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The Dark Side of Globalization. The Vicious Cycle of Exploitation from World Market Integration: Lesson from the Congo

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The Dark Side of Globalization

The Vicious Cycle of Exploitation from World Market Integration: Lesson from the Congo

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The Congo region is one of the best examples of the negative consequences of world market integration (and hence globalization) in the world. Today's Democratic Republic of the Congo (DRC) is an almost "perfectly" failing state – although not necessarily with respect to a state's function as a revenue machine for its rulers, but definitely with respect to almost all other state functions, including the most basic ones, like security or infrastructure provision for its people. However, the recent civil war was only the tip of an iceberg of a well-established system of structural violence, which is neither simply a result of post-colonial nor colonial heritage. Remarkably stable, it dates back to the very beginning of the integration of the Congo into the global economy. Since the first contact with Europeans, it has experienced a vicious cycle of exploitation that promotes violence and is driven by internal power relations but even more so by world market demands. While the object of these demands (slaves, ivory, rubber, copper, diamonds, coltan) changed over the centuries and decades, the structures of dependence and the patterns of exploitation did not change fundamentally. Hence, every effort to sustainably improve the economic, social and political conditions in the Congo, which are among the most devastating in the world, must take this heritage into account.

Keywords: Congo (Democratic Republic of), resource war, exploitation, state failure, globalization

JEL Classification: F54, N47, N57, O13, Q34

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Introduction

In February 2007 the Security Council of the United Nations extended a mission in the Democratic Republic of the Congo (DRC) for another two months. The *Mission de l'ONU en RD Congo* (MONUC) consists of approximately 20,000 personnel (including 16,475 soldiers), who have to cope with enforcing and building peace in the war-torn Eastern regions of the DRC. Its most important task is protecting the battered civil population, which had to suffer from an extraordinary violent conflict, particularly between 1998 and 2001. Within the last decade only, about four million people have been killed (Coghlan et al. 2006), which makes it one of the bloodiest wars worldwide after 1945 (Leitenberg 2006). These facts given, the paper concentrates on the integration of the Congo into the global economy, which started in 1482, when the Portuguese first arrived in the region. This is closely associated with globalization, because the "between-country integration" of markets (commodity, labour and capital) is usually regarded as its most fundamental characteristic (Bordo et al. 2003, explicitly as early as pp. 1-2). Even more, Portuguese activities clearly stood at the beginning of this process on a truly global scale (Exenberger 2004). Hence, the analysis essentially points to recurrent patterns of exploitation during the Atlantic slave trade and colonialism, as well as the post-colonial period of almost continuous state failure. Furthermore, systematic world-market-driven exploitation often directly resulted in mass-killings due to wars or coerced labour. Thus the Congo serves as an important analytical reference for negative impacts and consequences of globalization, and is exemplifying some dark sides of this process. This holds notwithstanding that globalization generally is correctly regarded as beneficial for most people concerned (Bhagwati 2004; Stiglitz 2006).

As even a superficial look at the Congo shows, today's state failure and collapse in this country are strongly related to its history, which is to a large extent the economic history of world market integration. Post-colonial rule, by Mobutu Sese Seko, colonial rule by the Belgian government and King Leopold II and even the first contact with Portuguese explorers, traders and missionaries, are in no way independent from today's disaster – as they were not from past disasters. While this is easily assessed rhetorically, it is only rarely subject to analysis, not to speak of economic theorizing (as for example in international economics). Thus an appropriate historical analysis of the region will not only help, but is necessary for identifying some negative effects of globalization and causes of state failure, at least in the Congo region, but in their systematic dimension by no way restricted to it. Additionally, an economic analysis of poverty, conflicts and civil wars is clearly helpful in the case of the Congo. Thus an interdisciplinary approach (economic and historical) will contribute to a better understanding of the current devastation and is necessary to prevent future conflicts.

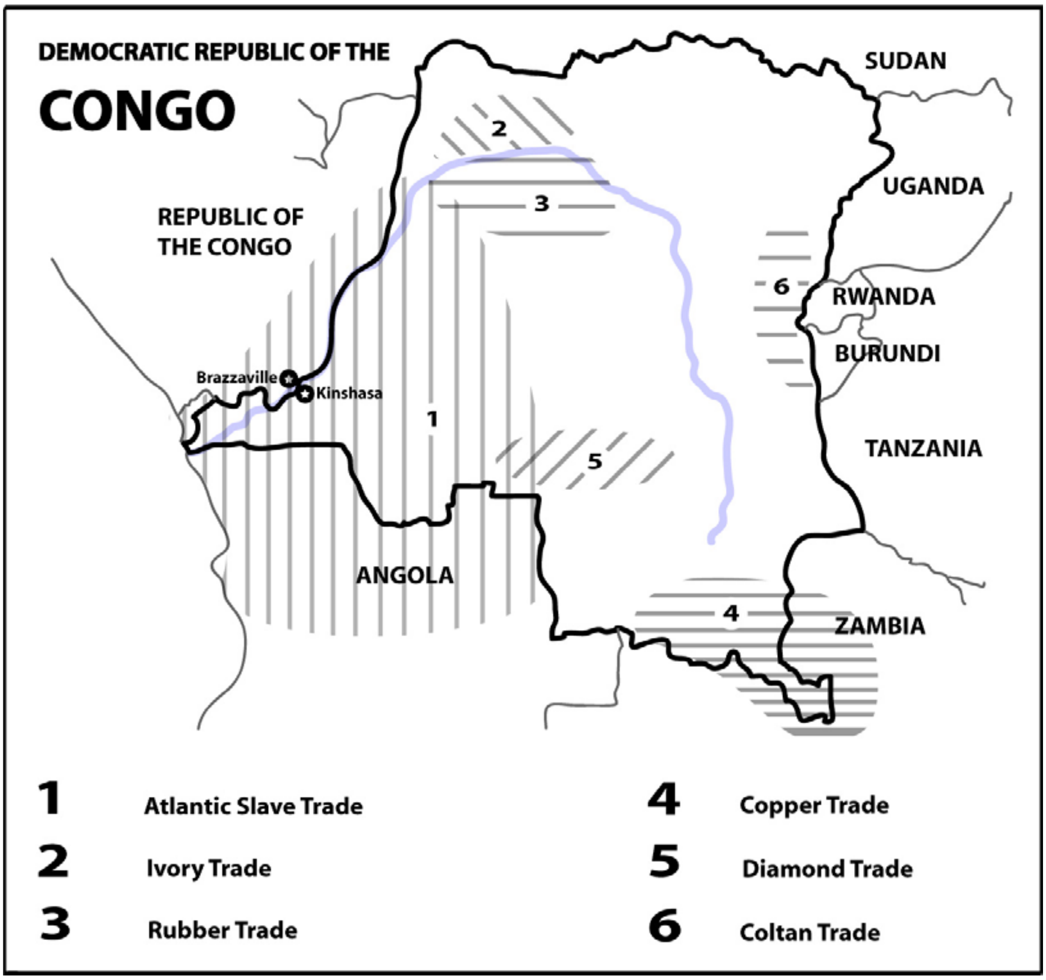
These conflicts clearly are among the most pestering challenges for developing countries in the 21st century, which are often mulcted sustainably of their very chance of development by them. Further more, the problem is stemming from a generally positive process, which is world market integration of these countries. By that globalization, usually regarded as a mean to solve the problem of underdevelopment, turns out to be – at least potentially – as well part of the problem. To reveal this, a framework of vicious cycles of exploitation will be developed on the following pages. At first, the mechanisms at work during the most important cycles valid for the Congo region will be described (focus on path-dependence), secondly the economic analysis of wars and conflicts will be integrated into this explanatory system (focus on war economics), and thirdly – in the form of provocative concluding remarks – some policy implications will be discussed.

Exploitative Path-Dependence

From past to present, (non-)development of the Congo region was strongly affected by external actors and factors. While of course domestic forces were also important throughout history these external relations particularly shaped the countries' development path. Soon after the first Portuguese adventurer, Diogo Cão, discovered the estuary of the Congo River in 1482, Congolese peoples were forced into a global trading system which contributed importantly – after several decades – to the collapse of an already well established society and state. European traders most probably gained the most from this process of "wealth creation", while local merchants and kings of course gained as well, although much more in the sense of "wealth diversion": the coastlands and their local elites profited to the expense of the hinterland, which was losing importance and increasingly as well population, which led to increasing political disintegration (Ekholm 1972; Hilton 1987).

Clearly, already before the Europeans discovered the Central African coast, the Africans had traded locally in slaves, mainly because in pre-colonial Africa labour fulfilled the same function as land in feudal Europe and kings were labourlords (Thornton 1999, 72-97). In particular, the kings, local chiefs and landowners, had enslaved prisoners of war, convicted criminals and indebted people in a system of "men-fishing" (Thomas/Bean 1974).

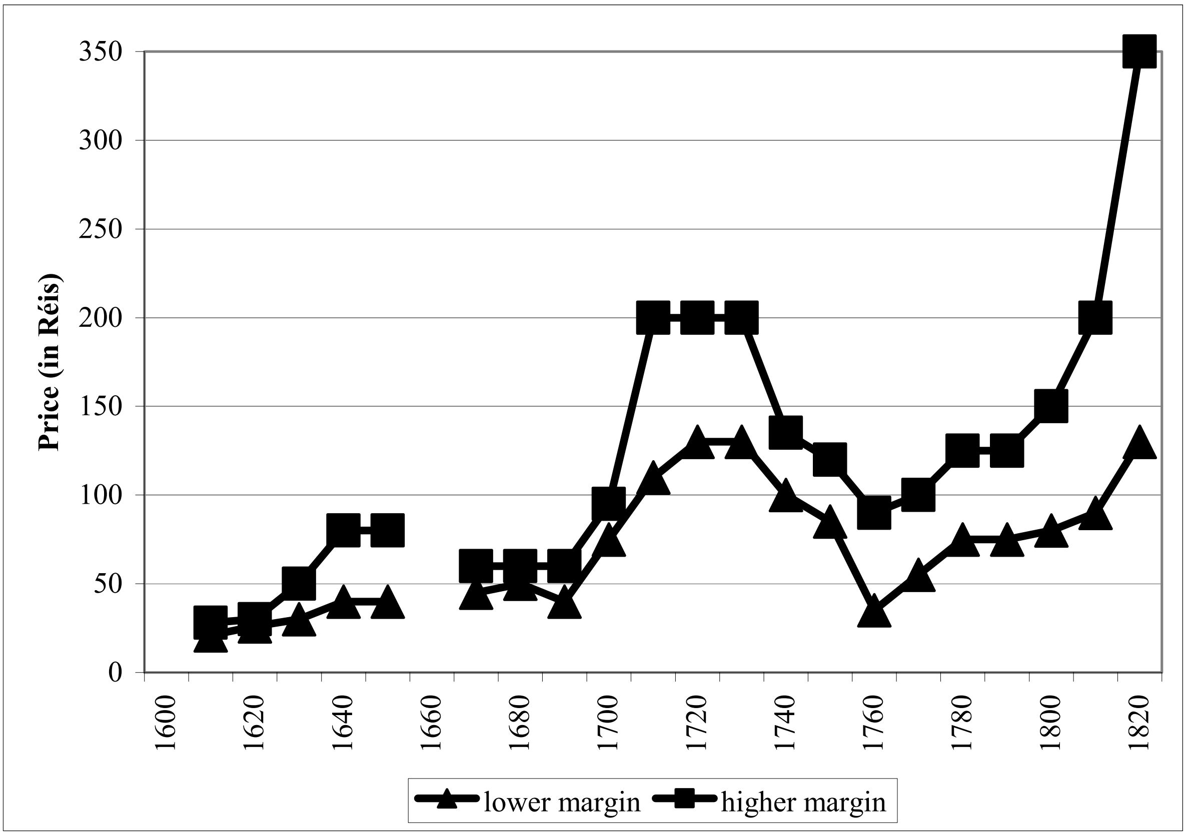
Figure 1: Areas of Exploitation in the Congo Region (© Simon Hartman)



The depopulation of the Americas in the aftermath of European conquest (due to diseases and violence) had two main economic consequences on global scale, both providing an even more favourable environment for the slave trade. It resulted in aggravating the shortage of labour and promoting the abundance of low priced land in the Americas. This directed the expansion of the capitalist world towards primary production as an important vehicle of wealth creation, but it also produced a demand for labour directly depending on the rate of extinction of the local population (Wallerstein 1985). Hence, particularly in the Caribbean, where the population was almost wiped out, and in Brazil and North America, where the rate of population to crop land was extraordinary low for a long time, the development of a plantation economy (sugar, tobacco, coffee, cotton, etc.) needed a large inflow of labour. Hence, from the 16th to 18th century, the "African" slave trade was transformed into a large scale, globalized "Atlantic" business, for the most part based on private capital (Klein 1999; Curtin 1969).

Congolese slaves (i.e. people from the region between today's Gabon and Central Angola) were exclusively raided by African slave hunters – initially mainly near the coastline, but from the beginning of the 18th century several hundred kilometres inland as well (Klein 1999, 116). Most of the slaves arrived at Loango and Luanda, slave ports north and south of the Congo estuary, which remained the largest providers of slaves during the whole era. The exports from these ports reached a peak of 35,000 to 50,000 "heads"[1] annually in the 1790s (Inikori/Engerman 1998, 9; Bobb 1988, 195; Klein 1999, 208-211, Miller 1998, 109; see also Exenberger 2007 for an overview, particularly about prices).

Figure 2: Slave Prices in Brazil (1600-1820)



Source: Miller 1986, 63.

The character of the Atlantic slave trade made Europeans the main beneficiaries. "Triangular trade" (Findlay 1990; Reinhard 1985, 133-152; Williams 1994) offered them a fourfold opportunity for realizing profit – firstly from manufacturing and re-exporting items (textiles, muskets, beads, etc.) for trade between Europe and Africa, secondly from trading slaves from Africa to the Americas, thirdly from exploiting colonial resources (sugar, cotton, tobacco) in the Americas for export to Europe, and fourthly by transporting all these goods. Producers and consumers benefited from cheap slave labour, African slave hunters and traders, as well as producers in the slave ports which provided catering for slave ships and crews, also gained from this trade. The main losers of this business were enslaved Africans and their families (Inikori/Engerman 1998). In addition to the cruel violence of the slave trade and slavery, the loss of large quantities of young workers threatened the existence of families and entire kingdoms whose political, social and economic structures were virtually disappearing (Klein 1999, 125-129). The quantity of the demographic impact is unclear, although definitely large.

[1] "Heads" was the unit of account in the slave trade business and does not directly correspond with the number of people involved, which was usually higher. One "head" represents the equivalent of one healthy male slave of approximately 25 years of age.

The number of displaced Congolese is estimated to be 13 million (Rinchon 1929) and more than 50 percent of those captured probably died before reaching their final destination (Iliffe 1997, 182-183, Miller 1988, 440-441). Hence, the conquest of the American continent provoked a second extensive demographic disaster in Africa (Miller 1988).

Commencing with the Danish, in 1805, and the British, in 1808, more and more countries abolished the slave trade and subsequently slavery. In this context, many authors refer to "the first peaceful mass political movement" which might have paved the way to abolition through "modern types of political propaganda" (Klein 1999, 183). Equally important was an abrupt increase in population growth due to demographic transition which began in the early 19th century. In addition, the Industrial Revolution resulted in more productive efficiency, and new machinery promoted the cultivation of sugar and cotton without slaves (Pakenham 1994, particularly 41-42).

While the prices of slaves did increase further during the 19th century (Miller 1986, 70-72), because – among other reasons – trade became more risky due to political action against slavery, in Africa merchants found other even more profitable items, such as palm oil in Western Africa (Manning 1986) or ivory (Rempel 1998), which replaced the receding slave trade. In the Congo, the shift accelerates when the world market price for ivory increased by a dramatic 300 per cent in 1836 alone (Harms 1981, 39). Nevertheless the pattern remained the same: "the ivory trade, like the Atlantic slave trade, was essentially an extractive type of enterprise: it neither stimulated the growth of subsidiary industries nor encouraged greater productivity on the part of common people." (Harms 1981, 43) Thus both, the Atlantic slave trade and ivory trade, represented valuable resources and their trade followed the same exploitative structure which was motivated by global demand and conducted through violence. This violence was not only directed against the animals paying the resource with their lives, but also against the local population coerced into large-scale trading networks including the dangerous "gathering" of the resource.

As the Atlantic slave trade took place without effective occupation – although James A. Robinson found "a large amount of evidence that European influence was important before colonisation" (Robinson 2002, 515) –, in the mid-nineteenth century huge parts of the Central African hinterland were completely unknown to Europeans. The "Scramble for Africa" (Chamberlain 1974; Pakenham 1991) initiated in challenging British hegemony in the global economy and growing endeavours by different Europeans in detecting new sources of profit in Africa. Due to the apparent natural resource potential of the Congo, the Belgian King Leopold II commissioned Henry Morton Stanley to "explore" the Congolese hinterland (by following the course of the river Congo, from its source to its estuary which took place form 1874 to 1877) and to arrange treaties with the local chiefs to assign their land to the king. Negotiations were predominantly carried out by coercion, violence and malice on the part of Stanley and therefore acquisition was "cheap". An institutional framework for the partition of Africa among the Europeans was finally established in Berlin in 1885. On that occasion, based on more than 450 treaties resulting form Stanley's "work" and the promise of ensuring free trade in the Congo Basin, Leopold II received a private colony in Africa. The general act of Berlin stated the judicial basis for capitalistic exploitation of this so called "Congo Free

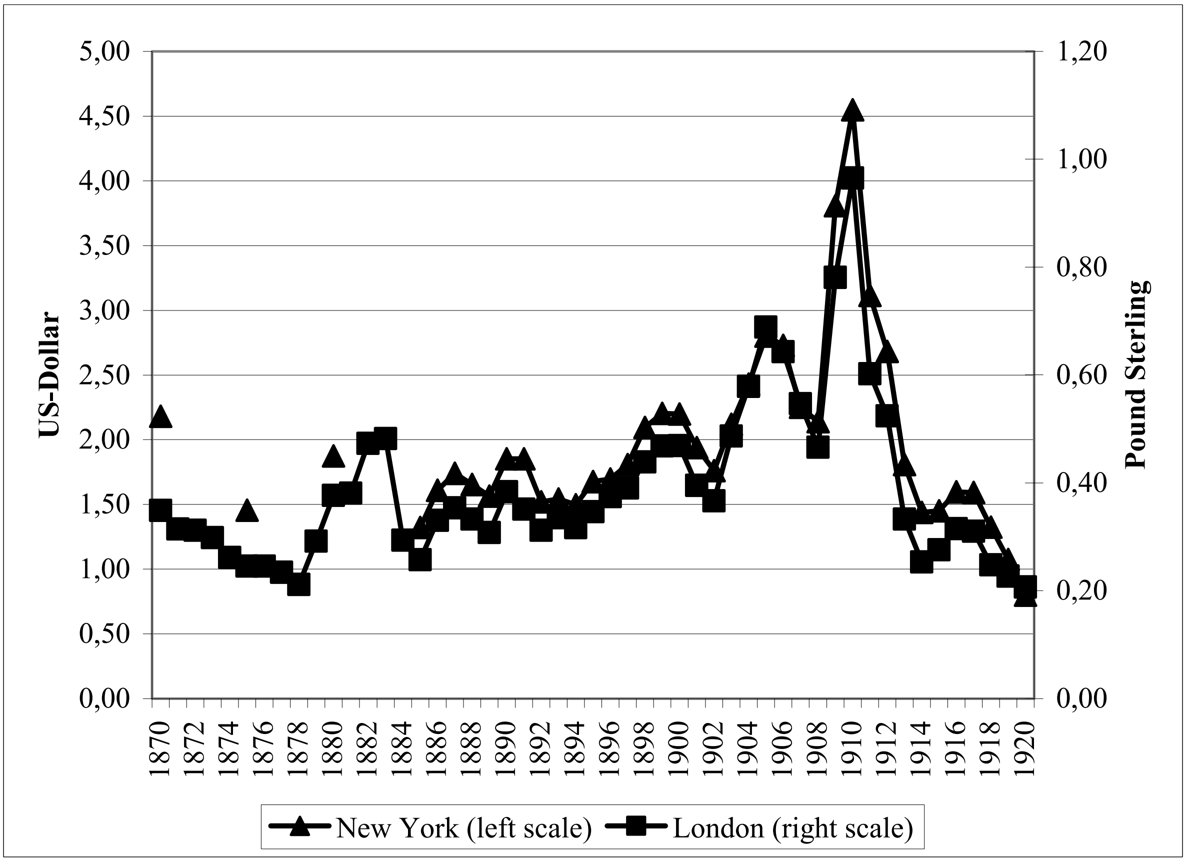
State" (Becker 2004; Stanley 1885), which covered an area almost 80 times larger than Belgium.

Colonial rule by the Belgian King consisted exclusively of total exploitation of natural resources for private economic gain. For achieving his objective, the ivory and most notably rubber trade were the main enterprises. The invention of the pneumatic tire in 1888 and the development of diverse industries for rubber (rain coat, shoes, isolation, etc.) contributed to a tripling of the prices of crude rubber between 1890 and 1910. Besides rubber production, speculative land transactions to companies which were noted on the stock exchange generated huge profits (Morel 2005, 142-145, Nelson 1994). Nevertheless, large parts of the colony remained without effective (although not without legal) occupation.

Rubber rich areas directly owned by the crown, the ABIR (Anglo-Belgian Indian Rubber and Exploration Company) and the Société Anversoise du Commerce du Congo, were subject to compulsory work by stipultating a rubber-tax. Therefore natives were forced to produce certain quantities of rubber. This implied extensive and dangerous work in rain forest without any reward, for approximately 24 days a month. The Belgian King called for more and more production due to rising profits and competition from South America and later as well the newly established rubber plantations in East Asia (Hochschild 2002, 247-255). Furthermore the construction of railways reduced production costs and thus promoted competitiveness (Emerson 1979, 147-148, Edgerton 2002, 63).

In addition, Free State officials were allowed to use all forms of cruelty to meet production requirements. Due to the terrible methods of agony and torture used, a former district officer concluded: "If a man's inclined to degeneration and brutality, the Congo Free State is a good forcing-house for his evil qualities." (Nelson 1994, 93) This did not remain a secret and international protest against unscrupulous colonial regime induced by Edmund D. Morel's Congo Reform Association finally forced Leopold to hand over his private colony to Belgium in 1908 – of course only when the King himself was close to death and the colony nearly bankrupt. According to precautious estimates of Jules Marchal, Leopold's total personal profit from colonial rule comprised 220 million francs, which is equivalent to 1.1 billion contemporary dollars (Hochschild 2002, 423) and definitely made the King the single most successful ivory and rubber producer at that time. On the other hand, the natives were completely excluded from the economy by the trade monopoly of the Congo Free State. While others raised profits, many Congolese died of famine, exhaustion, diseases and crude violence, including the large-scale cutting of hands (a punishment for not fulfilling quotas, which was also influenced by economic efficiency, because it saved bullets). Furthermore a significant drop of birth-rates occurred between 1896 and 1903. Well-founded estimates point to 10 million deaths during a period of approximately 25 years, which amounts to half of the population (Hochschild 2002, 348-359; McCalpin 2002, 35). Hence, these extraordinary high mortality rates caused another demographic disaster and irrevocable deterioration of the pre-colonial political and social life of the Congolese. Once again it consisted in the recurrence of the same structure of business, whereby access to the profits from rubber on the world market, was controlled by direct and brutal violence.

Figure 3: World Market Rubber Prices (1870-1920)



Source: International Rubber Study Group 1996, 74-76.

Belgian rule abandoned the Leopoldian concession system, now regarded as "inefficient" (Wallerstein 1985, 48). In addition, rubber production dramatically declined after 1905 as natural rubber and the work force depleted.[2] At this time, a supply shortage of raw materials, particularly minerals, occurred on the world market, which was aggravated by World War I. Thus the detection of copper, cobalt and uranium, in 1911, paved the way for economic change in the Belgian Congo. With the extension of the railway system to resource rich Katanga, the Congo soon became the fourth largest copper producer worldwide. Concessions granted to Belgian companies – almost three quarters of the whole colonial business was dominated by five trusts (Edgerton 2002, 169; Hillman 2002) – contributed to economic growth and profit. The Congolese economy, however, only changed from gathering and hunting to mining and thus from one to the other extractive business. During the 1920s the main exports consisted of copper, gold, diamonds and tin. Particularly during both world wars, the Belgian Congo achieved extraordinary high copper exports (Edgerton 2002, 168-173). However, it was not a total success story: The Great Depression in the 1930s, for example, resulted in a reduction of the number of miners in Katanga by 50 percent (Nelson 1994, 154-156).

[2] Later, the rubber trade was nearly wiped out when world market prices deteriorated dramatically after the East Asian plantations came into full production in the 1910s.

Similar to the rule of the Belgian King, compulsory work and cruelty was again taken important for successful economic development. Administration became more bureaucratic (financed also by capitation) and exploitation of natural resources more efficient (McCalpin 2002, 35), although corrupt officers terrorised the people. Hence, due to a lack of any other alternatives, many Congolese were forced to work in dangerous mines. They received small (if any) benefits from the successful export economy as the surplus was transferred to Belgium, and hence the colony lacked the resources for domestic investment (Ki-Zerbo 1988, 506). Infrastructure was principally built up by companies, who had a strong bias for development in resource rich areas (such as Katanga) and not in highly populated ones. Institutions of exploitation in the Belgian Congo generally maintained the structures of Leopoldian rule and thus perpetuated the same predatory system, except that rubber was replaced by minerals, most notably copper.

In many African countries new self-confidence emerged after World War II, which was primarily expressed by the establishment of political movements striving for independence. At this time the life of natives was still strongly affected by racism and discrimination, which is particularly expressed by the denial of higher education for Africans. This was one central reason for state failure of independent Congo. At the time of independence, for example, only 15 Congolese (!) held university degrees (Ki-Zerbo 1988, 586). Certainly this prevented a well-regulated transition to independence, which was finally achieved by the MNC (*Movement Nationale Congolaise*), led by Patrice Lumumba, and others. Lumumba consequently won the first free national elections in May 1960. However, the Congo was poorly prepared for independence, and Belgian influence remained strong. Thus, only eleven days after independence, resource rich Katanga seceded. Internal quarrelling between State President Kasavubu and Prime Minister Lumumba led to the imprisonment and execution of Lumumba already in 1961. This took place in tight cooperation with Belgium, the CIA and the UN (De Witte 2001, 51, 192; Ziegler 1980, 223). Hence, until Mobutu Sese Seko, Supreme Commander of the Armed Forces, assured control over the once again unified country[3] after five years, independence was characterised by continuing chaos and an economy in crisis.

Mobutu ruled the country for 32 years (Wrong 2000). During this era of autocratic rule, minerals, predominately produced in the Eastern provinces, remained the most important export item and represented a considerable share of total world market exports. At that time predominantly copper (the major export item until the mid-1970s), industrial diamonds (accounting for two thirds of non-communist world production), zinc (4.3 percent of world production) uranium and cobalt (in both, the Congo held the highest world market share) were major sources of wealth (Ki-Zerbo 1988, 582; Bobb 1988, 69). In addition the Congo River, due to its water masses and its waterfalls, would have provided the largest hydro electrical reserve worldwide (Harms 1981, 1; UNJLC 2005), and the country's agricultural potential could "easily feed itself as well as much of the rest of Africa", as *National Geographic* put it in 1991. Despite these outstanding prospects, Mobutu accomplished unprecedented economic

[3] Katanga was "reintegrated" in 1963.

degeneration of "his" resource rich country. Since 1974, all important economic indicators have fallen victim to dramatic decline, whereas especially services and industry decreased until 1998 to one fourth of their 1974 levels (Ndikumana/Emizet 2005, Fig. 3.1; Akitoby/Cinyabuguma 2004). At the same time, Mobutu personally profited from all legal and illegal businesses, but refused to provide even basic public goods (medical care, education) to the population. On the contrary, Mobutu institutionalized "cleptocracy" and used personal rule to develop a system of corruption and cronyism in favour of his personal wealth to unprecedented perfection (Lemarchand 2003, 31). Once again, predatory structures were adopted and bore close resemblance to colonial rule.

During the first years of Mobutu, only the mineral abundance of the Congo in close connection with extraordinary high copper prices ensured any economic performance (Akitoby/Cinyabuguma 2004, 6). Problems occurred, when the global economic crises during the mid-1970s, associated with the steep increase of the price of oil, caused a deterioration of several resource prices. In the beginning of 1975, the price of copper – still the most important export item of the Congo – dropped from US$ 1.40 to US$ 0.53, which halved the exchange value of exports. In the case of the Congo, the extraordinary high degree of dependency on copper exports generated even worse terms of trade than less developed economies faced (Young/Turner 1985, 306). The Congo suffered from "Dutch disease" (Neary/van Wijnbergen 1986), which consequently trapped the economy in an unfavourable equilibrium.[4] Furthermore, long-term dependence on primary product exports tends to create "predatory states" (Evans 1995, 43-73), in which just a few collaborators are rewarded.[5] They immediately gain from resource exports and thus a diversified industry or an effective tax system is not essential. As for example Wilson Perez shows from a game theoretical analysis: "the ruler in [… Nigeria and the DRC] has chosen an appropriation/distribution strategy, instead of a production/taxation one. This will have an additional effect: The regime does not care in providing a safe environment for business, enforcing property rights and contracts, or providing other public goods, since taxation is not the source of his income." (Perez 2004, 36)

Due to a lack of competitive industries, most workers remain in the rural sector, which delays urbanisation, prevents accumulation of skills and hence increases vulnerability to social tension and unemployment. In order to anticipate unrest, the state builds up inefficient, protected industries which are financed by rents from the primary sector. Consequently, the economy is getting locked in a "staple trap" (Schedvin 1990; Auty 2001b) which makes it increasingly vulnerable to economic collapse from price shocks due to a low degree of economic diversification (Auty 2001a, 321-322). This conclusion is strongly backed by empirical results: resource abundant countries show two or three times less economic growth on average than developing countries with scarce resource deposits (Auty 2001a, 3).

[4] Economies dominated by primary exports procure a trade surplus which exacerbates a revaluation of the local currency because of the large quantity of foreign exchange flowing into the country. But a strong currency causes a loss of competitiveness and consequently the gradual marginalisation of national industrial production because foreign imports get comparatively cheaper.

[5] How big this group is, depends largely on the type of regime: democratic regimes tend to reward relatively large numbers of people by building up social welfare systems (the Dutch case, for example), while authoritarian regimes tend to reward the ruling elite only (the case of Congo, among many others).

But as these results are, the Dutch-Disease-logic is a generalization, while every case is of course specific. In the Congo, the marginalisation of the national industry originated much more in (with respect to the prosperity of his country) terribly unwise activities of President Mobutu than from a revaluation of the national currency. He laid the final foundation for state failure and later economic collapse already by “Zairianization” in 1973, when the president renamed the country to “Zaire” and decreed the expropriation of foreigners. Their businesses were distributed to Congolese without any respect for their skills. Many branches became inefficient and hence more and more businesses deteriorated and disappeared. Furthermore, Mobutu personally claimed major parts of the cake and grabbed 14 big plantations (employing 25,000 workers) and one quarter of the whole cocoa and rubber production of the country (Wrong 2002, 98-99). Mobutu established and developed a system of rent-seeking and his rule became an exemplar of cleptocracy which is reflected in the extraordinary wealth discrepancy between the ruler and the ruled (Le Billon 2003). Of course, many measures were rather local, but nevertheless influential: the introduction of a private property system in land in the Kivu region for example resulted in severe damages to social cohesion there (van Acker 2005).

The Congo was particularly hit by the deterioration of resource prices in the 1970s and 1980s, because it gained up to 70 percent of export revenue from minerals in these years (Akitoby/Cinyabuguma 2004, 9), later even more than 90 (Dunning 2005, 465). Beginning already in 1974, economic trends moved downward. GNP per capita dropped between 1978 and 1989 from US$ 360 to 150 (in 1987 dollars), when inflation amounted for 106.5 percent (McCalpin 2002, 43). In the beginning of the 1990s then, only 5 percent of the population still worked in the formal sector (Wrong 2000, 153). Corruption arose from underpaid bureaucrats and the president claimed up to 95 percent of total government expenditures for himself (Reno 1999, 154). Even the military and police forces were no longer paid. Hence, national security was heavily affected by the lack of discipline of the police and by lootings of soldiers, who killed hundreds of civilians (Lemarchand 2003, 32-38).

To complicate matters further, the Congo, like other African countries, had committed to maintain colonial boundaries defined in Berlin in 1885 with the formation of the OAU (Organisation of African Unity) in 1963 (Weiss/Mayer 1985, 178). This fact caused several severe problems for the whole region, as the Congo’s political geography is rather problematic. Jeffrey Herbst mentioned that the Congo is a classical “rimland” country, which implies heavy population concentration in border regions and extraordinary low population density in the interior. In connection with the enormous size of the country and the deterioration of infrastructure – for example, only 15 percent of the streets inherited from the colonial period were still accessible in 1985 (Reno 1999, 154) – effective control of the national territory is hardly possible and border regions are highly vulnerable to (informal) secession (Herbst 2000, 147). Particularly in the densely populated Eastern provinces plenty of major urban areas were politically challenging Kinshasa, situated more than 1,000 kilometres away. High dispersion of population and a lack of effective control led to a profound “volatility” of the Eastern boundaries, which further aggravated the problem of their arbitrariness and ignorance of historical connections (Musah 2003, 160-161). Mobutu himself clearly contributed to fractionalisation and even economic de-development: "Mobutu believed that investments in economic infrastructure, including those as simple as maintaining the network of roads left by the Belgian colonials, would pose a threat to his hold on political power by facilitating collective mobilization against his regime." (Dunning 2005, 465) To secure his reign over a predatory state, he even actively promoted further de-diversification of the already not well-diversified economy, which trapped the country in an "inefficient, 'no-investment' equilibrium" (Dunning 2005, 467).

Summing up, insecurity and poverty in the Congo already in the 1990s are results of state failure. But poverty and insecurity, as well as state failure itself, are clear results of historical path-dependence. Transatlantic slave trade and colonial rule dramatically shifted demographic conditions and destroyed pre-colonial political, economic and social structures. Unidirectional and exploitative structures of a colonial economy led to further plunder. Investments were restricted to resource rich areas and hence created an unbalanced infrastructure, which was exclusively suited to the purpose of exploitation but left vast parts of the territory barely accessible. Combined with the problematic geography, due to colonial demarcation and associated high dispersion of population, the establishment of (effective) democratic rule after independence was highly improbable, as even simple territorial integrity was factually impossible. Even more than in a lot of other cases in Africa, particularly the Congo "made sense" as a colony, but not as an independent state. In addition, suppression of natives (above all refusing higher education) by the colonial state, decidedly contributed to aggravate problems after independence. All this spread from the region's integration into the global economy and hence its descent into chaos after independence was a logical consequence as well, also nurtured by the technocratic belief in post-colonial state-building and nation-building. This is aggravated even further by direct and indirect international interventions into "domestic affairs" after independence, which – until recently – did not promote the empowerment of local populations but the perpetuation of plunder. Continuation of the exploitative economy and a unidirectional orientation towards mineral exports in connection with invalid economic policy and the greed and disinterest of the ruling elite additionally weakened the economy. Like colonial rulers before, the president personally profited from each transaction while at the same time he totally neglected the provision of even essential public goods. Again valuable resources were traded on global markets whereas the vast majority of the Congolese population was totally excluded from any profits. Particular careless economic policy associated with the sponsorship of global actors resulted in the final downswing of the Congolese economy commencing around the oil crises in the 1970s.

The Economics of Civil War and the Latest Cycle

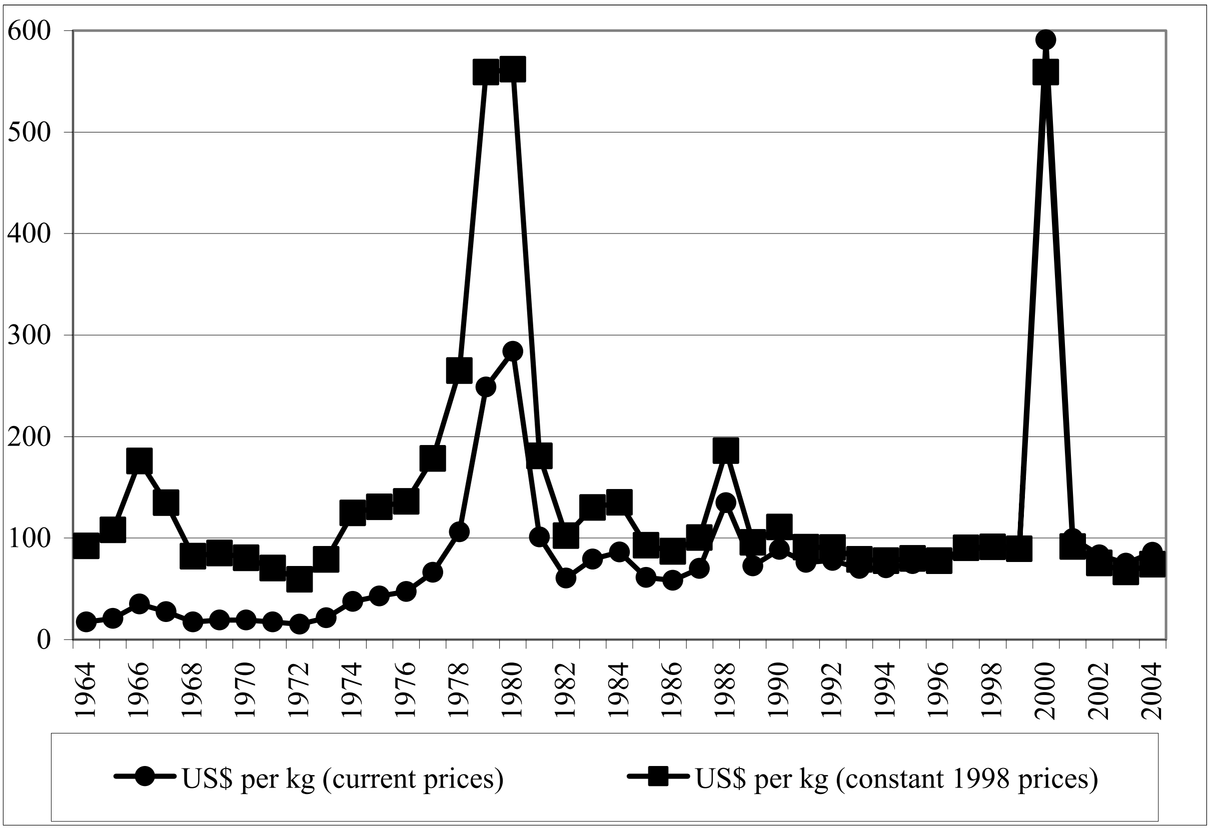
Right from the beginning of his reign, Mobutu had received copious financial and external military support from the United States, as he was classified as a "loyal ally" against communism and provided strategically important mineral resources such as cobalt (alloys, weapons) and uranium (energy, weapons). The end of the Cold War undermined this political position and weakened its economic basis. Particularly the abolition of financial aid, which covered fundamental economic problems until then, caused further economic collapse. Already at the beginning of the 1990s, foreign debt, a lot of which was later repudiated as "odious" (Ndikumana/Boyce 1998), amounted for three times the annual GDP (Aktitoby/Cinyabuguma 2004, 7) and annual inflation temporarily rose to more than 23,000 percent (Reno 1999, 154). Total collapse of any state order became inexorable at least in 1992 (Lemarchand 2003, 33) and finally resulted in a violent overthrow by Laurent-Désiré Kabila in 1997, which only slightly stabilized the situation. Not necessarily in a beneficial manner, as the United Nations concluded in 2001: "Exploitation of natural resources of the Democratic Republic of Congo by foreign armies has become systematic and systemic." (UN 2001, § 214)

The overthrow of 1997 was accelerated not only by the deteriorating physical condition of Mobutu, but also by the consequences of the Rwandan genocide in 1994. More than one million Hutu crossed the border to the Congo and thus dramatically shifted the demographic balance in the East (UN 2001, §§ 21-24). Both, state collapse of resource rich "Zaire" and security threats by refugees, motivated Kabila and his allies (predominantly the Rwandan army) to aspire control of the whole country. Within several months they took Kinshasa without resistance, forced Mobutu to leave the country (for Togo) and made Kabila new president of the renamed Democratic Republic of the Congo (DRC).

Immediately after this success, Kabila called on foreign armies to leave the country. Rwanda and Uganda refused due to security reasons (control over potential concentration areas of opponents) and the prospect of considerable gains from actual control over valuable resources. Consequently heavy tensions between the former allies directly led into an extraordinary bloody conflict with several rebel movements and foreign armies involved, besides Rwanda and Uganda also from Angola, Namibia and Zimbabwe on the one side, and Sudan and Chad on the other (UN 2001, § 24). In this situation, Kabila was only able to create a conflict economy almost exclusively dedicated to ensure his political survival (Dunn 2002), while also his allies and opponents had to fight against several enemies, including private "enterprises" well-based in the global economy and creditor interests (Reno 2002). However, associated cruelties affected almost all of Central Africa.

The case of the Congo is certainly special, but it also fits into existing and evolving empirical studies of conflicts. It confirms for example findings that conflicts after 1990 have been more devastating (although shorter) than before (Staines 2004). In their study on causes and consequences of civil wars, Paul Collier and Anke Hoeffler identified four significant variables related to the probability of civil wars (Collier/Hoeffler 1998). High risk emerges from countries with very low per-capita incomes, considerable high concentrations of natural resources, large populations and profoundly polarised societies. In the Congo particularly widespread poverty, resource abundance and hostility between the Hutu and Tutsi contributed to the civil war. Additionally Collier (1999) considered that a large share of young men, in conjunction with their (low) level of education, is a key factor for potential civil wars – another characteristic of the Congo region. Furthermore, state failure in the Congo implied the absence of public goods provision (like education) and thus "meaningful employment alternatives" did not exist (Lemarchand 2003, 58). Jeffrey Herbst emphasizes that the "viability and form of a rebel movement can only be properly determined in relation to the capacity of the state it is challenging." (quoted in: Cater 2003, 28) The weakness of the state substantially distinguishes the Congo (and other crisis areas) from peaceful resource rich countries (like Botswana, not to name unfair comparisons like Australia) and hence has a strong impact on the probability of conflict – and the degree of its violence. Another reason for these differences is to be found in technology (Olsson 2006): kimberlite mining (as in Southern Africa) is much more capital-intensive than alluvial mining (predominant in the DRC), which is rather easy to perform and labour-intensive and thus much more easily subject to short-term violent exploitation but rather resistant against disturbances by warfare.

Figure 4: World Market Tantalum Prices (1964-2004)



Source: USGS 2006.

In other studies, Indra de Soysa (2000) found strong empirical support for a significant positive connection between resource abundance and armed conflicts and David Keen (1998, 2000) detected that in many cases access to mineral resources – not victory – is the very basis of conflict. Keen (1998) also emphasizes that conflicts offer economic prospects by producing alternative systems of profit, power and protection. In the Congo, actors gaining from belligerency could easily build on (and adapt) already established structures and institutions to continue exploitation. In these circumstances, profits from resources are usually reinvested in war and thus definitely contribute to its perpetuation (Dunn 2002; Le Billon 2003; Ross 2003). Ingrid Samset (2002), in her analysis of the Congolese "diamond & war industry", comes to the same conclusions. Generally, abundant quantities of coltan, diamonds, copper, cobalt and gold have been extracted from the Congo during the conflict and also the United Nations concluded that access to these minerals constitutes the main purpose of war (UN 2001, § 213). Diamonds and coltan, predominately from alluvial production, are counted among resources easily to be extracted profitably during conflicts, and thus they carry exceptionally high conflict potential. Furthermore, diamonds as well as coltan are particularly suitable for smuggling due to their outstandingly high value-to-weight ratio (Ross 2003, 52; MacGaffey 1991). Global Witness (2003) counts Congolese diamonds among "blood diamonds", directly connecting the diamonds trade to civil war (i.e. arms trade) and systematic violation of human rights (i.e. compulsory work). From coltan, valuable metals like tantalum, which is essential for space technology, microelectronics (i.e. condensers for mobile phones and laptops) and medical technology (surgical instruments), are extracted. It is estimated that 80 percent of world reserves of this strategically important resource are situated in Africa, whereas 80 percent of this deposit might be found in Eastern Congo, especially the Kivus (Nzongola-Ntalaja 2002, 28). There is great evidence that the coltan trade – like the diamond trade – is intrinsically tied to the arms trade (particularly with Bulgaria and Russia) and human rights abuse (Renner 2002). Cheap weapons were also easily available from other African conflicts.

As the collapsed Congolese state was not able to control the Eastern part of the country, foreign armies and private military companies captured resource rich enclaves to conduct resource exploitation, which resulted in a privatisation of the conflict (Renner 2002, 18; Ruf 2003, 172). Diamonds or other valuable resources become the major "prize" of conflicts (Olsson 2006; Young 2002). For effective illegal exploitation limited control is sufficient, while it is not necessary to resume state power (Keen 2000, 29). In local areas, a large number of unofficial airfields were constructed as direct links to global demand (of valuable resources) and supply (of weapons). Valuable resources were also transported to neighbouring trans-shipment centres (particularly Eastern border towns in the Congo, as well as Kigali in Rwanda, Kampala in Uganda and Daressalam in Tanzania), which provided ties to the world market (Nest 2006, 35; UN 2001, §§ 125-172), and also the border region to Angola became rather independent and dollarized to a large extent (De Boeck 2001). Countries like Rwanda (diamonds) and Uganda (gold, diamonds, exotic woods) are even exporting resources which can not be found within their territories. Since the beginning of the conflict, both countries show suspicious "irregularities" of this kind in their export statistics (Dunn 2002, 68; UN 2001, §§ 94-108). At the same time, both small countries have large and well equipped armies (UN 2001, §§ 110-117), which were partially financed by illegal resource exploitation in the Congo. The Rwandan military budget for example received US$ 20 million a month from trade in coltan (Clark/Koyame 2002, 206). There is of course the other side of the medal as well, and the United Nations also named 85 companies from Germany, Belgium, and other countries, which were definitely involved in illegal trade, too (UN 2002, Annex 1 and 3). And trade is not the only way of financing the perpetuation of war: additional ways include conventional measures like raising taxes, tapping new resources of credit, or gaining support from a diaspora, as well as much more illegal activities like misappropriating relief supplies and redirecting official aid money into the war economy (Le Billon 2003, 145), plundering of people and shops, trafficking of humans and drugs (Paes 2003, 169), and developing the black market (MacGaffey 1991, Ruf 2003, 35), all contributing to general insecurity.

All this resulted in informal and illegal networks of plunder spreading over inter- and intra-continental borders (Taylor 2003), as modern war economies are rarely confined to the boundaries of a national economy. They are characterized primarily by controlling national assets and at the same time they essentially depend on "all forms of external support and supplies" (Duffield 1999, 27). The largest purchaser of coltan is the electronics industry, which boomed at the same time as the conflict in the Congo escalated. During 2000 tantalum demand promptly rose by 38 percent, causing an extraordinary high price of up to US$ 500 per pound (Hayes/Burge 2003, 22). By comparison, Congolese miners – in many cases forced to work in the mines – obtained approximately four times that quantity for between US$ 4 and 8 (Jackson 2003, 25-26). Consequently, GDP per capita in the DRC had dropped to US$ 85 in 2000 (Akitoby/Cinyabuguma 2004, 4). The war also killed about four million people (Coghlan et al. 2006), displaced at least 2.3 million and exposed 16 million – which is a third of the whole population – to hunger. Many Congolese became highly dependent on trade in valuable resources like coltan, because many gave up agricultural production during the "coltan-rush" in 2000. This development also directly induced a terrible shortage of food supplies for the population in the East and extended illegal business (drugs) and prostitution (Jackson 2005, 164). Local population is – again – largely excluded from the profits of the mining sector. In the Congo, even experienced miners have not obtained access to global markets, and consequently their profits are rather limited. Hence, "civil wars create economic opportunities for a minority of actors even as they destroy them for the majority" (Collier 1999, 1). Resources like diamonds and coltan as such are not valuable for Congolese, which contributes of course to the low price of production. "[They …] have little intrinsic worth; it is only within the context of the international market that they have value." (Cater 2003, 33).

Summing up, resources are still the fuel of conflict and generally of violence and the weakness of the state in the Congo and the major channel how to utilize these resources are world markets. Alternating collaborations of warlords, rebel armies, private military companies and corrupt governments in large parts of Central Africa on the one hand and demand from booming global markets on the other, definitely contribute to a large extent to the perpetuation of violence in the Congo. But the recent war economy is only a repetition of the same pattern of exploitation observed before in the economic history of the country. Highly demanded and strategically important resources were controlled by elites (African or European) by means of crude violence. More or less legal networks put these resources on the world market where they were demanded by global actors. Hence, once more, only a few African elites and global actors benefited considerably (as do consumers of course, today of electronics, historically of sugar or tires) whereas at the same time the Congolese population had to suffer terribly. Direct, structural and to some extent even cultural violence (Galtung

1996)[6] ensures access to scarce, valuable resources ensuring that the by far largest profits are finally achieved on global markets, not by local people.

Nihil Novi Sub Sole?

So, is there nothing new under the sun, and what general lessons can be drawn from that particular case study? Among other things, the Congo shows the consequences of the maximisation principle at work. In these circumstances – the predominance of short-run optimization by small elites – there is no sense whatsoever in economic diversification, but in exploiting the most valuable source of revenue as exclusively as possible. This is one reason why there was a continuous shift in the "medium" of exploitation but not in the pattern, structurally reinforcing itself. But because of the large amount of suffering associated with these structures particularly for local populations and the extreme lack of any sustainable means of meaningful "development" of whatever kind, the break-up of this vicious cycle is one of the most essential challenges for developing countries at the beginning of the 21st century, particularly those which are actually de-developing.

The economic history of the Congo is a drastic example for structures at work in many countries in the world, and not only those which are regarded as least "important". It is an example of the devastating potential of globalization, if understood – as most economists explicitly of implicitly do – as the integration of markets. The devastating effects in the case of the Congo stem from a process precisely like that, the integration of parts of the country into a larger market, most often the world market for certain natural "resources" (in this case historically also including humans). Hence, the economic history of the Congo tells lessons about the processes by which countries become trapped in unfavourable equilibria and how difficult it is to escape them. For that, it is not enough to believe in the equalizing power of markets, but it is necessary to understand the mechanisms at work in creating an exploitative equilibrium – which are later promoting reversion towards it. To provide advice how to face the challenges ahead it is necessary, in the sense of Galtung, to understand the mechanisms of structural violence associated with globalizing forces.

Congolese life is determined by a fundamental contradiction: the population is living in one of the richest countries in Africa, but has to be counted amongst the poorest people in the world. Significant reasons for this antagonism originate from economic and historical processes, which point to recurrent, structural comparable patterns of exploitation. For more than five centuries, the Congo has been connected to global actors consecutively attracted by resource abundance. Global expansion to the Americas, a first wave of real worldwide globalization, provided incentives for trade in human resources. The proceeding Industrial Revolution, giving way to a second wave of globalization, shifted attention to valuable natural resources

[6] Johan Galtung defines structural and cultural violence as indirect types of violence causing direct violence (torture, compulsory work, murder, war, etc …). An important difference is that in the case of direct violence perpetrators are visible, while they are anonymous in the case of structural violence (exploitation, famine, suppression, poverty, etc…) and cultural violence consists mainly in the ideological backup of other types of violence, giving legitimacy to them.

like ivory, rubber and varying minerals. During a third wave, an "information revolution", minerals and particularly coltan, as raw material for electronics very directly associated to globalization as a cause as well, replaced them. Hence Congolese history features a constant sequence of different types of world market integrations which in the end – and despite remarkable differences – all point to the same structure of exploitation and violence. Much of the economy has always been unidirectional concentrating on the extraction of valuable resources demanded by world markets and has never entailed independent and sustainable economic development of the region. Connection of regional and global trade brought considerable wealth only to global actors and a few African elites, whereas at the same time the majority of Congolese people were subject to varying kinds of suppression. Both, African and global actors have also consciously used violence to maximise their profits, whereby direct violence has usually come from (visible) actors in the Congo and indirect violence has often been directed by global external actors.

The Congolese society, which had already achieved an adequate economic and political system some centuries ago, was strongly affected by the Atlantic slave trade, collapsed in the 17th century, and finally practically vanished during colonialism, a century-long de-development process. Colonial rule was achieved through rudimentary institutions (and the provision of some infrastructure) principally related to the key objective of resource exploitation. Because the Congo was really ill-prepared for independence, pre-existing exploitative structures were easily perpetuated in close cooperation with global actors and resulted in almost immediate state collapse and continuous state failure. Furthermore, the vital interest of Mobutu Sese Seko (disabling political opponents) resulted in intended de-diversification of the country, deterioration of infrastructure, paralysis of institutions, and virtual de-development. In 1997, the overthrow of the regime did not improve the situation of the Congo and its inhabitants, as once more the exploitative system remained the same – and had to remain the same, because the political and economical environment had not changed. Plenty of different armies and rebel movements have aspired profits by financing their intervention selling coltan, diamonds and other valuable resources on the world market. Hence, a lot of very real dark sides of globalization occurred over the centuries, and signs are not very promising that the pattern shaping this structure will change in the near future.

Hence, it is absolutely essential for achieving development of whatever kind in the Congo to actively alter this pattern. Cosmetic surgery in terms of simple market liberalisation, infrastructure provision or institution building will in no way be sufficient: all these provisions would simply result in their abuse by the actors building on the well-established exploitative structures, as for example roads will not primarily facilitate food provision but the transport of "blood coltan" and the movement of troops. The abundance of strategically important resources in connection with geography and technology will keep shaping an environment of vulnerability to exploitation for the Congo.

What is thus desperately needed is economic and political freedom, for which the international community must also take responsibility. Violence has to be settled by measures concerning both layers – directly by actors in the Congo (against for example corruption or criminal networks) and indirectly by external (world market) actors (for example the electronics and diamond industry or consumers in the industrialized world). Some actions in that direction have already been taken, but the lesson to be learnt is that it is much too simple to blame corrupt leaders on the one hand or multi-national co-operations on the other for exploiting the country. It is, that almost nothing is done (by none of these or other actors, including consumers) to address the problem of the perpetuation of exploitation and violence, which are completely logical and rational given the specific historical path from which the recent setting originated, and in which local rulers and trans-national companies very naturally cooperate.

The first important steps forward have been taken, as for example the UN intervention (providing security, although limited), last year's elections (providing participation, although very basic) and some initiatives to ban "blood diamonds" or "blood coltan" from the market (far from free of loopholes, although including a Hollywood movie). However, in the Congo external security support will remain indispensable for peaceful and favourable development towards freedom for a long time. Additionally, the establishment of an educational system, the construction of infrastructure, the reorganisation of the Congo's financial relationships, knowledge transfer and foreign investment into a diversification of the economy would adequately support democratisation and economic development and help to create a functioning state. Nevertheless, in the long run only the establishment of strong democratic consciousness can guarantee sustainability for this process and freedom, which will protect the tormented people against further perpetuation of violence and exploitation much better than weapons.

The dark sides of globalization do not necessarily dominate its positive effects, but history shows, particularly the history of the Congo region, that in certain circumstances they have good chances to initiate a vicious cycle and become overwhelming. Analytically, it is not useful to simply define potential negative consequences of an essentially positive process away. On the contrary, it is simply misleading. Hence, integration into world markets is definitely not positive per se, but a careful look (into history) at structural patterns is necessary to explain the outcomes and to outline not only favourable but also achievable development paths and their constraints.

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Andreas Exenberger and Simon Hartmann

The Dark Side of Globalization. The Vicious Cycle of Exploitation from World Market Integration: Lesson from the Congo

Abstract

The Congo region is one of the best examples of the negative consequences of world market integration (and hence globalization) in the world. Today's Democratic Republic of the Congo (DRC) is an almost "perfectly" failing state – although not necessarily with respect to a state's function as a revenue machine for its rulers, but definitely with respect to almost all other state functions, including the most basic ones, like security or infrastructure provision for its people. However, the recent civil war was only the tip of an iceberg of a well-established system of structural violence, which is neither simply a result of post-colonial nor colonial heritage. Remarkably stable, it dates back to the very beginning of the integration of the Congo into the global economy. Since the first contact with Europeans, it has experienced a vicious cycle of exploitation that promotes violence and is driven by internal power relations but even more so by world market demands. While the object of these demands (slaves, ivory, rubber, copper, diamonds, coltan) changed over the centuries and decades, the structures of dependence and the patterns of exploitation did not change fundamentally. Hence, every effort to sustainably improve the economic, social and political conditions in the Congo, which are among the most devastating in the world, must take this heritage into account.

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