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► **To cite this version:**

Benjamin Mwadi Makengo, Joseph Mimbale Molanga, Jean-Marie Mbutamuntu, Patience Kamanda Londo, Théo-Macaire Kaminar Nsiy, et al.. Exploring the Level of DRC's Dependence on China. Academia Letters, 2022, 10.20935/al5299 . halshs-03716865

HAL Id: halshs-03716865

<https://shs.hal.science/halshs-03716865>

Submitted on 7 Jul 2022

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Exploring the Level of DRC's Dependence on China

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Abstract

This paper briefly deciphers the level of DRC's dependence on China. It considers it from the point of view of trade volume, the construction of economic and social infrastructures, the promotion of social mobility and the transfer of skills, and solidarity in the fight against COVID-19. Finally, this article proposes a reading grid which, from the outset, refutes any fixed opinion and any definitive point of view — by apprehending the concept of DRC's dependence on China from three (3) logical angles: a means of circumventing Western dependence (1); which consequently places DRC in a "complex dilemma" (2), and exposes it to ill — considered risks, especially in times of crisis (3). Hence the need for DRC to anticipate not only to avoid collisions between its main strategic partners, but above all to reduce its economic and even structural dependence on them [both "conservative" and "progressive"] by diversifying its economy and its partners.

Keywords: DRC's Political Economy, China-DRC Relations, DRC's Dependence

Living largely from the exploration and exploitation of its raw materials, DRC's economic structure is increasingly dominated by the mining sector (Makengo, 2020a). With almost no processing industries, its economy is destined to be extraverted [ostensibly dependent on the outside]. Indeed, the level of DRC's dependence on China can be traced through several indicators including: (1) the volume of investment in the mining sector; (2) the volume of trade between the two countries; (3) the construction of economic and social infrastructures; (4) the promotion of social mobility and the transfer of skills; and, more recently, (5) solidarity in the fight against COVID-19.

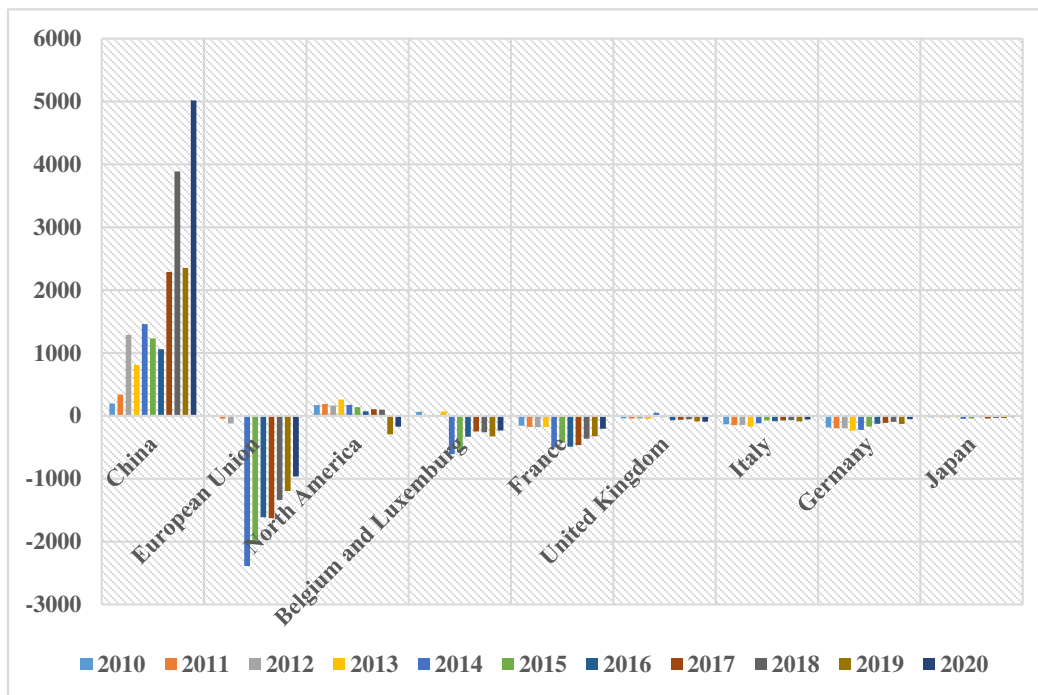
First, DRC's minerals, worth an estimated USD 24 billion, are nearly 70% controlled by China (Jeune Afrique, 2021). This pronounced Chinese influence in the mining sector, gained over the years in DRC, was enacted through the signing of the 2008 infrastructure for minerals agreement, granting mining rights to China in exchange for substantial investment in DRC's war-torn infrastructures (Makengo, 2020a). This, in turn, in terms of the export-import structure panel, places China at the top of the list of DRC's top five economic partners (UNCTADstat, 2021).

As a result of this agreement, a joint venture Sino-Congolaise des Mines [SICOMINES] was created to implement infrastructure construction and mining projects — established with a Chinese majority stake of 68% (Desk Eco, 2021). There is no doubt that the agreement creating SICOMINES has stimulated the entry of Chinese investors into the Congolese mining sector, injecting capital into the economy and providing much-needed work for the millions of mostly impoverished residents of the region. In 2013, six years after the agreement was signed, no fewer than 15 of the 143 companies reporting to the Extractive Industries Transparency Initiative (EITI) were Chinese; copper production increased from 200,000 mt/year in 2007 to 1.2 million mt/year in 2018, while cobalt production increased from 30,000 mt/year to 90,000 mt/year over the same period (Thema, 2019; Makengo, 2020b). In addition to SICOMINES, several international-scale Chinese companies operate the largest mines in the former Greater Katanga Province alongside other medium-sized companies (Makengo, 2020b). In recent years, two new major mines have fallen into Chinese hands through buyouts of US and Canadian mining concessions (Maury, 2012; Reuters, 2020).

Moreover, on the trade front, DRC's macroeconomic performance has improved dramatically — with the total global trade balance in goods evolving from a deficit of USD

783 million in 2007 to a surplus of USD 208 million in 2017 (Thema, 2019). More specifically, economic signals indicate that the volume of trade between China and DRC in 2020, despite COVID-19, reached an amount of USD 9 billion... an amount multiplied by 450 compared to the year 2000 (Eco, 2021; see graph 2 & table 1). In fact, the trade balance surplus in favor of DRC amounts to USD 5 billion, a 39% growth compared to the year 2019. These statistics corroborate perfectly with those of the database of the Central Bank of Congo (BCC) which illustrates that, from 2010 to 2020, trade between DRC and China is more beneficial to DRC, especially since it generates a high surplus compared to other countries or regions — such as North America, Belgium, Luxembourg, France, etc. (see graph 1). Also, in the first half of 2021, official data reveals that bilateral trade reached USD 6.49 billion, an increase of 108.9% on an annual basis, while China's direct investment in DRC, at the industry level, amounted to USD 176 million (ADIAC, 2021). These statistics suggest not only that DRC has become the top destination for Chinese investment in Africa (Global Times, 2021), but also that almost all of DRC's exports from 2010 to 2020 are channeled or concentrated in China (see graph 1). They also suggest that DRC exports more than it imports to China, compared to other countries that have negative balances that, for them, DRC imports more than it exports (see graph 1). Thus, given the formation of the Congolese economy centered on exports and imports of primary products or raw materials, the surplus in DRC's trade balance with China reflects, in economic terms, a contraction in local investment in raw materials by DRC to the benefit of China, which holds a large share of Congolese exports — that clearly explains DRC's dependence on China in terms of the extraversion of its economy (see graphs 1, 2 & table 1).

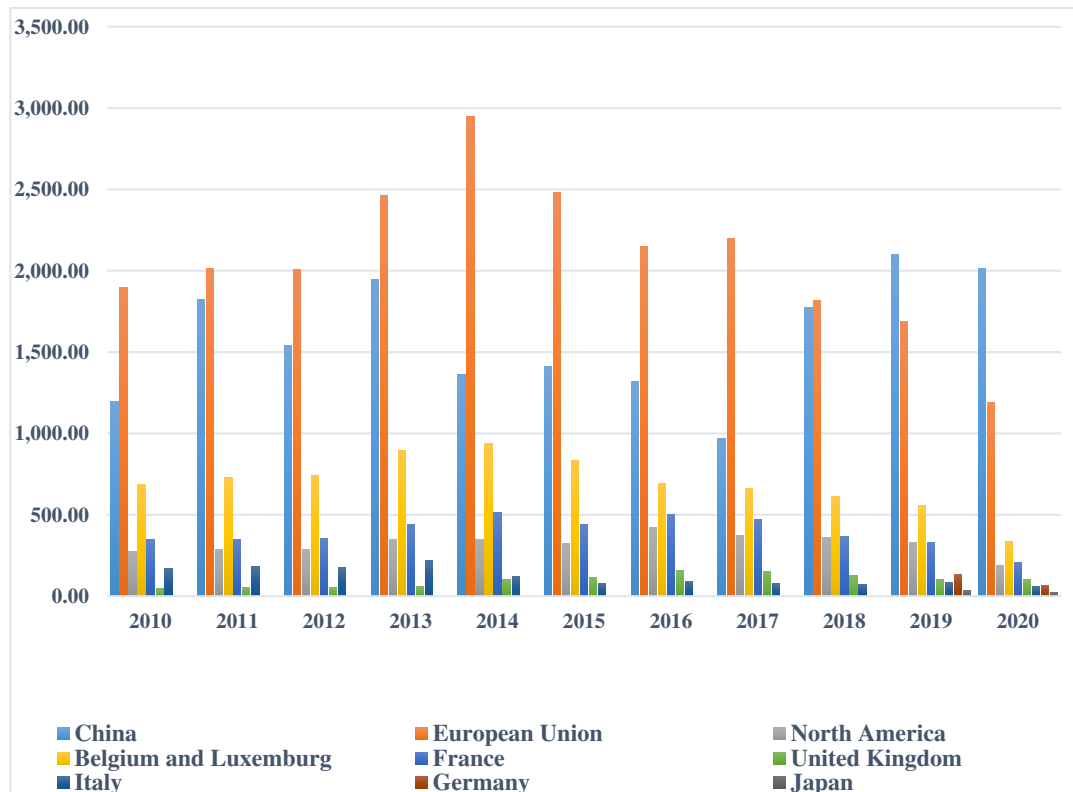
Graph 1. DRC's Trade Balance with China and some of its Western Partners



Source : 2022 authors, inspired by BCC database (2019, 2020).

Similarly, the graph 2 below shows that despite the fact that the European Union is dominant in terms of DRC's imports [from EU countries], China remains the second largest source of supply to DRC, followed by Belgium. And Italy takes last place (see graph 2). But in any case, even if the European Union — as a whole — dominates DRC's import panel, there is every reason to believe that, from the point of view of state-to-state imports, DRC remains more extroverted towards China than towards the other countries of the Western world taken individually. This makes DRC economically dependent on China in many respects (see graph 2 & table 1).

Graph 2. Distribution of DRC's Imports by Main Countries of Origin (in millions of USD)



Source: 2022 authors, inspired by BCC database (2019, 2020).

This graph above illustrates very clearly that China remains, from 2010 to 2020, the leading destination for DRC's imports [approximately USD 17,461 million of the cumulative 2010-2020 import volume — well ahead of Belgium and Luxembourg (USD 7,683 million), France (USD 4,312 million), North America (USD 3,531 million), Germany (USD 1,983 million), Italy (USD 1,252 million), the United Kingdom (USD 1,057 million), and Japan (USD 521 million)] (see graph 2). It is true that the European Union as a supranational organization weighs on DRC's import mix, but — country by country — China as a country alone dominates DRC's import mix — most prominently in 2020 [USD 2,013.1 million], well ahead of other DRC's main partners, even further ahead of the European Union [USD

1,193.8 million], and Belgium and Luxembourg [USD 337.9 million]. Also, this ostensibly illustrates the DRC's dependence on China.

Table 1. Distribution of DRC's Exports by Main Countries of Origin (in millions of USD)

Years	China	European Union	North America	Belgium and Luxembourg	France	United Kingdom	Italy	Germany	Japan
2010	1,392.5	1,884.6	445.2	751.9	189.3	8.5	36.8	25.5	41.3
2011	2,164.6	1,971.3	477.3	740	177.9	10.1	36	25.9	51.5
2012	2,833.4	1,887.3	451.5	730.2	179.7	9.1	35.6	25.1	45.5
2013	2,760.0	2,456.9	612.5	967.8	262.7	16.3	50.4	34.8	64.4
2014	2,823.0	562.9	522.9	330.2	16.2	151.2	5.2	35.1	0.7
2015	2,647.0	448.2	462	283.2	13.7	95.8	3.4	23.1	0.3
2016	2,379.4	541.4	492.5	360.9	10.8	87.8	6.9	30.3	0.7
2017	3,260.0	571.8	477.3	415.6	5	91.8	4	29.5	0.2
2018	5,661.4	479.5	460.1	353.2	3.9	69.7	6.3	27.6	1
2019	4,428.6	494.2	272.8	360.4	4	79.5	3.6	12.2	1.1
2020	7,030.6	230.2	15.8	106	3.5	10.5	1.8	6.7	1.8

Source: 2022 authors, inspired by BCC database (2019, 2020).

And even in terms of the composition of DRC's exports, China remains the leader and the country's largest economic partner from 2010 to 2020. This is illustrated in Table 1, which shows how China dominates DRC's exports [about USD 30,347 million of the cumulative 2010-2020 export volume], followed by Belgium and Luxembourg [USD 5,395 million], North America [USD 4,685 million], United Kingdom [USD 1,986 million], France [USD 861 million], Germany [USD 271 million], Japan [USD 205 million], and Italy [USD 185 million] (see Table 1). In this respect, China is even more important than Europe as a whole within the European Union [USD 30,347 million vs. USD 11,523 million] — which makes it a major partner for DRC; and also sums up the latter's pronounced dependence on it (see Table 1).

Also, from the point of view of the construction of economic and social infrastructures, the People's Palace, the Martyrs Stadium, the administrative building of the Congolese

Government, the General Hospital of Reference of Lubumbashi and the Hydraulic power station of Zongo II... reinforce and consolidate the complexity of Sino-Congolese relations. We can also mention the case of fiber optics where China, thanks to Exim Bank of China, financed DRC's master plan for the development of the National Backbone with 35,000 km for the deployment of fiber optics, thus giving DRC access to submarine cables — which bodes well for the opening of the country to the highways of the New Information and Communication Technologies (Le Potentiel, 2013). As far as new projects are concerned, COVID-19 has not stopped their progress. This is the case for the construction of the Cultural and Artistic Center of Central Africa in Kinshasa, and the preparatory work for the Kinsuka electricity transformation station and the N'djili air terminal, which are well underway (Embassy of China in DRC, 2020).

At the same time, and as part of the promotion of social mobility and skills transfer, China receives hundreds of Congolese students and trainees each year for academic and professional training, financed by Chinese government scholarships. The Confucius Institute in Kinshasa and the DR. Congo-China are also well established in DRC (Bonsenge, 2018; Libre, 2018). Cross-visits of artistic and sports teams are also becoming more frequent, and China promises to intensify its exchanges with DRC in this sense (Kalala, 2020).

Finally, as part of the fight against HIV, China also increased its influence on DRC at the onset of the COVID-19 pandemic by donating 66 tons of medical equipment (Saidi, 2020). In addition to this large donation, Chinese companies and nationals in DRC, as well as Chinese NGOs such as the Jack MA Foundation, have also contributed (Politico, 2020). In May 2020, a team of medical experts [consisting of twelve Chinese experts] was in Kinshasa to share their experience in fighting COVID-19 with Congolese doctors (Chinese Embassy in DRC, 2020; Makengo, 2020c).

Conclusion

The posture of DRC's dependence on China can be understood from three angles. First, as a way for this country to bypass Western dependence by creating another parallel dependence on the bangs of the classic patterns that would lead to a much more complex framework of dependence between actors. Especially since, let us recall, "progressive China" — in relation to "conservative Western countries" — is emerging as an alternative to the Washington consensus (McKinnon, 2010; Moak, 2017; Williamson, 2014; Makengo & Mimbale, 2021) on the African continent in general and DRC in particular. From this perspective, China's

growing presence in Africa offers DRC the opportunity to loosen the ties of dependence that still bind it closely to former colonial powers and Western's international financial institutions. And in addition to contributing to the expansion of political space, the new ties that have been forged between China and DRC [around the concept of "Guānxì (关系)" — characterizing the way China maintains its diplomatic partnerships (Nantulya, 2021)] — allow for a reduction in the financial pressure on the country, allowing it to regain the fiscal space that structural adjustment would have stripped away. Second, such a complex system of dependence is not without consequences. It draws DRC, of course, into the vortex of the Sino-US duel [better Western-Chinese or "conservative-progressive"] (Mimbale, 2021; Makengo & Omoyajowo, 2021) — consequently narrowing the margins of its policy options and placing it in a "complex dilemma" (Makengo & Mimbale, 2021). Finally, such dependence presents risks for DRC in many ways, especially in times of crisis — the 2008 subprime crisis, the oil shock of 2014 and the economic crisis induced by COVID-19 (OECD, 2021; Walker, 2015) being the notable illustrations. Hence the need for DRC to take a step back from this complex situation. It should therefore anticipate not only to avoid collisions between its main strategic partners, but above all to reduce its economic and even structural dependence on them — both the "conservatives" and "progressives", by diversifying its economy and its partners.

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