimbabwe set up multiple operations in the diamond and copper rich Katanga province (Nest, 2006). Angola's economic and military agenda was limited. Most disorganised in their methods were the Mai Mai militia. Internally fractured and militarily unsophisticated, the Mai Mai operated by looting the population and fighting for control of taxable trading routes.

Since the deployment of a UN peacekeeping force (MONUC) and the formation of a transitional government in 2003 that included all rebel actors, the DRC has enjoyed relative peace, albeit with negative side effects (Grignon, 2006). The economic agendas that sprouted during the war remain as they entrench interests at odds with the building of a functioning state and economy. Added to this, the country is economically worse off than when the war started.

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<sup>3</sup> Uganda People's Defence Force.

## Economic Dimensions of the Post Conflict Environment

Civil conflict results in the destruction of all forms of capital (Collier, 1999). Social capital unravels as businesses behave opportunistically to achieve short term gain. Human capital suffers as people are killed, maimed and displaced. Physical capital is destroyed as buildings are demolished, land planted with mines and equipment looted.

One way to judge the actual effect of capital destruction on GDP is to apply the Collier (1999) model of the consequences of civil war on capital efficiency and quantity. The model divides factor endowments into two types. Firstly stock levels are endogenous to war as they can easily be transferred abroad e.g. livestock, skilled labour, raw minerals; other forms are exogenous e.g. land, unskilled labour. The following Cobb Douglas function in equation 1 depicts an economy's output by endogenous (N) and exogenous (X) factors:

$$Q = a.X^b.N^{1-b}$$

The endogenous factor's rate of return is given in equation 2 by its marginal product minus the depreciation rate (d). The capital stock is in equilibrium where endogenous factors' rate of return equals its rate of return abroad (r):

$$(1-b).aX^b N^{-b} - d = r$$

In times of war, an economy's output will see a reduction for three reasons:

1. The multiplying power of the constant  $a$  falls as aspects of doing business such as transaction costs increase. During the DRC war, most trading routes came under the control of belligerents who exacted a toll, often arbitrarily. This fundraising tool, particularly used by the Mai Mai militia raised inhibited trade over long distances. For twelve months from September 1998 the Congo River, a crucial trading artery, was closed to commercial traffic and resulted in higher transport costs.
2. Depreciation increases owing to the destructive effects of war. The Katanga and Kivu regions of Eastern Congo are currently operating at 10% of the agricultural output they enjoyed before Mobutu's deposition (Nest, 2006). This resulted from the persistent looting of equipment and the scorched earth policies employed by many belligerents. A more subtle but compelling destructive effect has been a fall in primary school enrolment rates by over a third since the war began (Watkins et al., 2005) and a leap in numbers of "kadogos" or child soldiers (Tuquoi, 2007). More soldiers mean more immediate

depreciation since resources to re-integrate them post war are diverted from more productive use.

3. Assets are more liquid in the developed world, given the strength of laws such as property rights. The uncertainty generated in a war zone places a premium on liquidity and capital flight will take place. The DRC's mining sector, in spite of being subject to much economic activity, has suffered as a result of this aspect of civil war (Ba- N'Daw, 2001). International and internal actors have repatriated vast quantities of raw minerals abroad where it can be easily sold for cash out of other countries not at war. As such the country's stock of mineral deposits and capacity to exploit them has diminished.

Given the estimate that violent conflict reduces an economy's growth rate by 2.2% annually (Collier, 2005) the DRC has suffered an exponential loss during the past decade. Its GDP shrank by 7% and inflation rose to 511% in 2000 (Kisangani, 2006). Since 2003, the IMF has introduced stabilisation policies that have brought about growth (7% in 2005) and halted inflation. However, this belies the government's dependence on aid and increased fiscal control of the formal sector rather than increases in production (International Crisis Group, 2006). The deterioration of the country's capital stock and reduced ability to use what is left due to the destructive and disruptive effects of war have accrued to a sizeable human development cost. The DRC's infant mortality rate is double the African average of 10% (Watkins et al., 2005). Its Human Development Index currently languishes around 167<sup>th</sup>, tenth from bottom (ibid, 2006). Whilst the challenge to achieve lasting economic growth that results in human development for its people is any impoverished economy's principal objective, the stakes are particularly high in Central Africa. Little guarantee of peace, let alone growth and development exists if the conditions that Congolese people live in do not improve. Increasingly the causes of war and poverty are linked, nowhere more so than in this region.

### **Core Causes and Continuing Risks**

Studies of post conflict settings show that for up to five years after hostilities have ended, a nation has a 50% chance of reverting to war (ibid). The problems that brought about conflict in the first place may remain. Collier (2006) names some general causes of civil war in developing countries, three of which were present in the DRC in 1998. The first is economic underdevelopment; where poverty and inequality are rife it is easier to give idle hands guns to wield. Secondly, slowing economic growth results in unrest among the population and

provides ample ammunition for rebel groups to dispel faith in governing institutions' integrity and competence. Finally, as has been mentioned, easily captured resource rents make governments less accountable and effective whilst giving profiteers an incentive to fight. Being an economist, Collier presents economic reasons for the cause of civil war and it should be noted that situation specific security risks and ethnic tensions also contributed to the DRC's pre-conflict woes. However, the accentuated nature of each of these general economic issues (negative growth and 10<sup>th</sup> lowest HDI in 1998 added to huge mineral wealth) makes them priorities for peace in the DRC.

Just as the causes of war remain, the post conflict setting is further marred by negative factors acquired during hostilities; societal polarisation and lack of incentive to give up fighting (Collier, 2006). Understandably, bitter hatreds and grievances emerge in bloody parts of the world, and in this respect nowhere has matched the DRC since 1945 (Roberts, 2003). Furthermore, key actors that stand to lose their economic interests are unlikely to make peace, just as those that fight for them know little else as a way of life.

Since 2003, political progress in the DRC has dispelled some of the volatile bitterness so capable of provoking bloodshed. The country's first democratic elections in forty years, that took place in August 2006, were relatively peaceful and the government at present is reasonably inclusive of all sides previously involved in the fighting. However, inclusion comes at a cost. Lack of discussion about economic agendas during the peace process contributed towards legitimising the actions of rebel groups exploiting natural resources (Grignon, 2006). Proof of continued international interests and meddling is represented by neighbours' exports of resources they do not possess (but the DRC does). Uganda exported \$58 million worth of gold in 2004 in spite of pre war annual exports of \$50,000 (International Crisis Group, 2006). The DRC is also estimated to be losing up to 80% of its cross border taxes, currently the government's largest source of revenue owing to embezzlement and inefficiency in the collection system (Degeune, 2005). Though these practices emerged as a means of funding military campaigns, their continuation suggests motives for self-enrichment. The actors involved have been legitimised, wartime rebel and government leaders forming the transitional government and then becoming elected members of parliament. The illegal mining and cross border extortion they undertook in the past now falls into the category of institutional corruption. Given the government's desperate need for funds, such corruption leaches the fragile state's capacity and legitimacy to govern, potentially compromising the peace. Poorer than it was in 1998, still resource rich and hampered by entrenched interests, the DRC's core causes of conflict remain.

## Conclusion

The Human Development Report 2005 finds that nine of the ten lowest ranked countries by HDI experienced violent conflict in the past decade (Watkins et al., 2005). This link is graphically illustrated by the DRC war, where economic agendas contributed to, and prolonged hostilities. The clear motives of all actors to acquire rents from resources and taxation, present both a cause of the war and a disrupting factor in the post-conflict environment. As such, the DRC's acute and worsening poverty levels since 1998, and the contribution of underdevelopment to violent conflict indicate the importance of economic policy and management toward achieving peace. Just as natural resources provoke war, they also present an opportunity. The DRC's abundant reserves of minerals and metals contain enough value to help the country's economy develop infrastructure, provide health and education, encourage private investment and create employment. It is the question of their distribution that hangs an entire population in the balance between war and peace.

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