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PROSPECTS AND CHALLENGES OF THE SOUTH AFRICA-DEMOCRATIC REPUBLIC OF CONGO TRADE AND INVESTMENT RELATIONS (2000-2014)

By

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Dissertation submitted to the Department of Development Studies in the School of Human and Social Sciences at the University of Venda in fulfilment of a

Master of Arts degree in African Studies (MAAS)

Supervisor: Prof. R.R Molapo

Co-supervisor: Mr. H. Tshamano

2015

Student: Makhanikhe Tshimangadzo Justice.....

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DECLARATION

I, Makhanikhe Tshimangadzo Justice hereby declare that this work is originally mine. It has not previously been submitted to this or any other university for qualification purposes. I have tried to the best of my knowledge and ability to acknowledge the views and ideas of other writers.

Student's signature .....**Date**..24/04/2016

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DEDICATION

This study is dedicated to my sons, Thando (Lufuno), Mashudu and Gundo. This is for you boys. I love you all and I hope this dissertation will encourage you to study to this level and beyond. The study is also dedicated to the South African and the Democratic Republic of Congo governments..

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ACKNOWLEDGEMENTS

First and foremost, I would like to thank Almighty God for giving me strength, wisdom, and good health, and also making it possible for me to complete this dissertation.

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This acknowledgement will be incomplete without mentioning Mr. F. Chiyemura who edited my work with passion and dedication and also provided useful insights. May the Lord Almighty bless you in abundance.

My profound gratitude goes to my family, in particular my Mom, Rofhiwa, Thivhileli and my three sons, Thando (Lufuno), Mashudu and Gundo, for providing continuous motivation, support, love and for showing confidence in me. Thank you so much, God bless you all.

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LIST OF ACRONYMS

ACSA	: Airports Company South Africa
ADB	: African Development Bank
AICD	: Africa Infrastructure Country Diagnostic
AISA	: Africa Institute of South Africa
ANAPI	: DR Congo Investment Promotion Agency
ANC	: African National Congress
ASEAN	: Association of Southeast Asian Nations
AU	: African Union
BAC	: Business Against Crime
BMAC	: Business Mobilising Against Crime
BNC	: Bi-National Commission
CIA	: Central Intelligence Agency
CIF	: Cost Insurance Freight
CIT	: Cash-in-Transit
COMESA	: Common Market for Eastern and Southern Africa
CRP	: Post-Conflict and Reconstruction Programme
DBSA	: Development Bank of Southern Africa
DFA	: Department of Foreign Affairs
DIRCO	: Department of International Relations and Co-operations
DRC	: Democratic Republic of Congo
DTI	: Department of Trade and Industry
EAC	: East African Community
EITI	: Extractive Industries Transparency Initiative
ENA	: National School for Public Administration
EU	: European Union
FDI	: Foreign Direct investment
FDLR	: Democratic Forces for the Liberation of Rwanda
FIFA	: Fédération Internationale de Football Association
FOB	: Free on Board

FTA	: Free Trade Area
GATT	: General Agreement on Tariff and Trade
GCA	: General Cooperation Agreement
GDP	: Gross Domestic Product
HSRC	: Human Science Research Council
ICD	: Inter-Congolese Dialogue
ICGLR	: International Conference on the Great Lakes Region
ICT	: Communications Technology
IDC	: Industrial Development Corporation
IEC	: Independent Electoral Commission
IGD	: Institute of Global Dialogue
IMF	: International Monetary Fund
IPR	: Intellectual Property Rights
IR	: International Relations
ISS	: Institute for Security Studies
IT	: Information Technology
ITI	: Investment and Trade Initiative
JBC	: Joint Bilateral Commission
MNCs	: Multi National Co-operations
MONUC	: United Nations Organisation Mission in the DRC
MONUSCO	: United Nations Organization Stabilization Mission in the Democratic Republic of the Congo
MoU	: Memorandum of Understanding
NCPS	: National Crime Prevention Strategy
NEPAD	: New Partnership for Africa's Development
OAU	: Organisation of African Unity
OCC	: Office of Congolese Control
OECD	: Organisation for Economic Co-operation and Development
OHADA	: Organisation for the Harmonisation of Business Laws in Africa
OSAC	: Overseas Security Advisory Council

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PALAMA	: Public Administration Leadership and Management Academy
PCRD	: Post-Conflict Reconstruction and Development
PRASA	: Passenger Rail Agency of South Africa
PSI	: Pre-shipment Inspection
PWC	: PricewaterhouseCoopers
RCD	: Congolese Rally for Democracy
RISDP	: Regional Indicative Strategic Development Plan
RMB	: Rand Merchant Bank
RSA	: Republic of South Africa
RTNC	: Radio Télévision nationale congolaise
SAA	: South African Airways
SADC	: Southern African Development Community
SAEEC	: South African Electro technical Export Council
SAIIA	: South African Institute of International Affairs
SANDF	: South African National Defence Force
SANRAL	: South African National Roads Agency
SAP	: Structural Adjustment Programs
SAPS	: South African Police Services
SARW	: Southern Africa Resource Watch
SCPT	: Société Commerciale des Transports et des Ports"
SDI	: Bas Congo spatial Development Initiative
SEA	: Sub-Equatorial Africa
SIU	: Special Investigating Unit
SNCC	: Société Nationale des Chemins de Fer du Congo"
SSA	: Sub-Saharan Africa
T-FTA	: Tripartite Free Trade Area
TMDC	: Tripartite Mechanism on Dialogue and Cooperation
TNCs	: Trans-National Corporations
TRIPS	: Trade-Related Aspects of Intellectual Property Rights
UHDC	: University Higher Degree's Committee

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UK	: United Kingdom
UN	: United Nations
UNCTAD	: United Nations Conference on Trade and Development
UNIVEN	: University of Venda
UNODC	: United Nations Office on Drugs and Crime
UNRA	: United Nations Refugee Agency
UNSC	: United Nations Security Council
US	: United States of America
USA	: United States of America
WB	: World Bank
WTO	: World Trade Organisation

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CHAPTER ONE: INTRODUCTION AND BACKGROUND OF THE STUDY

1.1 Introduction

Trade in general is the backbone of any country if it has to survive economically. Such trade usually involves several countries trading between and among each other. In doing so countries establish some form of trade relationship which serves to facilitate that trade. It is within this context that this study seeks to investigate the trade and investment prospects and challenges of South Africa and the Democratic Republic of Congo (DRC). Thus, this chapter provides the introduction and background of the study. Added to this are the aim and the objectives of the study, research questions, problem statement, assumption, and significance of the study, justification of the study period and definition of key terms will be discussed here. The following section deals with the background of the study.

1.2 Background

The above section dealt with the introduction to the study. This section is the background to the study where issues such as the political background of the DRC and South Africa will be discussed. This will lead to the understanding of the political relations that define trade and investment prospects and challenges of South Africa and the DRC. First to be discussed is the political background of the DRC in the following section. This will be followed by South Africa's political background.

Instead of bringing in total freedom and the socio-economic emancipation of the Congolese people, the 1960 independence from Belgian rule ushered in a state of anarchy in the DRC. Between 1960 and 1965, prime ministers such as Patrice Lumumba, Joseph Iléo, Antoine Gizenga, Cyrille Adoula and Moise Tshombe came and went. During this time the DRC witnessed some significant Cold War covert operations by the Americans, Belgians, French, Russians and Chinese. Through the assistance of the Central Intelligence Agency (CIA), Mobutu Sese Seko seized power in 1965. He became a pro-West dictator until 1971, after which he remained in power through the use of single party elections until 1997, when his government was overthrown by rebels led by Laurent Kabila.

After taking the reins of power, Laurent-Desire Kabila changed the name of the country to the Democratic Republic of Congo. However, due to misrule and plunder of the country's resources, his administration was perceived to be worse than that of Mobutu Sese Seko.

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Because of this, another civil war broke out in the DRC In August 1998 (McGowan, 2006:306-307). In this civil war, the rebels received support from Laurent Kabila's former allies that included Uganda and Rwanda. In-fact this war ended up sucking-in almost all countries in the central African region as countries such as, *inter alia*, Angola, Chad, Namibia, Sudan and Zimbabwe fought on Kabila's side (McGowan, 2006:306-307). No one emerged victorious in this conflict and thus around 2001 Laurent Kabila was assassinated.

After Laurent Kabila's death, his son Joseph Kabila became the president of the country. Joseph concentrated on bringing peace in the DRC. Apart from that he also introduced a multi-party democratic system. So far, there have been two sets of elections in which several parties participated. In other words, the aim and objectives of the DRC government under Joseph Kabila's leadership is to attract investors. This saw South African investors responding positively to the investment opportunities offered by the DRC. The following sub-section discusses South Africa's political background, as ushering in new investment opportunities for its business community in the DRC.

Apart from marking the demise of the apartheid system in South Africa, 1994 ushered in a new democratic and non-racial dispensation in the country. This new political dispensation led to South Africa's re-entry into the community of nations after years of political and economic isolation. Upon gaining international re-admission to the community of nations, South Africa became committed to forging economic, social and political partnerships with other nations and international organisations. South Africa has forged economic partnerships through bilateral and multilateral trade and investment agreements both within and without the continent (DIRCO, 2010). The result is that South Africa has experienced economic growth and development, leading to it being considered an African economic giant. The new status of being an African economic giant came with responsibilities and commitments. It is without a doubt that South Africa's foreign policy is shaped by the need to advance her own interests, as well as promote the African Agenda. Landsberg and Jo-Ansie (2012) argue that South Africa's foreign policy in the post-apartheid era has been dominated by the need to advance a common development agenda for Africa.

The advancement of the African Agenda can be seen through the efforts and initiatives of the former president of South Africa, Thabo Mbeki and other fellow African statesmen in the transformation of the Organisation of African Unity (OAU) into the African Union (AU) in 2002. Moreover, this could also be seen clearly in the establishment of the New Partnership

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for Africa's Development (NEPAD) by former president of South Africa, Thabo Mbeki, (DIRCO, 2010). South Africa is a global south nation that shares the common past of colonialism and imperialism with almost all the other global south nations. It has to be acknowledged that South Africa also faces domestic development challenges, like the rest of the developing nations in Africa, Asia, Eastern Europe, and South America. Soon after independence, South Africa started to look for trade and investment opportunities throughout the world, particularly in Africa.

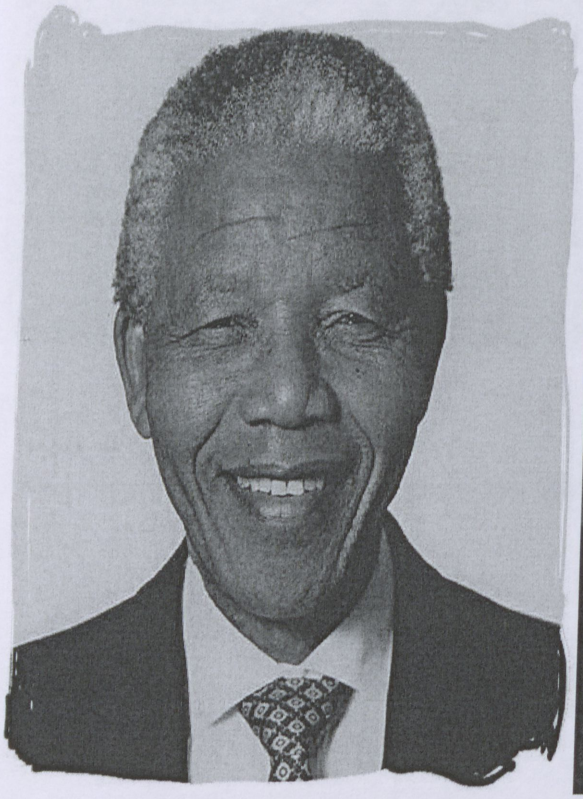
In recent years South Africa has emerged as the largest foreign investor in Southern Africa. Citing the Financial Mail (7.2.2000), Alden and Soko (2005: 374) argue that South African direct investment in the 13 Southern African Development Community (SADC) countries exceeded US$5.4 billion by 2000. In 2001, South African investment in the region amounted to R14.8 billion, followed by that of the UK at R3.98 billion (Martin, 2003:15). This implies that South Africa has invested more in UK as a country than in individual 15 SADC countries. It is for this reason that this study seeks to investigate trade and investment prospects and challenges that exist between South Africa and the DRC.

It should be pointed out that significant South African investment deals in the region, in 2001 and 2002, included US$20 million by South African Airways (SAA) for its stake in Air Tanzania; US$6 billion by Eskom Enterprises in the Inga project in the Democratic Republic of Congo (DRC); US$56 million by Sun International in its hotel in Zambia; US$142 million investment by Vodacom in Tanzania and an additional US$139 million investment in the DRC; US$53 million by Pretoria Portland Zimbabwe in a merger activity in Zimbabwe; an US$860 million investment by BHP Billiton, the IDC and Mitsubishi in the development of the Mozal aluminium smelter in Mozambique; and a further investment of US$1.1 billion by Sasol in the Pande and Temane gas fields in Mozambique (Alden & Soko, 2005:374). It is within this context that South Africa-DRC relations were formed to help end political conflicts within the DRC. Thus the following section describes the two states under study.

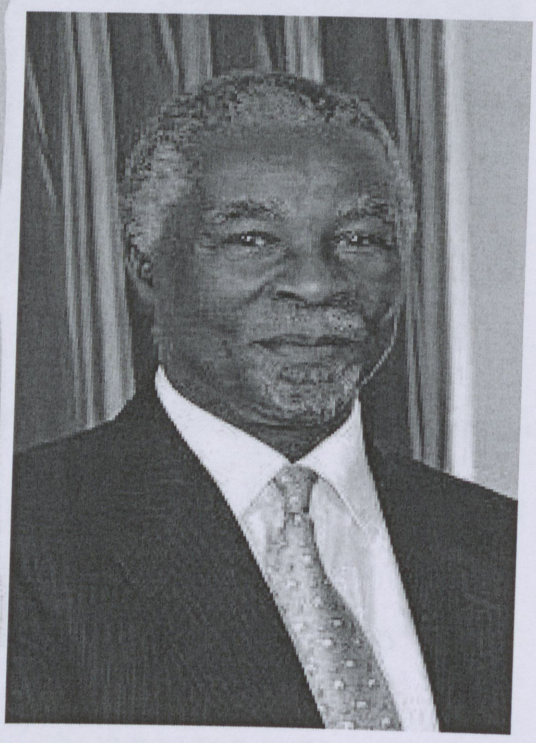
1.3 Description of the States under study

The above section highlighted South Africa's poltical background. This section describes South Africa and the DRC in terms of geographical settings in Southern Africa. The Republic of South Africa is a country located in the southern tip of the continent. The country stretches from the Limpopo River in the north to Cape Agulhas in the south. It covers an area of 1,219,090 km² (SADC, 2012). The country lies between latitudes 22° and 35°S, and

longitudes 16° and 33°E. South Africa has nine provinces, namely Limpopo, North West, Eastern Cape, Western Cape, KwaZulu Natal, Gauteng, Mpumalanga, Free State and the Northern Cape. Countries that neighbour South africa are Namibia, Botswana and Zimbabwe in the north; and Mozambique and Swaziland in the North East. The executive capital city of South Africa is Pretoria, where major decitions that impact on trade and invetsment agreement with the DRC are made. Since the attainment of democracy in 1994, the Republic of South Africa has had three democratically elected presidents and one interim president whose reign lasted for 9 months (SADC, 2012). The study will discuss the bilateral agreements that were signed during each presidential's tenure in office: bellow are the pictures of the named presidents who led the Democratic Republic of South Africa since 1994.



Nelson Mandela [from 1994 to 1999]



Thabo Mbeki [from 1999 to 2008]

Source for Mandela's picture:

http://prominentpeople.co.za/wpcontent/uploads/2013/07/nelson-mandela1.jpg

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Source for Thabo Mbeki's picture

https://upload.wikimedia.org/wikipedia/commons/thumb/f/fc/SthAfrica.ThaboMbeki.01.jpg/200px-SthAfrica.ThaboMbeki.01.jpg

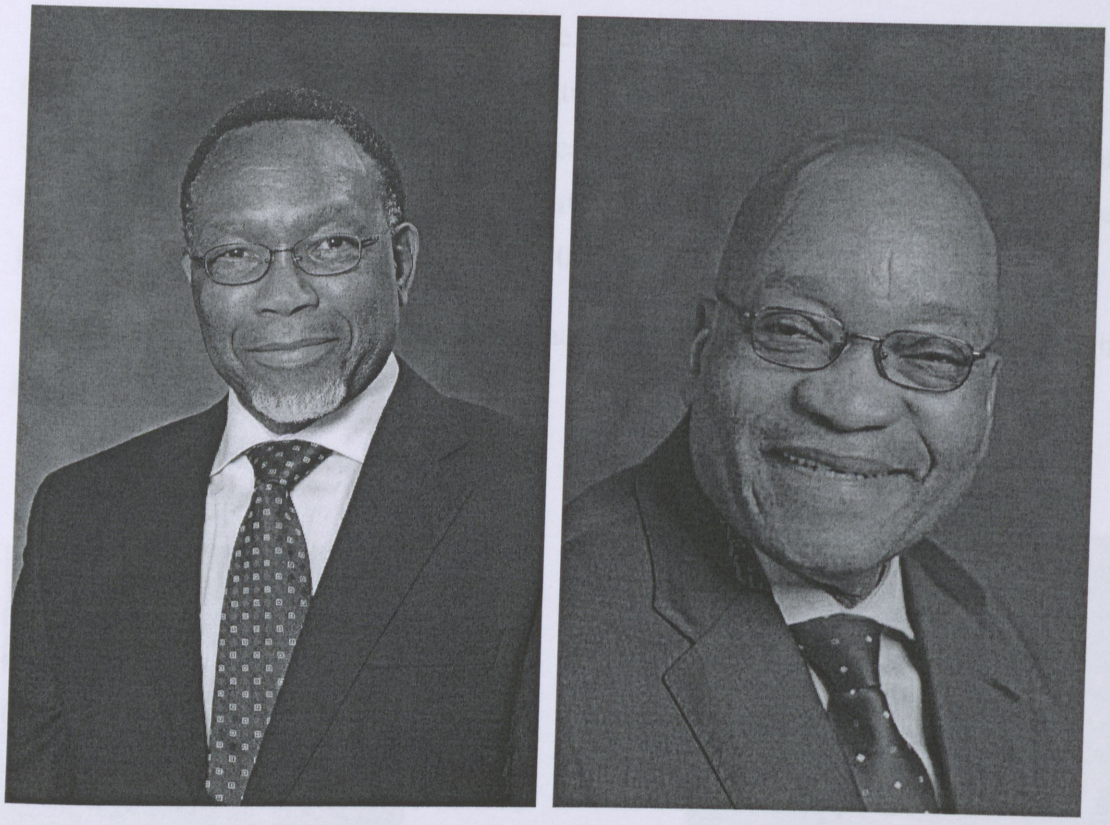


Figure 1.1 The Presidents of South Africa

On the left is Kgalema Motlanthe [from 2008-2009]. On the right is Jacob Zuma [from 2009 to date (2015)].

Source for Kgalema Motlanthe'sphoto:

http://static.memrise.com/uploads/things/images/17337697_130701_1914_53.jpg

Source for Jacob Zuma's photo:

http://cms.leadershiponline.co.za/image/f2878adf3122db13f0b7c9ef35e4c435.400x300.jpeg

The Democratic Republic of Congo (formerly Zaire) also often referred to as the DRC, RDC, DR Congo, Congo or Congo-Kinshasa, is physically the second largest country in Africa. The capital city of the DRC is Kinshasa. The Congo is situated at the heart of the west-central portion of the sub-Saharan Africa and is bordered by (Clockwise from the southwest) Angola, the Republic of Congo, the Central African Republic, Sudan, Uganda, Rwanda, Burundi, Tanzania, and Zambia. Its territory also overlaps the Equator, with one-third to the north and

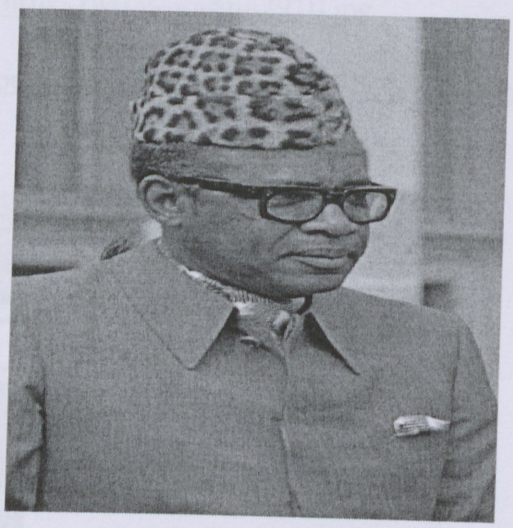
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two-thirds to the south. The size of Congo is comparable to that of Western Europe. Though it is located in the Central African United Union sub-region, the nation is economically and regionally affiliated to Southern Africa as a member of the SADC.

The DRC is one of Africa's richest states, with extensive agricultural, mineral, and energy resources. However, despite its rich natural resource base, the DRC is among the least developed countries in sub-Saharan Africa. Continued civil war and the general breakdown of the formal economy and existing infrastructure have disrupted much of the mineral production in the country (Moon Metal, 2014).

The Following are the Presidents who have led the DRC since 1960 when it achieved its independence





Joseph Kasavubu [1960-1965]. On the right is Mobutu [1965-1997]

Source for Joseph Kasavubu's photo: http://www.infobascongo.net/beta/wp-content/2010/03/221.gif

Source for Mobutu's photo: https://upload.wikimedia.org/wikipedia/commons/3/3d/Mobutu.jpg

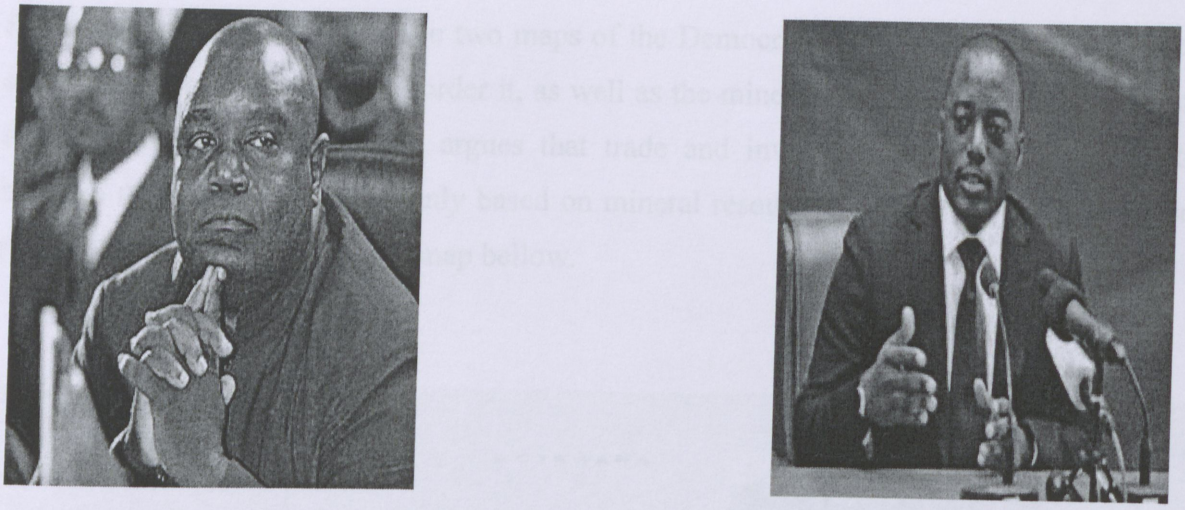


Figure 1.2 The Presidents of the DRC

On the left, Laurent Kabila [1997-2001]. On the right, Joseph Kabila [2001–date (2015)].

Source for Laurent Kabila's photo: http://www.makuruki.rw/IMG/arton2910.jpg

Source for Joseph Kabila's photo: https://nsoesiepeter.files.wordpress.com/2011/10/joseph-kabila.jpg



Figure 1.3 The current presidents of both South Africa and the DRC

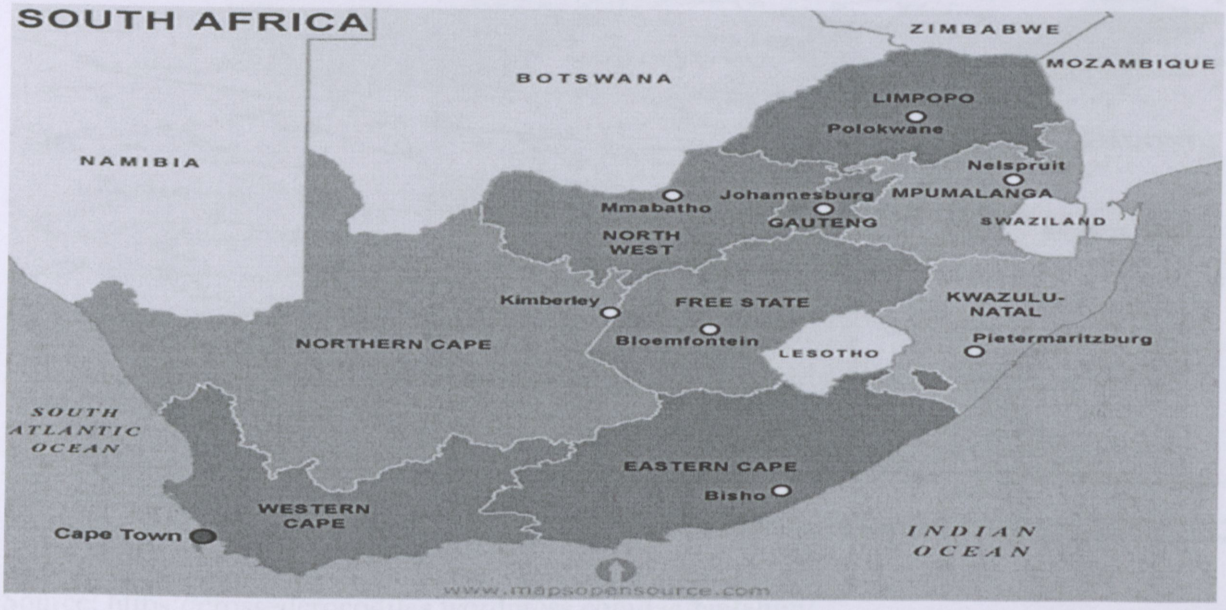
Source: http://www.dfa.gov.za/department/gallery1.htm

President of South Africa Mr Jacob Zuma welcomes President of DRC Mr Joseph Kabila before the SA-DRC BNC, Pretoria, 30 October 2009.

1.4 Maps of South Africa and the Democratic Republic of Condo

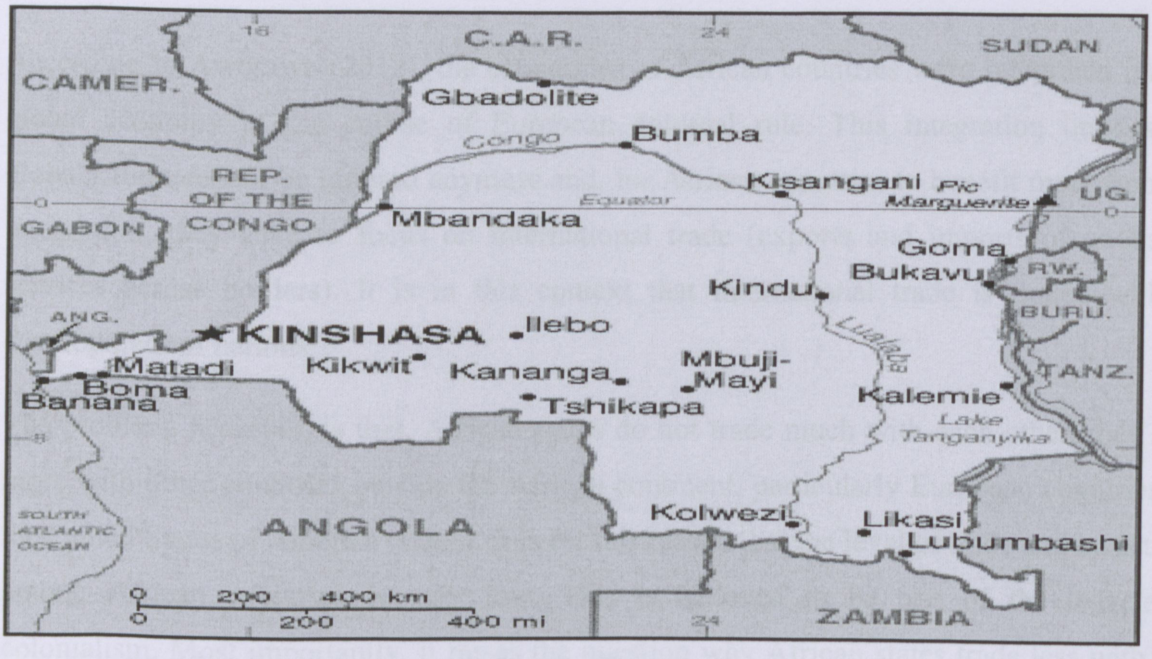
The map of South Africa serves to show the readers what South Africa looks like, the provinces she has, as well as the countries that border it on the Northern and North-East. This is because South Africa is bordered by the South Atlantic Ocean and Indian Ocean.in the

South, West and in the East. The two maps of the Democratic Republic of Congo show the country and the countries that border it, as well as the mineral rich region of the Democratic Republic of Congo. The study argues that trade and investment opportunities that exist between these countries are mainly based on mineral resources, since the DRC is a mineral rich country as illustrated in the map bellow.



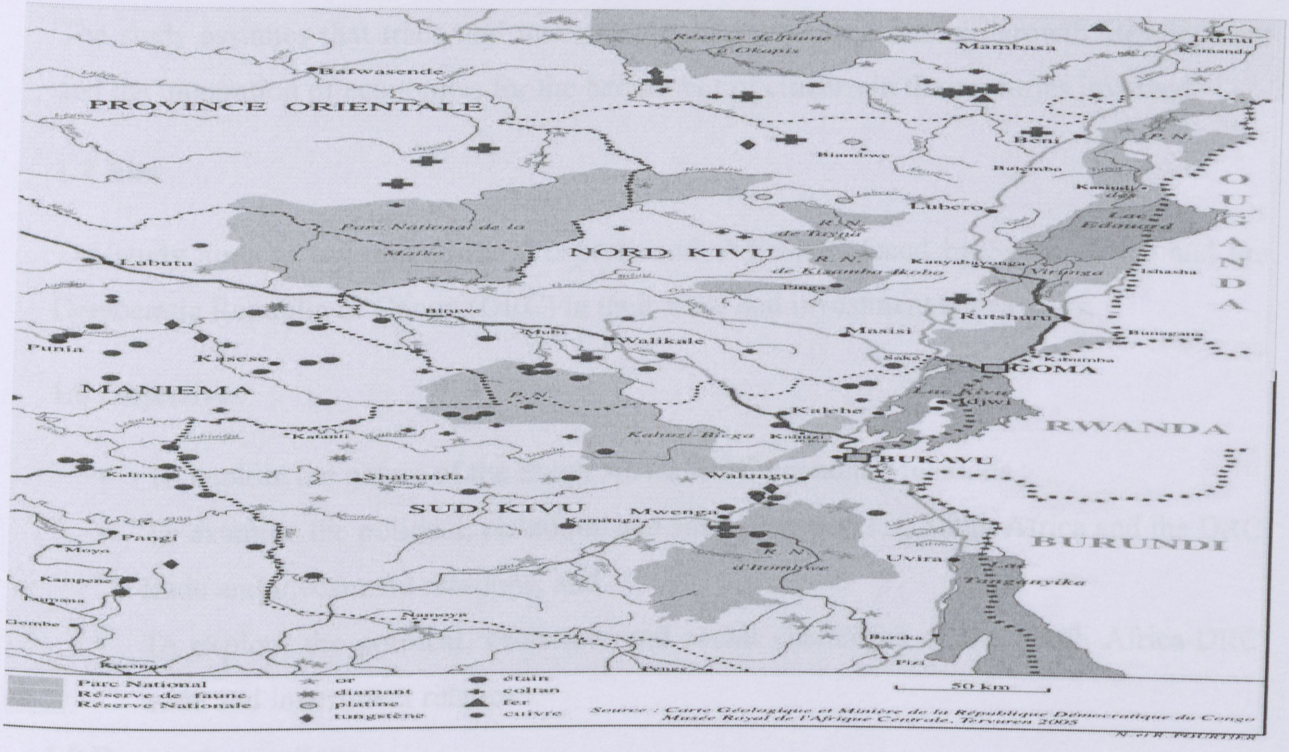
Source: http://www.mapsopensource.com/south-africa-map-black-and-white.html

Figure 1.4 Map of South Africa



Source: http://www.moonmetalcongo.com/congo.html

Figure 1.5 Map of the Democratic Republic of Congo



Source: https://crossedcrocodiles.wordpress.com/tag/tantalum/

Figure 1.6 Map of the Mineral rich region in the DRC

1.5 Statement of the problem

According to Aworawo (2012), the economies of African countries were integrated into the global economy in the course of European colonial rule. This integration implies that globalisation cannot be ignored anymore and, for African countries to benefit more from this integration, they have to focus on international trade (exports and imports of goods and services across borders). It is in this context that international trade is linked with the development of nations.

The problem, however, is that, African states do not trade much with each other, they trade more with other countries outside the African continent, particularly European countries and the United States of America (USA). It is for this reason that the level of trade and investment among African countries is very low. This is believed to be one of the legacies of colonialism. Most importantly, it raises the question why African states trade less with each

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other. To answer this key question, the study looks at prospects and challenges specifically facing the South Africa-DRC trade and investment opportunities.

1.6 Assumption of the study

The study assumes that trade and investment contributes to economic growth, development and the integration of economies for the betterment of citizens in the countries involved.

1.7 Aim

The study aims to investigate the prospects and challenges faced by South Africa and the Democratic Republic of Congo (DRC) in their trade and investment endeavours.

1.8 Objectives

- To explore the nature of the South Africa-DRC economic relations ;
- To examine the political, economic and social prospects of South Africa and the DRC trade and investment relations; and
- To explore the political, economic and social challenges of the South Africa-DRC trade and investment relations.

1.9 Research questions

The study answers the following main research question:

- What are the prospects and challenges in trade and investment relations between South Africa and the DRC?

Linked to the main question the study will answer the following secondary questions.

- What is the nature of the South Africa-DRC trade and investment relations?
- What are the political, economic and social prospects in the South Africa-DRC trade and investment relations?
- What are the political, economic and social challenges in the South Africa-DRC trade and investment relations?

1.10 Justification of the study

Many scholars, political commentators and journalists who wrote on the South Africa-DRC relations focused their attention on the political nature of the relationship. It was after the South African government began to assist in the peace process in the DRC that many scholars, policy makers and journalists showed interest and documented the relationship

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between South Africa and the DRC. However, not much has been written about trade and investment between these two African nations. This omission has left trade and investment relations between these two African nations under-researched. Therefore, this study intends to bridge the existing gap in the available literature about the South Africa-DRC relations. This means that this study will contribute to the available literature on trade and investment relations, specifically those of South Africa and the DRC.

In addition, the study also contributes to the existing body of literature with regards to the concepts of trade and investment. Moreover, most, if not all, African countries are known to be trading more with countries outside the African continent, particularly their former colonial masters, developed countries, including the United Kingdom (UK) and the United States of America (USA). It should be noted that these African countries meet occasionally to strengthen their bilateral relations, yet their trade and investment relations are still operating at a minimal level. It is within this context that the prospects and challenges of the South Africa-DRC trade and investment relations were investigated.

Trade and investment among African countries will necessitate infrastructure development that will connect countries and allow easy flow of people, goods and services within African countries. Moreover, this will create more jobs for African people and uplift their standard of living. It is of great importance to note that the research will serve as a guideline and yardstick for effective policy formulation and implementation to strengthen trade and investment relations between South Africa and the DRC in particular and in Africa in general. Moreover, this study offers a different approach from that of other studies in that it looks at the trade and investment relations between these two nations as south-south cooperation, promotion of the African Agenda and as a developmental issue of common concern. Most importantly, the study offers some suggestions of how to overcome the challenges and improve the trade and investment relations between South Africa and the DRC.

1.11 Brief Literature review

Literature review is a key aspect in this study because it outlines what other scholars have said about trade and investment relations between South Africa and the DRC. The literature that was reviewed in this study focused on the South Africa and DRC trade and investment relations from a global and continental perspectives. That being the case this study focused on the bilateral perspective. The study also reviewed literature on the South Africa-DRC

relations in other spheres besides trade and investment. This was in a bid to identify the gaps that this study can fill, thereby making an intellectual contribution.

It should be noted that trade and investment relations are well located within the International Relations discipline. International Relations is a multi-discipline area of study, that encompasses disciplines such as History, Political Science, Economics, Sociology, Development Studies and Philosophy just to name a few. The sections below review in detail literature on the prospects and challenges of South Africa and the DRC trade and investment relations.

According to Wilkinson (1973), the main features of economic development include, among others, the development of trade and industry, and an increase in intensive agricultural methods. The main aim of this study is to discuss ways of alleviating poverty and how the state should develop. Some of the major findings of his study include the fact that there should be changes in the resource base economy so as to achieve economic development. In addition, division of labour and the development of trade and industries should not be ignored if the country is to alleviate poverty and attain sustainable development. Furthermore, Wilkinson suggests that intensive agricultural methods should be at the centre of a country's development. He also believes that trade should be at the centre of the country's economy, in order to achieve sustainable development and do away with poverty. Since January 2004 the DRC has been one of South Africa's main trading partners in the SADC region. This current study differs from other studies because it focuses on the prospects and challenges that exist between the DRC and South Africa with regard to trade and investment.

Kabembe (2006) in his study, assessed the prospects for peace and development in the DRC, and also reflected on South Africa's role within the Southern African region. According to Kabambe, the Lusaka Agreement inaugurated the Inter-Congolese Dialogue (ICD) to end the war of invasion by Rwanda and Uganda, and was eventually concluded in South Africa in February 2003. It should be noted that South Africa emerged as the principal broker in ending the conflict in the DRC. Also worth noting is the fact that the Global and All-Inclusive Peace Accord was signed in Pretoria on 17 December 2002 and endorsed at Sun City on 2 April 2003. This was under South Africa's mediation and supervision. The then South Africa President Thabo Mbeki, kept the agreement alive through close diplomatic relations with the DRC. This paved a way for presidential and parliamentary elections, which were held in June 2006 (Kabembe, 2006).

One of the major findings of Kabambe's paper is that the attainment of peace and stability in the DRC owes much to the role that South Africa played during the past negotiations. Even if this is believed to have been guided by a mix of Mbeki's continental ambitions and South Africa's interest to gain and secure certain riches of the DRC, the democratic experience that South Africa brought to the peace process may well prove to be irreplaceable in the long-term future of the DRC. Although Kabambe's study did not focus on trade and investment matters between South Africa and the DRC, it provided useful and relevant information on the South Africa-DRC relations.

Mahafha (2009) argues that the DRC's infrastructure was strongly hit by the endless wars within the country. He further indicates that one of the key roles of the Post-Conflict and Reconstruction Programme (CRP), in the DRC, was to consolidate infrastructure development, particularly in the areas that were hit hard by civil wars. He also points out that the South African government, working together with the DRC's transitional government, drafted a programme in July 2005 that required cooperation between the government, political parties, the private sector and the international agencies in this regard. This particular programme shifted focus from emergency relief to recovery, rehabilitation and reconstruction.

In addition, the South African government reiterated its commitment to support the government of the DRC and its people in their efforts toward sustainable infrastructure development. Infrastructure, in this context, is aimed at improving communication systems, providing adequate transport and power supply. One should note that infrastructure development is discussed further in other chapters of this study. Although this study does not link infrastructure development with trade and investment, it carries strong relevance to the current study, and, in the discussion, the researcher links infrastructure with trade and investment between these two nations both as a challenge and a prospect.

Foster and Benitez (2011) investigated the nature of the infrastructure in the DRC and how the conditions of the infrastructure impacted on growth. The main purpose of their study was to examine the nature of the infrastructure and how this was impacting on growth in the DRC. The study revealed that the condition of the infrastructure in the DRC was bad. As a result, growth and sustainable development were affected, both within and outside the country. Foster and Benitez recommended that the infrastructure in the DRC and the rest of Africa should improve so as to increase the growth rate (Foster & Benitez, 2011). In contrast

to Foster and Benitez's study, this study discussed the condition of the infrastructure in the DRC and South Africa as a challenge to trade and also an opportunity for future investment. In addition, the current study also discussed a variety of other challenges, for example, tariff-related and non-tariff related issues as challenges to trade between these two nations. The current study also proposed solutions which can assist in overcoming these serious and major challenges to trade between South Africa and the DRC.

The United Nations Conference on Trade and Development (UNCTAD) (2013) released a World Investment Report about Foreign Direct investment (FDI) inflows to Africa. The report indicated that there was a rise for the second year running, of up to 5 per cent to $50 billion, making it one of the few regions that registered year-on-year growth in 2012. FDI outflows from Africa almost tripled in 2012, to $14 billion. Trans-National Corporations (TNCs) from the South are becoming increasingly active in Africa, building on a trend in recent years of a higher share of FDI flows to the region coming from emerging markets. In terms of FDI stock, Malaysia, South Africa, China and India (in that order) are the largest developing-country investors in Africa (UNCTAD, 2013). By implication, South Africa is the second largest investor on the African continent, channelling her investment within the continent. This could be seen as South Africa's efforts to promote the African Agenda and Africa's development. This information is of relevance to this study because some of these investments that South Africa is making as a country are also channelled to the DRC. However, the UNCTAD report does not necessarily account or explain the trade and investment challenges that exist among the African nations, particularly South Africa and the DRC. It is, therefore, clear that there is a need to investigate the challenges and prospects in trade and investment relations between African nations. This study, therefore, investigates the challenges and prospects of the South Africa-DRC trade and investment relations.

According to recent statistics issued by the Department of Trade and Industry, the two-way trade between South Africa and the DRC stood at R7.8 billion in 2011 compared to R6.2 billion in 2010 and R4.8 billion in 2009. The total South African investment in the DRC between 2006 and 2012 was estimated at R12.5 billion, with over 4000 jobs created from the investment projects (SA News. 2012:1). Trade level between South Africa and the DRC are, thus, still low. However, this statistical report by the Department of Trade and Investment does not outline the challenges that are contributing to the situation. Furthermore, the report does not make reference to the opportunities that exist. In view of this information, it can be argued that the South Africa-DRC trade and investment relations are weak. This study,

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therefore, identified this as a scholarly literature gap that should be filled. One should note that trade and investment between these two nations has the potential to bring about sustainable development and contribute immensely to the advancement of the economies of these African nations.

Carayannis (2009) made a valuable contribution when she examined key lessons that can be drawn from those earlier efforts, and the missed opportunities that continue to challenge current efforts to achieve a durable peace in the DRC. The main argument of her paper is that the DRC-Rwanda relationship is a critical factor in resolving the conflict, and that as long as efforts to build peace in the DRC neglect that relationship, these efforts will fail. She strongly argues that there is an emerging consensus among Congolese analysts that efforts to end the violence in the DRC have deeply neglected politics, and in particular Rwanda's real interests in the region. She also added that there is an urgent need for a comprehensive political framework that would address the key issue in the conflict between the DRC and Rwanda. This has not been fully addressed in peace agreements in the DRC, and if addressed could support local reconciliation efforts.

The Inter-Congolese Dialogue was to be the 'founding act' of the process of national reconciliation, but it never quite met those expectations as it failed to create a new political dispensation in the DRC (Carayannis, 2009). Carayannis' study is of great relevance to this study because political instability in the eastern region of the DRC is also seen as a major stumbling block in the South Africa-DRC trade and investment relations. This information is of great significance to this study.

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Furthermore, Chevallier and Du Preeze of the South African Institute of International Affairs (SAIIA) made a scholarly contribution on the DRC trade relations with other African countries. The contribution was done through a research report, which provided a political economy analysis of the trade in tropical timber from the Democratic Republic of Congo (DRC) to and through Uganda via the Northern Transit Corridor. The study focused on international, regional and local demand-side drivers for tropical timber exports from the eastern DRC to and through Uganda.

Chevallier and Du Preeze further indicated that the aim of their report is not to advocate stopping the trade in timber, but to consider how this trade can contribute to sustainable development in the region. Often, sustainable development is depicted graphically as three interdependent and mutually reinforcing pillars, namely economic development, social

improvement and environmental protection. In the case of the Great Lakes region, security-related concerns remain a central issue. Security falls largely in the 'social' spectrum, but cannot be divorced from the economic or environmental aspects. The report also argued that, not enough is known about the dynamics of this trade or about its sustainability (Chevallier & Du Preeze, 2012). This implies that there is a need to investigate the challenges and opportunities that present themselves through this timber trade.

One of the major findings of this report is that the regional timber trade, despite being larger in volume, differs from the international timber trade in that it is small scale and largely informal. There is also less pressure to regulate this trade from the regional demand-side (in East Africa) than from the international demand-side (for example, in Europe and the US). In part, this is owing to East Africa suffering from a timber shortage, and thus welcomes timber from all sources. The report also states that, within Uganda, there are some actors who benefit more financially than others from this trade. It examines the actors involved in the local part of this chain, and reveals that middlemen and a select group of traders benefit the most, while much of the risk is carried by timber cutters and truck drivers (Chevallier & Du Preeze, 2012). Although this report is not about the prospects and challenges of the DRC-Uganda trade and investment relations, it provide useful information that the present study cannot ignore. This research report differs with the present study because it focuses on the timber trade between the DRC and Uganda and other nations, whereas this current study focuses on the trade and investment between South Africa and the DRC, particularly the prospects and challenges.

The Southern Africa Resource Watch (SARW) organised a major consultative conference in Kinshasa between 2-3 May 2013 to discuss the impact of key peace agreements and the trade in conflict minerals in the DRC. The main purpose of the conference was to look at the successes and failures of various peace agreements and United Nation (UN) resolutions, particularly the potential of the recent Addis Ababa Framework Agreement to bring stability to the DRC as well as the emphasis of the various agreements to combating the illegal extraction of mineral resources, which is one of the driving forces behind the conflict in the DRC. The conference found that the Addis Ababa Agreement was unlikely to end armed conflicts in eastern DRC because it fails, just like many other previous deals, to seriously consider the problems posed by the exploitation of, and trade in, minerals by rebel groups and

neighbouring countries. It also fails to acknowledge that conflict minerals are the main factor fuelling continued conflict in eastern DRC.

Some of the recommendations include, among others, the view that the Congolese government must encourage good government of the natural resources sector, including greater responsibility, transparency and participation in the management of the country's resources, that Congolese civil society groups should strive to claim ownership of existing structures that are designed to tackle the conflict mineral trade, and seek to popularise them in order to contribute to the promotion of peace in the Great Lakes Region. Congolese civil society groups should also work with sister organisations from the region, the United States and Europe to ensure greater impact, particularly in terms of demanding more effective mechanisms for monitoring and tracing minerals in Congo and beyond its borders. It is without doubt that illegal mining in the eastern part of the DRC is still a major concern and poses a great challenge to the promotion of investment between South Africa and the DRC (SARW Conference, 2013). It is on this premise that the conference organised by the SARW served as a foundation to this study.

This current study hopes to bridge the gap that has been created by arguments from different sources, written by authors who in their discussions, covered various concerns about the South Africa-DRC relations and the relations of these countries with other nations, particularly within the African continent. The researcher used these arguments, to the best of his ability, to address challenges relating to the South Africa-DRC trade and investment relations. The researcher also used these arguments to identify prospects that exist between South Africa and the DRC with regard to trade and investment relations. The researcher also consolidated arguments by other authors and analysed them within the context of the South Africa-DRC trade and investment relations. The researcher also brought in a new dimension to the South Africa-DRC relations by focusing on the prospects and challenges of the South Africa-DRC trade and investment relations. This could be seen as a new approach in scholarship which is contributing to the body of knowledge on the subject.

1.12 Justification of the period under review (2000-2014)

The period 2000-2014 is investigated in this study mainly because South Africa became independent in 1994, and as a result, from 1994 to 2000 South Africa was still finding its way in terms of international relations. It should be remembered that South Africa was coming

from one of the worst autocratic rule to democracy. Additionally, South Africa started to show serious interest in the DRC in 1999. This is because South Africa became one of the first African countries to send soldiers to the Democratic Republic of Congo (DRC) in 1999, at the height of fighting that resurfaced in 1998. South Africa played a significant role in negotiating and drafting the Lusaka Cease-fire Agreement and South Africa was present when the document was singed on 10 July 1999. South Africa also assisted in the DRC through the inter-Congolese dialogue in Sun City, South Africa, in 2002 and the Pretoria Accord signed by former belligerent parties. This was the continuation of the Inter-Congolese Dialogue (ICD) which started in Addis Ababa on the 15th of October 2001. Again, South Africa helped the DRC in the establishment of transitional institutions (such as a national assembly, senate, and a coalition government co-chaired by the president and four oppositional vice-presidents), ultimately leading to elections in 2006. By 2014, South Africa had spent millions of rands and sacrificed a lot of life through military personnel who lost their live trying to bring about political stability in the DRC.

South Africa started assisting the DRC meaningfully in the peace efforts in 1999 and in 2004 the government of South Africa and the government of the DRC signed a memorandum of understanding on Economic Co-operation. The main objectives of this particular memorandum of understanding were and still are to promote sound economic relations between the two countries, including trade and investment. The study also examines the nature of trade and investment relations between the two countries since the Memorandum of Understanding (MoU) was signed and how the relations have developed during the ten years of the MoU. Therefore, the period 2000-2014 is of great significance in the investigation of the prospects and challenges of South Africa and the DRC regarding trade and investment relations because since South Africa got involved in the political landscape of the DRC, it has invested seriously in the DRC since 2009. It is, therefore, necessary to look at the prospects and challenges that exist in the trade and investment relations between these two SADC nations. This is in a bid to gain a comprehensive understanding of the nature of the relations and to come up with ways to improve the nature of this relationship, particularly on trade and investment matters.

1.13 Definition of terms

- **International trade**

According to Mohr, Fourie and Associates (2005) international trade is the exchange of goods and services across international borders or territories. International trade is, in principle, the same as domestic trade, as the motivation and the behaviour of parties involved in a trade do not change fundamentally, regardless of whether trade is across a border or not.

- **Investment**

Economists such as Mohr, Fourie and Associates (2005) define investment as the spending of money on Capital goods such as machinery, factories, houses, goods, inventories and many different forms of infrastructure.

- **Foreign Direct Investment**

Foreign direct investment reflects the objective of obtaining a lasting interest by a resident entity in one economy (''direct investor'') in an entity resident in an economy other than that of the investor (''direct investment enterprise''). Direct investment involves both the initial transaction between the two entities and all subsequent capital transactions between them and among affiliated enterprises, both incorporated and unincorporated (OECD, 1999). Foreign Direct Investment (FDI) is an integral part of an open and effective international economic system and a major catalyst to development.

- **Foreign direct investor**

The Organisation for Economic Co-operation and Development defined foreign direct investor as an individual, an incorporated or unincorporated public or private enterprise, a government, a group of related individuals, or a group of related incorporated and/or unincorporated enterprises which has a direct investment enterprise that is a subsidiary, associate or branch operating in a country other than the country or countries of residence of the foreign direct investor or investors (OECD, 1999).

1.14 Structure of the study

Chapter one: This chapter presents the introduction and background of the study, which include the aim and the objectives of the study, research questions, problem statement, assumption, and significance of the study just to name but a few.

Chapter two: This chapter discusses the key concepts of the study. Furthermore, foreign policies of both South Africa and the DRC are discussed in this chapter. In addition, the background of the South Africa-DRC relations are also provided in this chapter. The theory component is also located in this chapter.

Chapter three: This chapter details the research methodology used and the methods used for data collection and data analysis, as well as the sampling procedure used for this study

Chapter four: This chapter outlines the trade and investment prospects that exist in these two nations within each other's territorial borders.

Chapter five: Political, economic and social challenges to trade and investment between South Africa and the DRC are explained in this chapter.

Chapter six: This section presents the key findings, recommendations and conclusions of the study

CHAPTER TWO: CONCEPTUALISATION OF THE STUDY

2.1 Introduction

The previous chapter discussed the introduction and the background, aim and the objectives of the study, research questions, problem statement, assumption, and significance of the study, justification of the study among other things. This chapter outlines the conceptual framework of the study and focuses on regional and international trade as well as the foreign policies of South Africa and the DRC. The chapter also focuses on the background and nature of the relationship between South Africa and the DRC. Additionally, the chapter explains the history of inter-state relations in matters of trade from the pre-General Agreement on Tariff and Trade (GATT) to the current World Trade Organisation (WTO) era. This is in a bid to show how inter-state trade relations developed over time in the international system. This background will also assist readers to understand the current state of affairs internationally and predict the possible future regarding inter-state trade in the international system.

Theories attempting to explain the relationship between South Africa and the DRC, particularly regarding trade and investment form a fundamental part of the chapter, given that the study is located within the discourse of foreign policy. Theories used include realism, neo-liberalism, neo-functionalism and interdependency. In terms of the theoretical grounding, therefore, the conceptual framework of the study focused on central theories in International Relations (IR) so as to address the major questions of this study. After a critical analysis of the concepts and the theoretical grounding, the chapter concludes by outlining the realism theory which was identified as the operational theory of the study.

2.2 Inter-state relations in matters of trade

Inter-state relations in matters of trade refer to the interaction between states in trade matters. Before one can venture into a discussion on international trade, it is important to first give an overview of the concept of international trade, what it is, and the pros and cons of engaging in international trade. The concept of international trade is not new; it has existed for a very long time. By implication, states have been interacting in matters of trade since the signing of the treaty of Westphalia in 1648. Evidence of this is seen in the publication of the famous book titled *The wealth of the Nation* in 1776 by the great economist, Adam Smith, who wrote extensively on the subject of global trade. This book has had significant influence on the thinking of economists and economic policy.

According to Baylis (2011:447), international trade occurs when a citizen of one country produces goods that are subsequently consumed by citizens of another country. International trade can also be understood as the economic interactions between different nations in the exchange of goods and services by importing and exporting. In the context of this study, international trade is when citizens of South Africa produce goods that are consumed by the DRC citizens and vice versa. This means that there is consequently a geographical mismatch between the production site and the consumption site, with the goods travelling across, at least, one national border so as to economically connect the producer with the consumer. The country producing the good for sale elsewhere in the world is the exporter, and the country in which the good is eventually sold/consumed is the importer.

International trade occurs because countries cannot live in isolation and are not self-sufficient. They have to mutually share their prosperity, technical know-how and undertake trade, in order to sell their surplus products. Trade in the international system occurs for various other reasons, including lower production costs in one country or region versus another (theory of comparative advantage), specialized industries, lack or surplus of natural resources and consumer tastes and the fact that not a single country is considered or can consider itself self-sufficient (Baylis 2011).

The world economy is globalised. Robert Keohane and Joseph Nye who wrote extensively about the concept of interdependence and complex interdependence argue that states and their fortunes are inextricably tied together. Keohane and Nye further observe how international politics is transformed by interdependence (Keohane and Nye, 1997: 122-132). As such, nations involve themselves in international trade because countries are not self-sufficient, and it is through international trade that nations can access what they do not have. Thus, economic progress of a nation would depend upon its ties with other countries. For example, South Africa have no oil deposits which the DRC has. Thus, for South Africa to access this oil it has to establish good trade relations with the DRC.

There is a general consensus among scholars, economists, policy makers and political analysts that trade, development, and poverty reduction are intimately linked (International Monetary Fund, 2006). Sustained growth over longer periods is strongly associated with poverty reduction, while trade and growth are strongly linked, as trade generates income and profit for the trading parties. Trade also assists in employment creation, thereby growing the economy of the state (International Monetary Fund. 2006). Countries that develop invariably

increase their integration with the global economy, while export-led growth has been a key part of many countries' successful development strategies. This study argues that international trade can be a significant factor in economic development. Trade can boost a country's development and create unqualified gains for the trading partners involved.

One of the advantages of international trade is the formation of political alliances and allegiances. International trade is known to encourage the development of trading links between countries and closer political ties. Studies show that, in most cases, countries that are involved in cross border trade with each other usually cooperate in other spheres such as politics (Serenity, 2008). These trading and political ties can also be seen between South Africa and the DRC. In the case of South Africa and the DRC, political cooperation came first before economic engagement. This implies that it is not always the case that countries will start by trading with each other and then co-operate in other spheres such as politics and environment. However, this does not dispute the fact that in a more general context, political alliances make the relationship between two nations closer and clearer. In addition, political alliances are of great significance for a country when it comes to guarding against being invaded by other countries. It is because of this that many countries, which have international trading links, also end up forming stable political alliances.

A country with allies is usually protected against enemies. During an emergency, countries with close political ties assist each other easily and quickly. For example, during the political instabilities in the eastern part of the DRC, South Africa quickly responded and assisted the DRC government to deal with the situation. It should be emphasised and understood that it is not mandatory for countries to start with the establishment of trading partnerships and then political ties, the situation could be reversed. The main point here is that international trade between two or more countries could lead to cooperation in other areas (Serenity, 2008).

In addition, international trade brings in a variety of products from different destinations. This gives consumers a wider array of choices which will not only improve their quality of life but also the economic growth of the nation. Also important is that employment can be generated as the market for the countries' goods widens through trade. International trade helps generate more employment through the establishment of new industries to cater for the demands of various countries.

Trading globally is however, not a guarantee that a country will always be successful. There are a number of disadvantages if a country decides to trade globally. One of the main

disadvantages of international trade is that it can affects local firms and producers negatively. Contrary to the popular belief that international trade will, in most cases, make a firm become more competitive and innovative, some firms will be negatively affected and eventually will close down their businesses. For example imported textiles from China are very cheap compared to local products. Accordingly, some entrepreneurs will be unable to cope with the competition brought by Chinese products into the market (Serenity, 2008).

Another disadvantage of international trade is that the welfare of the people in nations that produce goods and services is from time to time ignored for the sake of profits. Those profits generally benefit only a minority, and that minority may not even be citizens of the nation that they are exploiting. It is common in Third World countries to find that people are required to work under unfair circumstances, which may include being paid low wages, long working hours or being subjected to unhealthy occupational environments. While the company benefits from such conditions it also has the probability to invite strike- (Serenity. 2008). This disparity brings along some conflicts, which can actually affect the investment that would have been brought in. Some developing countries have had a lot of demonstrations and riots because of these disparities. There are chances that one can easily lose one's investment if one sets up one's business in a rogue country. In the next section the concept of trade in the international system is discussed.

2.2.1 Understanding the concept of trade in the international system

Nations have been engaging in international trade long before the establishment of the General Agreement on Tariff and Trade (GATT) in 1947. Before 1947, there were no international institutions governing trade between nations. Trade was characterised by high levels of protectionism and national antagonism (Tomz, Goldstein and Rivers, 2005). Trade cooperation was established on the understanding that nations, themselves, negotiated for better terms of trade on a bilateral basis. This could be seen through the signing of the Cobden-Chevalier Treaty between Britain and France in 1860. This particular treaty is seen as an important event with regards to international trade. This treaty led to the negotiation of a series of bilateral trade treaties among continental European countries. Most importantly, the Cobden-Chevalier Treaty initiated the emergence of a network of bilateral trade agreements among the main trading nations of Europe, and these became the prototype of the multilateral trading system that we see between South Africa and the DRC (among other nations) today (Barclay, 1914:65).

The Cobden-Chevalier Treaty also brought about a period of lowered trade barriers in Europe (Barclay, 1914:65). However, the worldwide depression that began in 1873 and ended in 1877 modified each nation's perception of its own interests, resulting in many nations resorting to protectionist trading policies. International trade before the establishment of GATT was thus influenced by national interest and the protection of local producers. It is only recently that, nations opened their markets to other nations, and even then national interest prevailed. Furthermore, the absence of an international body to regulate and facilitate negotiations on a multilateral level made states resort to bilateral trade negotiations and agreements thus leading to the establishment of GATT. Before GATT was established there were no international institutions that regulated international trade.

The absence of an international body to regulate international trade made nations realise that they are vulnerable to trade-related conflicts and that it was very expensive to negotiate for bilateral trade agreements with every nation. Trade at the time, was characterised by all sorts of discriminations and high levels of protectionism. States thought of correcting this situation and, after the Second World War the General Agreement on Tariffs and Trade (GATT) was established.

GATT was a set of multilateral trade agreements regulating international trade. GATT was aimed at the abolition of quotas and the reduction of tariff duties among the contracting nations. When GATT was decided by 23 countries at Geneva, in 1947 (to take effect on Jan. 1, 1948), it was considered a provisional arrangement pending the formation of a United Nations agency to supersede it (Barclay, 1914).

Supporters of GATT believed that it, subsequently, proved to be the most effective instrument of world trade liberalization, playing a major role in the massive expansion of world trade in the second half of the 20th century. By the time GATT was replaced by the World Trade Organization (WTO), in 1995, 125 nations were signatories to its agreements, which had become a code of conduct governing 90 per cent of world trade. GATT's most important principle was that of trade without discrimination. Each member nation opened its markets equally to every other nation. As embodied in unconditional most-favoured nation clauses, this meant that once a country and its largest trading partners had agreed to reduce a tariff, that tariff cut was automatically extended to every other GATT member (Lundestad, 2010).

According to Maddison (2001), international trade has not only increased significantly since the Second World War, but has constantly increased more rapidly than world income. To be more specific, the world's share of merchandise exports in GDP has increased from 5.5% in 1950 to 17.2% in 1998. According to the World Trade Organisation (WTO) 2014 report, world merchandise exports grew by 2.5 % and gross domestic product (GDP) grew by 2.0 % in 2013. Asia, is the region that achieved the highest growth in merchandise exports (4.5 per cent) followed by North America (3.0 per cent).

The highest growth in imports was, however, recorded by the Middle East (6.0 per cent) and Asia (4.5 per cent). In contrast to other regions experiencing growth in merchandise export, Africa's merchandise exports declined by 2.5 % in 2013 following a growth of 6.5 % in 2012. Slower growth was also recorded in the Middle East (2.0 % in 2013 compared to 5.0 % in 2012) and in North America (3.0 % in 2013 following 4.5 % in 2012). This trend is attributed to, among other factors, extensive trade liberalisation measures as manifested by reduction in trade barriers that were facilitated by GATT (Krugman, 1995).

Critics of GATT argue that it placed virtually, sole emphasis on the needs of developed nations, and undermined those of developing nations. Many new nations in the developing world chose not to join GATT because of the reason stated above. In as much as the developed nations were eager to trade with the developing world, they did not make an effort to adapt the international trade system of free trade to better suit and benefit the developing world. This implies that the international trade systems during GATT was unequal, unfair, unbalanced and pro-developed nations (Krugman, 1995).

As a replacement to GATT, the World Trade Organisation (WTO) was established on January 1, 1995 by the Final Act of the Uruguay Round of negotiations (Goodson, 2014). The WTO provides a forum for negotiating agreements aimed at reducing obstacles to international trade and ensuring a level playing field for all, thus contributing to economic growth and development. The WTO agreements cover goods, services and intellectual property. The WTO agreements explain the principles of liberalisation, and the acceptable exceptions. The WTO agreements include individual countries' commitments to lower customs tariffs and other trade barriers, and to open and keep open services markets. The WTO agreements also set procedures for settling disputes. The WTO agreements are not fixed, meaning that they are renegotiated from time to time and new agreements can be added to the package (Goodson, 2014).

Unlike GATT, the WTO has a strong and functional implementation and monitoring mechanism. WTO agreements require governments to make their trade policies transparent by notifying the WTO about laws in force and measures adopted. Various WTO councils and committees seek to ensure that these requirements are being followed and that WTO agreements are being properly implemented. All WTO members must undergo periodic scrutiny of their trade policies and practices. Each review contains reports by the country concerned and the WTO Secretariat (Cline, 2004).

Cline (2004) argues that the WTO has a very effective dispute settlement mechanism. The WTO's procedure for resolving trade quarrels under the Dispute Settlement Understanding is vital for enforcing the rules and for ensuring that trade flows smoothly. Countries bring disputes to the WTO if they think their rights under the agreements have been violated. Judgements by specially appointed independent experts are based on interpretations of the agreements and individual countries' commitments.

The WTO cannot claim to make all countries equal, but it does reduce some inequalities, giving smaller countries more voice, and, at the same time, freeing the major powers from the complexity of having to negotiate trade agreements with each of their numerous trading partners. Smaller countries can enjoy some increased bargaining power. Without a multilateral regime such as the WTO's system, the more powerful countries would be freer to impose their will, unilaterally, on their smaller trading partners. Smaller countries would have to deal with each of the major economic powers individually, and would be much less able to resist unwanted pressure (Cline, 2004).

The fact that there is a single set of rules applying to all members, greatly simplifies the entire trade regime. These agreed rules give governments a clearer view of which trade policies are acceptable. However, the actions and methods of the World Trade Organization have evoked a strong antipathy towards its agreements. Among other things, the WTO is accused of widening the social gap between the rich and the poor it claims to be fixing (Cline, 2004). According to Khor (2002), the WTO does not manage the global economy impartially, but in its operation, has a systematic bias toward rich countries and multinational corporations, thus harming smaller countries which have less negotiation power. As suggested by Khor (2002) some examples of this bias are:

- Rich countries are able to maintain high import duties and quotas in certain products, blocking imports from developing countries (e.g. clothing);

- The maintenance of high protection of agriculture in developed countries while developing ones are pressed to open their markets; and
- The Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement which limits developing countries from utilizing some technology that originates from abroad in their local systems (including medicines and agricultural products).

Khor (2002) also argues that trade measures have become a vehicle for big corporations and social organisations to promote their interests. The Third World Network has described the WTO the most non-transparent international organisation (Khor, 2002). This is because the vast majority of developing countries have very little real say in the WTO system. Although these analyses were made more than 10 years ago, they still have relevance because the situation in the WTO is still the same; there are no meaningful changes that give the vast majority of the developing countries real say. The appointment of Brazilian Roberto Azevedo of Brazil as the current Director General of the WTO, has given some say and hope to the developing nations. Despite this little change, the reformation of this international trade organisation is still a challenge.

While the WTO has a strong and functional implementation and monitoring mechanism, and a strong and effective dispute resolution mechanism, it is also seen by many to be widening the social gap between the poor and the rich nations, the gap that it claims it is fixing. It is this situation that is making developing nations concentrate their trade and investment efforts on bilateral trade agreements with other developing nations (Khor, 2002). South Africa is currently in the business of promoting and strengthening the so called South-South cooperation, which is a cooperation with other developing nations in all spheres of life, but mainly economic and political spheres. The trade and investment relationship between South Africa and the DRC should be viewed within the context of South-South cooperation. Though South Africa and the DRC are cooperating bilaterally on matters regarding trade and investment, it should be clearly understood that this cooperation between South Africa and the DRC is also within the framework of the WTO as these two nations are members of the WTO (Khor, 2002). The following section discusses the concept of Foreign Direct Investment as applying to South Africa and the DRC trade and investment relations.

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2.3 Understanding the concept of Foreign Direct Investment

The above section dealt with the concept of international trade. In this section the chapter discusses on the concept of Foreign Direct Investment. Foreign Direct Investment (FDI) refers to the act of controlling ownership in a business enterprise in one country by an entity based in another country. Foreign direct investment includes mergers and acquisitions, building new facilities, reinvesting profits earned from overseas operations and Intra Company loans (Kose *et al.*, 2010). However, FDI also refer to the building of new facilities. Foreign direct investments (FDI) are usually considered a desirable form of capital inflows.

According to Liu and Nunnenkamp (2009), there are three types of FDIs, namely Horizontal, Vertical and Conglomerate. Firstly, a Horizontal FDI is where the company carries out the same activities abroad as at home (for example, Toyota assembling cars in both Japan and the UK. Secondly, a Vertical FDI is when different stages of activities are added abroad. Forward Vertical FDI is when the FDI takes the firm nearer to the market (for example, Toyota acquiring a car distributorship in America), while a Backward Vertical FDI is when international integration moves back towards raw materials (for example, Toyota acquiring a tyre manufacturer or a rubber plantation). Lastly, a Conglomerate FDI is when an unrelated business is added abroad. This is the most unusual form of FDI as it involves attempting to overcome two barriers simultaneously, entering a foreign country and a new industry (Liu and Nunnenkamp, 2009).

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Both South Africa and the DRC are engaging more on both Horizontal and Vertical FDIs. Not much has been witnessed with regard to Conglomerate FDIs between the two nations. It should be noted that there are many factors that may be contributing to the current state of affairs, including political instabilities in the DRC (Nunnenkamp, 2009).

According to Kose *et al.* (2010), FDIs are believed to directly add to the host countries' capital stock and to substantially contribute to the transfer of managerial and technological expertise. FDIs are presumed to be more stable and less prone to reversals than other forms of capital flows (Levchenko and Mauro, 2007; Tong and Wei, 2009). For these reasons, FDIs are often viewed as the financial equivalent of "good cholesterol" (Hausmann and Fernández-Arias, 2001) or the "poster child for the benefits of financial globalization" (Kose *et al.*, 2006:27).

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It is arguable that an increase in FDI is associated with improved economic growth due to the influx of capital and increased tax revenues for the host country. Host countries often try to channel FDI investments into new infrastructure and other projects to boost development. In addition, FDIs trigger technology spill overs, assist human capital formation, contribute to international trade integration, help create a more competitive business environment and enhance enterprise development. Undoubtedly, all of these contribute to higher economic growth, which is the most effective tool for alleviating poverty in developing countries (Kose *et al.*, 2010).

Moreover, beyond the strictly economic benefits, FDIs may help improve environmental and social conditions in the host country by, for example, transferring "cleaner" technologies and leading to more socially responsible corporate policies. It should be pointed out that greater competition from new companies in the host countries can lead to productivity gains and greater efficiency in the host country. It has also been suggested that the application of a foreign entity's policies to a domestic subsidiary may improve corporate governance standards (Glass and Saggi 2002).

Furthermore, foreign direct investment can result in the transfer of soft skills through training and job creation, the availability of more advanced technology for the domestic market and access to research and development resources. The local population may benefit from employment opportunities created by new businesses. It is these positive effects of the FDIs that both South Africa and the DRC are hoping to benefit from as they are both doing all they can to attract FDIs. Apart from trying to encourage each other to improve their investment relations, both South Africa and the DRC are also trying to attract FDIs from other countries (United Nations Conference on Trade and Development, 2010).

Although many researchers who have studied the concept of FDIs concentrate their efforts on the advantages of FDIs, it is also important to highlight some of the disadvantages FDIs can bring to the host country. Some of the disadvantages of FDIs in the host counties include shortcomings in the domestic policies of host countries, deterioration of the balance of payments as profits are repatriated (albeit often offset by incoming FDIs), a lack of positive linkages with local communities, the potentially harmful environmental impact of FDIs, especially in the extractive and heavy industries, social disruptions of accelerated commercialisation in less developed countries, and the effects on competition in national markets. Moreover, some host country authorities perceive an increasing dependence on

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internationally operated enterprises as representing a loss of political sovereignty. Even some expected benefits may prove elusive if, for instance, the host country, in its current state of economic development, is not able to take advantage of the technologies or know-how transferred through FDIs. However, it is imperative that both South Africa and the DRC should guard against these negative effects in the host countries, so as to maximise the benefits that FDIs can bring to the host nations (Kose *et al.*, 2010). The following section discusses the concept of foreign policy, particularly South Africa and the DRC foreign policies.

2.4 The concept of foreign policy

The above section focused on the concept of Foreign Direct Investment. This section discusses the concept of foreign policy, specifically those of South Africa and the DRC. Like most political and social science concepts, and despite its prominence and familiarity, the concept of foreign policy suffers from ambiguity and a lack of an internationally agreed definition (Beach, 2012:1). This means that the concept of foreign policy lacks definitional clarity. By definition, foreign policy refers to those official actions (and reaction) which sovereign states initiate (or receive and subsequently react to) for the purpose of altering or creating a condition (or problem) outside their territorial-sovereign boundaries (Wilkenfeld, *et al.*, 1980:22). Foreign policy is predominantly seen as official governmental activities on behalf of the state concerning inter-state relations within the international system. Foreign policy should be understood as both an action directed at the environment and a reaction to the environment (McGowan, 2002). In this study, the situational or operational context of foreign policy refers to the international environment that lies beyond territorial-sovereign boundaries.

McGowan (2002) identified the purpose of foreign policy as the creation, control, adjustment and alteration of external conditions or problems, including an actor's own activities and those of other actors. Carlsnaes (2002) believes that one of the main reasons states engage in foreign policy is that governments wants to influence the goals and activities of other actors whom they cannot completely control because they exist and operate far beyond their sovereignty.

Carlsnaes (2002:335) also argues that foreign policy entails those actions which, expressed in the form of explicitly stated goals, commitments and/or directives, and pursued by governmental representatives acting on behalf of their sovereign communities, are directed

towards objectives, conditions and actors of both governmental and non-governmental organisations which they want to affect and which lie beyond their territorial legitimacy. This definition supports the realist argument that the state is the central actor in the formulation and implementation of foreign policy Carlsnaes (2002:335). However, this definition ignores the role of non-state actors in foreign policy formulation and execution. As far as the realists are concerned, the South Africa-DRC trade and investment relations are facilitated by government representatives only. This is demonstrated by the presence of the South African embassy in the DRC and the presence of the DRC embassy in Pretoria. Furthermore, the diplomatic visits by both the South African and the DRC government officials, including heads of states to both South Africa and the DRC would also be seen as foreign policy activities by realists.

However, Christopher Hill (2003) defines foreign policy as the sum of official external relations conducted by an independent actor (usually a state) in international relations (Hill, 2003:3). The latter definition is broader than the realist one, in the sense that it also includes the actions and reactions of non-state actors. By implication, Hill acknowledges the role that companies, Multi-National Co-operations (MNCs), individuals and organisations play in the context of foreign policy. This resonates with the arguments of the advocates of the neoliberal school of thought. Neoliberalists argue that there is need for the transfer of economy from the state to the private sector. This is demonstrated by the number of South African private companies that are doing business in the DRC and the number of DRC private companies and individuals that are currently doing business in South Africa.

Jackson and Sorensen (2010) argue that all governments, by the very fact of their separate international existence, are obliged to engage in foreign policy directed at foreign governments and other international actors. No country is an island, meaning that there is no country that can survive in isolation. Countries, just like human beings, need each other to survive. Carlsnaes (2002) interestingly notes that governments want to influence the goals and activities of other actors whom they cannot completely control because they exist and operate beyond their sovereignty.

Foreign policies are established as a systematic way of dealing with issues that may arise between countries. Foreign policies consist of aims and measures that are intended to guide government decisions and actions with regard to external affairs, particularly relations with foreign countries. Managing foreign relations demands carefully crafted plans of action that

are adapted to the foreign interests and concerns, in other words, goals of the government. Jackson and Sorensen (2010) further argue that government officials in leading positions, namely the president, prime minister, foreign ministers, defence ministers, finance ministers, just to name but a few, along with their advisers, are usually the key foreign policy makers.

With regard to analysing foreign policy there are three main schools of thought or approaches that attempt to provide foreign policy analysis tools and these include traditional approach, the decision-making approach and the critical approach. However, for the purpose of this research only two approaches, the traditional approach and the decision-making approach are explained.

2.4.1 Traditional Approach

The traditional approach to foreign policy analysis subscribes to the fundamentals of state-centric realism, namely that the state is a rational and unitary actor, securing survival and welfare in an anarchical system. These assumptions are directly aligned with the nation that states have coherent foreign policies, which are exemplified by particular actions; that governments have predetermined goals and objectives, towards which their policies are directed; and that governments calculate particular courses of action, and the consequences thereof, in a rational manner. In other words, foreign policy is viewed as the product of rational behaviour. Advocates of this approach are of the view that foreign policy formulation and implementation should be subsequently explained by analysing the system of foreign policy decision-making (McGowan, 2002).

2.4.2 Decision-making Approach

The second approach to foreign policy analysis is the decision-making approach. This approach analyses foreign policy by looking at three distinct areas, namely decision, decision-maker and the decision making process. The decision-making approach views foreign policy as a series of decisions made by a group of decision-makers through an identifiable process within a structured environment from within the state, and not as a response to external stimuli (McGowan, 2002). This approach is centred on the behavioural notion rather than the realist approach. The followers of this approach analyse foreign policy by studying those who make foreign policy decisions on behalf of the state and not the state itself (McGowan, 2002). This implies that the decision-making approach to foreign policy

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analysis puts more emphasis on the domestic sources of foreign policy and on the subjective perceptions foreign policy decision makers have to their domestic environments.

It is important to remember that foreign policy is relevant in this study because it contributes towards the understanding of the roles that the private sector and the government continue to play in the South Africa-DRC trade and investment relations (Smith et al. 2008). Foreign policy in this study also emphasises that states cannot survive on their own and that they need each other to survive. Therefore, this study should be best understood within the context of foreign policy.

2.5 Understanding South Africa's foreign policy

South Africa's foreign policy can be described as a multi-dimensional set of policies, strategies, objectives, and plans that cannot easily be packaged into a neatly described formula (Hughes, 2004). However, it is vital to consider in broad but clear terms the general orientation of South Africa's foreign policy. South Africa's foreign policy serves to define South Africa's national values and benchmark her foreign policy decision-making and strategies (Makgohlo, 2009). Although South Africa's foreign policy is best understood in terms of various administrations, it is discussed in this study within the context of the pre-1994 and post-1994 periods. The pre-1994 period serves as a background to the post-1994 South African foreign policy. It shows the nature, the players and the priorities of the apartheid government's foreign policy and how these differ from the post-1994 democratic South African foreign policy.

2.5.1 Understanding South Africa's foreign policy during Pre-1994

According to Olivier (1997), South Africa's foreign policy before 1994, in particular from 1910 to the early 1970s, can be classified as consisting of a number of separate foreign policies and lines of conduct. The main characteristics of South Africa's foreign policy were non-isolationism, anti-sanctions and pro-western, all aimed at enhancing co-operation with non-communist states and international organisations. There was emphasis on international trade and commerce because it was a strong instrument to fight isolation and to strengthen the position of South Africa within the African region and internationally.

Furthermore, Olivier (1997) argues that South Africa's foreign policy during this period was also premised on peaceful co-existence and regional co-operation based on geographical realities, the need to foster friendly relations with neighbouring states, and South Africa as

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part of the African continent (with a permanent white population). In addition, South Africa's pre-1994 foreign policy was also characterised by external justification to enhance South Africa's image abroad and the maintenance of internal sovereignty by refraining from interference in the internal affairs of other states (based on Article 2(7) of the United Nations Charter).

Henwood (1993) argues that South Africa foreign policy up to 1977 was reactionary and cautious. He further argues that the internal policies (apartheid policies) played a very influential role on the foreign policy of South Africa. Mills and Baynham (1994) believe that from 1978 to 1989, South Africa's foreign policy was dominated by the leadership of Prime Minister and later the State President, PW Botha. Foreign policy in this period was based on the perception of a 'total onslaught' against South Africa, as well as the 'total national strategy' of South Africa, aimed at defeating violent attacks against South Africa (Sole, 1994).

South Africa's foreign policy during this period was shaped by increased hostility against South Africa, which was caused by South Africa's apartheid policies. South Africa's response was an increased reliance on 'strong arm tactics' against any perceived enemy or threat. The result was an escalation in the use of violence as a means of addressing problems in the regional context (the infamous destabilisation policy). Thus, South Africa viewed the world as a strategic place that was posing real or imagined threats. Security was conceived in spatial terms and was ensured through regional hegemony, destabilisation, the use of cross border military force, and the improvement of order through coercive power (Sole, 1994). Based on these distinct ideological, spatial and organisational imperatives, the South African foreign policy was not only militarised, but was also characterised by unilateral action, high-risk policy options, regional and internal conflict, and the primacy of the military instrument (Sole, 1994).

2.5.2 Understanding South Africa foreign policy during the Post-1994 era

The foreign policy of the Mandela era consolidated reform and initiated major changes. These reforms and changes included, among others, the conclusion of South Africa's international reintegration; institutional reform and rationalisation; the establishment of democratic and civilian control; and the de-militarisation of foreign policy (Hughes, 2004). As a result, South Africa was able to establish herself as an emerging middle power of the second order, and to become globally recognised as the most important regional power in Sub-Equatorial Africa (SEA). South Africa's prominent, yet sometimes uncomfortable role in

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contemporary global affairs, was captured by the 1996 Department of Foreign Affairs (DFA) Discussion Document when it stated that the International Community is expecting South Africa to assume an important role in some organisations and there is the perception that South Africa has the necessary power, capacity and prestige to fulfil this role. The country is expected to play a bridging role in ensuring that North–South relations are non-antagonistic and are more equitable (DFA, 1996).

It is of critical importance to note that the pillars upon which South Africa's foreign policy rests are based on a commitment to the promotion of human rights, a commitment to the promotion of democracy, a commitment to justice and international law in the conduct of relations between nations, a commitment to international peace and to internationally agreed upon mechanisms for the resolution of conflicts, a commitment to Africa in world affairs, and a commitment to economic development through regional and international co-operation in an interdependent (and globalised) world (Adedeji and Landsberg, 2007).

South Africa's foreign policy is also guided by her national interest and the key to understanding South Africa's interest in Africa, and the projection of powered, thereof, hinges on unpacking the concept of national interest. This will pave way for a thorough understanding of South Africa's national interests and how these impacted on her differing foreign policy postures adopted since 1994 in the evolution of her Foreign Policy. It should be noted that South Africa's public policies focusing on the human security agenda such as poverty eradication, job creation, economic growth and personal security constitutes the core of South Africa's national interest. This, therefore, complements the Neo-realist perspectives which explain foreign policy as the product of national interests and a nation's structural location in the international system (Morgenthau 1968; Waltz 1979).

However, the neo-realist's archenemy, liberal institutionalism, argues that other variables, including business and political actors, need to be considered as playing a crucial role in configuring foreign policy agendas (Keohane 1986; Rosecrance 1986). It is arguable that South Africa's motive of assisting the DRC in resolving conflicts on her soil, since 1998, was and always has been because the DRC is set at the heart of the African continent. This means that the DRC has many neighbours, and together with her vast size and population makes a huge potential market for South African goods and services. It can be argued that South Africa's offer to assist the DRC to attain peace was because she saw the potential market offered by the DRC and her neighbours as advancing South Africa's national interest.

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Furthermore, South Africa knew that the DRC and her neighbouring countries were key players to achieving economic growth, eradicating poverty and creating jobs for South Africans both in the country and in the DRC. Daniel and Lutchman (2006) argue that the DRC possesses an abundance of natural resources, water, hydro electrical power, land, forest, numerous minerals, timber and rubber that South Africa can benefit from. This study, therefore, argues that, although the South African government may argue that they intervened in the DRC in 1998 on humanitarian grounds, evidence shows that economic considerations also played a part, as witnessed by the penetration of South African companies in the DRC after 2003. The intervention by South Africa in the DRC in 1998 should be seen as an effort to prepare the ground in the DRC for future trade and investment opportunities for South African companies.

During the period 1999 – 2004 (Thabo Mbeki's era), emphasis of South Africa's foreign policy was on persuading Africa to set up its own institutions and mechanisms for solving its problems (African solutions to African problems), thus ending the constant, humiliating requests for aid from the West and former colonial powers. At this point, South Africa had to prove to the world that it had the capacity to tackle Africa's long index of complex problems, ranging from poverty to never-ending conflicts (Sidiropoulos, 2009).

Consequently, South Africa embarked on a multi-million rand purchase of 'hard power' (military ware). Through this, South Africa elevated her international and continental prestige, thus, illustrating that she was ready to lead the African cause. Furthermore, during the period 2004-2009, (2004 marking a decade after democracy) South African foreign policy entered what is called the consolidation phase, with President Mbeki consolidating the achievements of his first term of office and intensifying programmes aimed at eradicating poverty and underdevelopment as well as continuing to focus on Africa and the South (developing world) in general (Schoeman, 2004).

During President Jacob Zuma's administration (2009-present), the South African government continued to use the same foreign policy principles that were introduced during Mandela's administration. Furthermore, Zuma's approach to foreign policy was based on values such as Patriotism, Loyalty, Dedication, Ubuntu, Equity, Integrity and Batho Pele principles. South Africa's foreign policy during Zuma's administration remains attached to the overarching priorities such as the consolidation of the African Agenda, strengthening of the South-South Co-operation, strengthening of the North-South Co-operation, participation in the Global

System of Governance, strengthening of bilateral political and economic relations (Beach, 2012).

During this period, South Africa's engagement with Africa rests on four pillars that constitute the overall objective, namely participation in regional and continental integration, including the strengthening of the AU and its structures, promoting integration and development of SADC, and consolidating the SADC/COMESA/EAC Tripartite formation; implementation of the NEPAD as Africa's socio-economic development programme, and the SADC Regional Indicative Strategic Development Plan (RISDP) as the regional expression of NEPAD; supporting peace, security, stability and post-conflict reconstruction initiatives, including the strengthening of South Africa's participation in the implementation of Africa's peace and security agenda and management of peace missions; and strengthening bilateral political and socio-economic relations by way of effective structures for dialogue and cooperation with all countries in the continent (Beach, 2012).

The relationship between South Africa and the DRC falls largely in the realm of co-operation in political and socio-economic matters with a view of improving the living standards of their citizens. Both South Africa and the DRC are developing countries (the South) and the relationship between these two nations could also be treated as a south-south co-operation. Post-Apartheid South Africa, just like the post-conflict DRC, seeks to strengthen political, economic and other forms of co-operation within the context of South-South relations. It is within this context that South Africa and the DRC forged relations with each other and started to co-operate with each other politically, economically, socially and environmentally (Khanyile, 2003).

2.6 Understanding the DRC's foreign policy

2.6.1 DRC's foreign policy after independence

The DRC became independent in 1960 under Lumumba's leadership. However, Lumumba did not rule long enough to craft and implement a foreign policy aligned to his plans and dreams for his country and his leadership. Lumumba was removed from the presidential office in 1961, and Mobutu Sese Seko was installed into the office through a military coup.

2.6.2 DRC's foreign policy post-Lumumba

Until the late 1980s, the DRC foreign relations were centred on Cold War politics. Mobutu maintained good relations with the Western powers as they played a significant and forceful role when he was installed into office. It was because of this that the DRC during Mobutu's reign had close ties with the United States of America (US), France and Belgium. The DRC traded and received a large amount of foreign aid from these nations. It is generally believed that the Western powers supported Mobutu and his regime mainly because they were trying to restrict Communist expansion in Africa, particularly in central Africa. It can also be argued that the Western Powers were also interested in exploiting the vast resources in the country (HSRC001, 2014).

According to HRSC001 (2014) (a senior researcher at the Human Science Research Council (HSRC)) the main objective of the US when it assisted in the installation of Mobutu in power was to channel the natural resources of the DRC to the US. The US wanted the DRC to support US companies and government with strategic resources such as Uranium, Cobalt and other natural resources. It is important to note that Uranium is a very strategic natural resource as it is used in the nuclear energy sector and in the manufacturing of nuclear weapons. It is therefore, arguable that the foreign policy of the DRC, at the time, was also driven by a desire by the US to access these natural resources. By implication the DRC's foreign policy during Mobutu was basically to make sure that the DRC satisfied American companies and government with natural resources, while the US defended, protected and supported Mobutu's (dictatorship) administration (HSRC001, 2014).

After the collapse of the Soviet Communism, Western powers became less concerned about the expansion of Communism in Africa and this led to a reduction of funding of Mobutu's regime. Western powers, particularly the US, started to demand that Mobutu should democratise the DRC and relinquish power. Again, in 1991, the French government formally withdrew their support of Mobutu. The US call for democratisation in the DRC, was basically a call for liberalisation. This means that there was now an opportunity for other players to descend on the DRC and South Africa is one of those players that took the opportunity and started to do business in the DRC (AISA001, 2014).

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2.6.3 DRC's foreign policy during Laurent Kabila's era

Soon after Mobutu fled the country, Laurent Kabila declared himself president of the DRC, and on 23 May 1997 Laurent Kabila formed a new government. At first, foreign relations during Kabila's regime were not that sound because Laurent Kabila rejected international calls for elections stating that there would be no elections until peace had been established in the country, and he also expelled all the remaining Rwandan army units from the country. This and the fact that the Rwandan and Ugandan governments backed the anti-Kabila forces in 1998, when the civil war broke out in the DRC, led to bitter relations between Laurent Kabila and his neighbours (DIRCO001, 2014).

Laurent Kabila's foreign policy, although it was not formally constructed, showed an interest in Angola, Zimbabwe and Namibia, as these countries came to his rescue when his administration was under attack from Rwanda and Uganda supported rebels. Laurent Kabila also looked at South Africa for support to bring peace to the DRC, particularly the eastern part of the country where he had lost control since the outbreak of the civil war in 1998. Basically, Laurent Kabila's foreign relations focused more on security, peace and stability in the DRC, as well as maintaining his grip on power. Laurent Kabila was assassinated in 2001 and his son Joseph took over power that same year (DTI001, 2015).

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2.6.4 DRC's foreign policy during Joseph Kabila's era

HSRC001 (2014) also believes that since 1994, DRC's foreign policy tilted towards satisfying the DRC's political elites. It is not a secret that the DRC wanted to empower herself as a state and build her institutional capacity, not through the US, but through South Africa and China. The direction that the DRC foreign policy has taken is mainly influenced by the political will of the current political elites. This is mainly because political elites want money from the natural resources to finance their political campaigns and also to finance their militia. It is arguable, at this point, that the current DRC foreign policy cannot be defined within the realist paradigm. This is mainly because the political elites in the DRC are not selling the natural resources to the highest bidder, but they are selling to available buyers to satisfy their own selfish interests and not that of the entire state (HSRC001, 2004).

After 1994, South Africa realised that she needed to diversify her economic base. This means acquiring natural resources from other countries rather than relying solely on her own resources as they would be depleted in the long run. The DRC was identified as one of those

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countries that can serve that particular purpose. It is for this reason that South Africa has been investing in the DRC since 1996. To show that the DRC is of strategic importance to the South African government, South Africa's biggest foreign office (Embassy) in the entire African continent is situated in the DRC. Moreover, South Africa's Independent Electoral Commission (IEC) has offices in the DRC. South Africa is currently assisting the DRC in rebuilding her institutional capacity and also establishing functional democratic institutions. The following section discusses the South Africa-DRC relations (HSRC, 2004).

2.7 South Africa-DRC political relations

The above sections dealt with foreign policies of both South Africa and the DRC. In this section the chapter discusses the South Africa-DRC political relations. After gaining independence in 1960, the DRC (formerly Zaire) began a stretch of instability and thirty years of authoritarian rule by Joseph Mobutu Sese Seko. In the early 1990s, the country experienced internal instability and the beginnings of a movement toward democratic politics. However, in May 1997 the consequences of the Rwandan genocide spilled over into the DRC and Laurent Kabila and his (primarily Rwandan) allies defeated Mobutu's undisciplined and poorly paid troops and installed Kabila in the presidency (Naidoo, 2003). When conflict developed among Kabila's allies, however, the country slipped into a civil war involving neighbouring states and various internal factions.

After years of warfare, Kabila was assassinated, in 2001, and replaced by his son, Joseph Kabila, who began to attempt reconciliation between the opposing sides. This led to the inter-Congolese dialogue in Sun City (a holiday resort in South Africa's North West province), South Africa, in 2002, and the Pretoria Accord signed by former belligerent parties, as well as the establishment of transitional institutions (such as a national assembly, senate, and a coalition government co-chaired by the president and four oppositional vice-presidents), ultimately leading to elections in 2006 (Naidoo, 2003).

It is against his background that, the government of South Africa firmly believes that the future of South Africa is indistinguishably connected to the future of the African continent and that of her neighbours in the Southern Africa region, particularly the DRC. South Africa's national vision of building a united, non-racial, non-sexist and prosperous society is also relevant in the context of South Africa's vision for the African continent. Coupled with this, is the understanding that socio-economic development cannot take place in the absence of peace and stability, as these are necessary conditions for socio-economic development.

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Socio-economic development is important in order to address the root causes of conflicts and instabilities. South Africa's efforts to bring about peace and stability in the African continent, particularly in the DRC, aimed to create environment in which all states in the continent, including the DRC, can achieve their socio-economic and political potential (SAFPI, 2013).

In their discussion, in October 2013, President Kabila and President Zuma paid particular attention to the peace and security situation in the eastern part of the DRC. The two heads of state condemned, in the strongest possible terms, the subverting activities of the rebel movements, in particular the M23. Zuma and Kabila applauded the DRC national army for protecting the country's territorial integrity (SAFPI, 2013). The two presidents also expressed their appreciation of the work of the United Nations Stabilising Force (MONUSCO), in particular the Intervention Brigade. Accordingly, the two heads of state, during this meeting, reaffirmed their commitment to work together to address the underlining security challenges facing the DRC. To this regard, the two states men recalled the Memorandum of Understanding (MoU) between South Africa, Angola and the DRC signed on 23 August 2013 and which resulted in the establishment of the Tripartite Mechanism on Dialogue and Cooperation (TMDC). The objective of the Mechanism is to support the consolidation of peace and stability in the DRC (SAFPI, 2013).

In Kinshasa, in October 2013, President Zuma addressed the National Assembly of the DRC. In his address, President Zuma commended President Joseph Kabila for initiating the recently-concluded process of national consultations in pursuit of the goal of fostering a greater sense of national unity and cohesion amongst the Congolese people (SAFPI, 2013). Thus, the relationship between South Africa and the DRC, on political matters is characterised by South Africa trying to assist the DRC in bringing about peace in the country and also acknowledging all the positive efforts by the DRC government in bringing about peace and stability in the country. South Africa is, currently, fairly stable politically, meaning that there is not much that the DRC can assist or contribute to South Africa's political stability.

2.7.1 South Africa's role in Peace agreements in the DRC

In a bid to assist resolve the political situation in the DRC, South Africa has made two attempts to play a major role in the DRC. Despite resourceful and tireless efforts by the first Democratic president of the Republic of South Africa, President Mandela, in 1996, South Africa failed to broker a peace deal between Laurent-Désiré Kabila and Mobutu. However,

the South African government did not lose hope or give up in assisting the DRC. This could be seen through the role that South Africa played in negotiating and drafting the Lusaka Cease-fire Agreement; South Africa was present when the document was singed on 10 July 1999 (Moffett, 2009: 5). However, the Lusaka Cease-fire Agreement did not live long. This was because, even though those countries that were involved in the war withdrew from the war, skirmishes continued, but this time they were between the DRC government and the rebel groups, particularly those that did not form part of the negotiations, for example, the Mai-Mai and the Democratic Forces for the Liberation of Rwanda (FDLR) (Naidoo, 2000:168). Moreover, in May of the same year, the then president of South Africa Thabo Mbeki met with the UN Security Council Mission in Pretoria to discuss the peace process in the DRC (South Africa Yearbook, 2002/03).

It is an undeniable fact that the DRC was in a state of war before South Africa volunteered to bring the warring parties together and convene talks in Sun City. These talks were continuation of the Inter-Congolese Dialogue (IGD) which started in Addis Ababa on the 15th of October 2001. It should be noted that 300 delegates from different parties, movements, groups and organisations from the DRC took part at the Sun City resort in South Africa. These peace efforts resulted in an agreement or a new political deal, namely the transitional government of 2003-2006. The parties stuck to the terms of the peace agreement and the South African government thought that this was encouraging (South Africa Yearbook, 2002/03).

It is believed that the South African government's commitment to peace keeping and security reform in the DRC is because the DRC is a very strategic country for the development of Africa. Carayannnis (2009:9), however, argues that South Africa was willing to assist with the completion of the IGD because of her super power status in the region and the continent. Carayannnis also believes that the success of the IGD would increase South Africa's prestige and reinforce her image as a peacemaker, both regionally and internationally.

Moreover, Khadija (2011) argues that there has been a growing suspicion related to South Africa's involvement in the DRC. Khadija believes that it was through its peace-brokering efforts that South Africa was able to brand itself as an African peacemaker. It is an unquestionable fact that South Africa invested heavily in the Inter-Congolese Dialogue held at Sun City in February 2002, but there were suspicions that this mediation was coloured by self-interest. South Africa has contributed peacekeeping troops, and has committed itself to

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the development of the DRC's public sector and also invested millions of rands and years of diplomacy to bringing stability to the DRC. It is within this context that South Africa's contribution in the DRC has long been suspected of being a guise for securing lucrative opportunities for South African businesses.

2.7.2 South Africa's role in DRC Elections

Through their approval of the new Constitution on 18 December 2005, the Congolese people demonstrated their wish for democracy and development (United Nations, 2006). This is why 2006 is a crucial year for the DRC, because the first democratic elections, since the country's independence from Belgium many decades ago, were held. The 2006 elections consisted of both national and provincial elections in July and a presidential run-off in October. The elections of 30 July 2006 were only the second democratic elections in the DRC's history.

Since independence, the country had experienced a period of more than 40 years, characterised by a dictatorship and, subsequently a civil war. The civil war left close to four million people dead (Department of Foreign Affairs, 2006). According to the Institute for Security Studies (ISS (2011) the 2006 national elections in the DRC were among the most expensive held in Africa, and the involvement of the international community was extensive. There seemed to be high hopes for a new beginning for the country ravaged by decades of civil war. The UN mission MONUSCO, at the time, provided security before and during the elections, while international organisations and individual states provided technical assistance and logistical and financial support (ISS, 2011).

It is interesting to observe that ten million more voters registered for the 2011 polls compared to those in 2006. Although the number of presidential candidates dropped from 33 to 11, partly owing to an increase in a non-refundable deposit for presidential and legislative hopefuls, the number of political parties nearly doubled to 428. However, although polling stations increased by more than 10,000 to 62,000, there were only 168 compilation centres, a striking difference to the 2,528 centres in 2006. Numerous judges were appointed to manage electoral disputes in 2006, while only 27were appointed to serve in the Supreme Court in 2011, 18 of whom were appointed by Kabila. EU observers were cut by more than half to 148, and while there were over 2,000 UN observers in 2006, none were present at the 2011 elections. The international community financed approximately 80% of the 2006 elections, but this figure was halved in 2011 (Roberts, 2011).

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In contrast to the declined financial and logistical support by other international players, South Africa showed support for the 2011 elections through provision of critical assistance to ensure that the presidential and parliamentary elections continued as planned. Despite initial disappointment with the Kabila regime, South Africa's policy of support continued, demonstrated by its support for the 2011 elections, where it replicated the support it had given for the 2006 elections. This included the transportation by SANDF, of 1 863 tons of ballot papers and other electoral materials from South Africa to distribution centres in the training of body guards by the SAPS, the printing of ballot papers and security advice. It is clear that the South African Government contributed approximately R126 million to ensure that the 2011 elections took place and that the DRC consolidated its democracy (SAFPI, 2013).

Moreover, South Africa and the DRC bilateral commission, subsequently, met in Kinshasa in September 2011. The SA minister of Defence visited the DRC in November 2011 and echoed Pretoria's commitment to the elections. In addition, the printing of electoral material was awarded to an ANC connected businessman. Like most African governments, the South African government congratulated the DRC authorities for holding the elections. However, the South African government remained silent about the alleged widespread electoral fraud and human rights abuses documented by the UN mission in the DRC. More notably, the South African authorities acted against opponents of the Kabila government based in the DRC diaspora after they attacked the Congolese embassy in Pretoria. Some were deported to the DRC, as reportedly agreed with the Congolese authorities (SAFPI, 2013).

After a three-day delay, the DRC electoral commission president Daniel Ngoy-Mulunda announced that Kabila had indeed won the election. However, Tshisekedi rejected the results and announced himself as the country's new president instead. Amid warnings from international observers about the credibility of the results, Tshisekedi's supporters continued to accuse South Africa of conspiring against the electoral processes to return Kabila to power. It is worth noting that opposition supporters in the DRC have questioned the motive behind South Africa sending troops to the DRC during preparations for the election, pointing out that war had not broken out in the country (Khadija, 2011).

In response to these allegations, the spokesman for the Department of International Relations and Co-operation, Clayson Monyela strongly denied the accusations that the South African government favoured any particular candidate in the election. He further said that South

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Africa did not have a preference of leadership in other countries, and that they left it to the people of the DRC to decide who they wanted to lead their country. He further pointed out that it is incorrect to say South Africa prefers one candidate over another, and that South Africa does not interfere in the internal affairs of a sovereign country (Khadija, 2011).

In support of South Africa Fritz Nganje, a researcher at the Institute of Global Dialogue (IGD), cautioned that there remained a great degree of uncertainty over the DRC. He argued that it was difficult to see how this would end. Nganje believes that there was nothing unpleasant about South Africa's logistical assistance to the Congolese government during the election. He further acknowledged that, due to the high-stakes nature of the poll, irregular behaviour can easily be misinterpreted. Nganje also believes that allegations of South Africa tampering with the DRC elections are illogical and misleading. Logically, South Africa would seek stability to ensure the safety of her economic interests in the DRC. According to Nganje, South Africa only failed the Congolese people by not fostering dialogue between rival political factions ahead of the election to ensure a free and fair electoral process (Khadija, 2011).

Townsend (2012) also pointed out that numerous analysts criticised the international community, claiming that it was a mistake to think that the consolidation of democracy would not require the same level of diplomatic and financial commitment previously made available. This significant increase in political activity, contrasted by a relatively weak electoral support structure, was a clear sign from the onset that the DRC would struggle to effectively manage the highly anticipated November 2011 presidential elections.

2.7.3 South Africa-DRC Diplomatic visits

After his release from prison, Nelson Mandela travelled to many countries in Africa and abroad to thank those who had supported the ANC during its years of struggle and to implore them to continue to pressurising for democratic transformation in South Africa. However, his visit to the DRC took place only in 1997, implying that the DRC was not of strategic importance to Nelson Mandela's administration.

In December 2003 and early January 2004, senior officials from the South African government made a diplomatic visit to the DRC in a bid to identify possible areas of co-operation to assist the DRC with its post-conflict reconstruction and development. This paved a way for former president of South Africa, Thabo Mbeki to visit the DRC in January 2004.

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As a result of Mbeki's visit, the South African and the DRC governments signed the General Cooperation Agreement (GCA) on 14 February 2004 (South Africa Year Book 2004/05). This particular agreement served to strengthen bilateral political, economic and technical cooperation and made provision for the establishment of a Bi-National Commission (BNC) as an annual forum for exchange and dialogue, with a strong focus on PCRD. South Africa remains committed to a PCRD strategy that is aligned to that of the African Union (AU) and the New Partnership for Africa's Development (NEPAD).

Mr Mufamadi, who was a minister during Mbeki's era, hosted a delegation from the DRC in Pretoria on the 18th of March 2004. The DRC delegation was led by the then Minister of Planning Mr Thambwe Mwamba. This particular meeting was held within the context of the GCA. This was followed by the official launch of the South Africa-DRC Joint Bilateral Commission (JBC) in Kinshasa in August 2004. It is this JBC that serves as a mechanism to regulate political and economic relations between the two nations (South Africa Year Book 2004/05).

In March 2006 Presidents Thabo Mbeki and Joseph Kabila jointly chaired the third session of the South Africa-DRC Bi-National Commission. In this session, the two countries signed agreements such as, a Memorandum of Understanding of co-operation in Education, Co-operation in the field of Maritime Transport and agreement of decentralisation. In March 2006, South Africa also extended the existing deployment of 110 SANDF members until 31 March 2007, and deployed 14 more members, bringing the total to 124. This was in support of the integration and military training of the armed forces of the DRC (South Africa Yearbook, 2010/11).

President Zuma of South Africa and President Joseph Kabila of the DRC met in October 2009 as part of the BNC. The meeting aimed to strengthen co-operation between the two nations in areas such as trade, peace, security, defence and economic development. As a sign that there is a healthy relationship between the DRC and South Africa, Deputy President Kgalema Motlante of South Africa attended the 50-year celebrations of the independence of the DRC (South Africa Yearbook, 2010/11).

After being invited by President Jacob Zumba, President Joseph Kabila arrived in South Africa on 22 October 2012. His visit started on the 22nd and ended on the 24th of October 2012. This visit was termed the eighth session of the Bi-National Commission between South Africa and the DRC. The meeting between Presidents Jacob Zuma and Joseph Kabila was

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preceded by a meeting of senior officials, which took place from 20-21 October 2012 and a ministerial meeting held on 22 October 2012 (South Africa Yearbook, 2010/11).

The two presidents reviewed a wide range of bilateral, regional and international issues during their talks. Both presidents expressed a great level of satisfaction at the warm and special relations that exist between the two nations. They further committed themselves to further enhancing these relations for mutual benefit of their respective countries and peoples. It is interesting to observe that, in this meeting, the two heads of states expressed their satisfaction with the progress made in the implementation of bilateral projects. It is not a secret that these two nations cooperate in various fields including security sector reform, infrastructure development, capacity and institutional building, humanitarian and social matters (South Africa Yearbook, 2010/11).

Deputy Minister of Trade and Industry, Elizabeth Thabethe, accompanied by a delegation of 43 South African business people, arrived in the DRC on Monday the 16th of September 2013 for a week-long trade and investment mission. The Department of Trade and Industry's (DTI's) investment and trade initiatives, as they are called, sought to create opportunities in high-growth markets for South African companies, while promoting South Africa as a trade and investment destination. The mission of the week long business seminar included a trade investment seminar, exhibitions and business-to-business meetings in Kinshasa and Lubumbashi (allAfrica, 2013).

President Jacob Zuma of South Africa visited the DRC for the first time as a president in October 2013 in what is termed the ninth Bi-National Commission between the two nations. The two heads of states noted, with great appreciation, the noticeable progress that was achieved in strengthening the political and economic cooperation between the two countries. The two presidents also agreed to prioritise key areas of cooperation such as trade and investment in areas of energy, infrastructure, agriculture, transport, science and technology, and security cooperation (allAfrica, 2013).

It is important to remember that various African governments have signed the Tripartite Free Trade Area (T-FTA) agreement paving the way for more meaningful intra-African trade. President Zuma noted the launching of the Tripartite North-South Corridor Investment Programme under this agreement. With initial funding of $1.2-billion (a large proportion coming from the African Development Bank and the Development Bank of Southern Africa), and strong support from the South African government, actions are being taken to fast-track

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this project. The programme supports some of Africa's busiest trade routes, linking the port of Dar es Salaam in Tanzania to the copper belt in Zambia and Lubumbashi in the DRC. It then continues down through Zimbabwe and Botswana to Africa's largest and busiest port, Durban, in South Africa. All the North-South Corridor Initiative will service eight countries, namely Tanzania, the DRC, Zambia, Malawi, Botswana, Zimbabwe, Mozambique and South Africa (South Africa info, 2013).

2.7.4 South Africa's Military assistance and deployments in the DRC

The 1998 White Paper on South Africa participation in peace missions states that South Africa may provide civilian assistance, armed forces and police officers for common international efforts when properly authorised by international and domestic authorities to help in such missions. By extension, South Africa will support the United Nations and, where relevant, the African Union and the Southern African Development Community by making an appropriate contribution to international peace mission. It is for this reason that a stable and peaceful DRC is indisputably a foreign policy priority for Pretoria (Malan, 1999). It should, therefore, be noted that all efforts by Pretoria to bring about peace in the DRC are developed and guided by her foreign policy objectives as stated in the White Paper.

It is against this background that South Africa became one of the first African countries to deploy troops in the DRC in 1999, at the height of fighting that resurfaced in 1998 and involved foreign troops from countries of the Great Lakes region. The country was war-ravaged for a few years even before the then President, Desire Kabila, was shot dead in 2001. It was in this context that South Africa sent the first six of the 88 soldiers to the DRC as part of the UN peace-keeping mission. The fallout from Kabila's death necessitated the deployment of additional troops to the DRC under the United Nations Organisation Mission better known by its French acronym, MONUC (Sisulu, 2011).

During this stressful time, in the DRC, the South African National Defence Force (SANDF) deployed Colonel Hans Swart to Kampala, in Uganda, as part of the Capital Liaison Officers deployed to the capital cities of all countries that were involved in the DRC conflict. Additional deployment was effected in 2001 when MONUC requested an urgent deployment of the SANDF's Aero Medical Evacuation team along with a small advance team from the Command and Support Unit. This was South Africa's first formed element to be deployed in support of an international peace-keeping mission (Sisulu, 2011).

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It is necessary to note that, in February 2002, the South African government announced that more troops will be sent to the DRC as part of the UN Observer mission. To be more specific, the SANDF sent 48 members of its military police to assist with the establishment of the MONUC Military Police Unit. While South Africa's involvement dated back to 1999, a large number of forces was only deployed in 2003. That batch of 1000 consisted of just over 100 soldiers in Kindu, about 600 in Goma, 250 in Beni and the remainder in Kirumba (Sisulu, 2011).

Again, with requests from the United Nations' Department of Peacekeeping Operation increasing, South Africa was asked to provide a task force of about 1500 troops, and these troops comprised of the infantry battalion group and an aviation regiment. The SANDF's Engineering Corps, a headquarters' support unit, a medical facility, a Well Drill and ferry units, were later added to Operation Mistral. The ferry service was used for a peace monitoring base on Lake Albert, which borders Uganda and north-eastern DRC. When MONUC established the Eastern Division, in 2005, it resulted in the reduction of the South African contribution; the Task Force Headquarters and the Headquarters Support Unit were repatriated. The composition of Operation Mistral changed in 2006, again, when South Africa added the Aviation Unit and withdrew the Well Drill and ferry units (Malan, 1999).

In 2002, South Africa successfully sponsored the peace talks at Sun City and Pretoria. The signing of the Pretoria Peace Agreement (Global and All Inclusive Peace Accord) on 17 December 2002 was a major step towards ending the war in the DRC. This, in turn, paved the way for the DRC's first democratic elections in 2006. However, it is generally believed that the peace dividends did not really benefit South Africa. During these first elections, South Africa proved to be a close ally of the DRC by rendering significant financial and logistical support, enabling the DRC to host credible elections (Malan, 1999).

The rebellion in April 2012 of what became known as the 23 March Movement (M23) represented a serious setback to the search for stability and development in the DRC and marked another of the recurring cycles of conflict and suffering that seem to plague the DRC. It is interesting to note that, during their meeting that took place in South Africa on the 22 October 2012, Presidents Jacob Zuma and Joseph Kabila reflected extensively on the on-going instability in the eastern part of the DRC. They strongly condemned those forces that were involved in destabilising a sovereign state and called on them to cease their activities with immediate effect. They further committed their respective governments to the regional

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efforts that are aimed at assisting the government of the DRC to deal with the M23 challenge (Stephanie, 2013).

On 24 February 2013, South Africa joined ten other African countries, as well as the UN, the AU, the ICGLR and SADC, in signing the Peace, Security and Cooperation Framework for the DRC and the region. This is arguably the most important international effort to date to resolve the challenge of the recurring conflicts in the eastern DRC. The Framework sets out national commitments for the DRC, for the countries of the region and for the international community. South Africa is a member of the regional oversight mechanism that is tasked with ensuring that the countries of the region adhere to their commitments (Stephanie, 2013).

In support of the objectives of the Framework for Peace, Security and Cooperation for the DRC and the region, and following consultation with the African Union, SADC and the International Conference on the Great Lakes Region, it was proposed that a dedicated intervention brigade be established within MONUSCO. On 28 March 2013, the UN Security Council adopted Resolution 2098, which, inter alia, extended the mandate of MONUSCO in the DRC to 31 March 2014 and established an "Intervention Brigade" under direct command of the MONUSCO Force Commander with the responsibility of neutralising armed groups, thus working for a return to stability that is an essential precondition for finding lasting political solutions. This is a clear indication that South Africa is playing a critical role in the promotion and consolidation of peace and stability in the DRC (Stephanie, 2013).

The South African government decided that the SANDF will join the defence forces of Malawi and Tanzania in participating in the Intervention Brigade to help the DRC reclaim state authority in the east of the country, by quelling the unacceptable deteriorating security situation that is caused by negative forces that are terrorising innocent people and denying them basic human rights. The overriding content of South Africa's current bilateral relations with the DRC is aimed at assisting the country to develop the capacity to effectively manage its programmes within the framework of its own Post Conflict Reconstruction and Development (PCRD) programme (Mashimbye, 2013). South Africa, therefore, supports the DRC government in its approach to issues related to the integration of the army, demobilisation and reinsertion into normal civilian life, especially in rural areas, the promotion of small scale development projects that would assist local communities to facilitate the reintegration of demobilised soldiers, the issue of women and children in armed

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groups and the integration of disabled soldiers. The next section focusses on the South Africa-DRC economic relations.

2.8 South Africa-DRC economic relations

The above section discussed the South Africa-DRC political relations. This section focusses on the South Africa-DRC economic relation. The most visible South African footprint in the DRC is provided by the private sector. South African business is involved in telecommunication (through Vodacom, since 2001), airways (through SAA) and in the mining and oil sectors. South African companies have obtained oil exploration rights in Central and Eastern Congo - a new development after the investments in mining (DTI, 2013).

According the current Deputy Minister of the Department of Trade and Industries, Ms Elizabeth Thabethe (2013), relations between South Africa and the DRC were formalised in 2004 through the signing of the GCA, which made provision for the establishment of a Bi-National Commission (BNC). It should be noted that the BNC of 2004 was a product of the GCA of January of the same year. Thabethe further acknowledged that the establishment of the BNC served to cement relations between the two countries and pave the way for cooperation beyond the political sphere. In a bid to forge relations in other spheres other than in politics, in 2004, the government of South Africa and the government of the DRC signed a memorandum of understanding on Economic Co-operation. The main objectives of this particular memorandum of understanding were and still are to promote sound economic relations between the two countries (DTI, 2013).

Business investments swamped into the DRC after the attainment of peace, thus, helping the country to start rebuilding itself. South African mobile telecommunications network companies, Vodacom and MTN, mining companies, Standard Bank and the state-owned electricity provider Eskom have invested in the DRC (DTI, 2013). Some South African farmers are also growing crops in the DRC. Several international companies also started investing in the mineral-rich Congo after seeing the positive outcome of the peacekeeping mission. Table 2.1 below summarises the South African companies that have invested in the DRC.

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Table 2.1: South African companies that are doing business in the DRC

Company Name	Sector
Standard Bank Group	Banking and Financial Services
Group Five	Construction
Vodacom Group Limited	Technology and Telecommunications
African Rainbow Minerals	Mining
Grindrod	Transport
Aveng	Construction
Altron	Industrial
AECI	Industrial
Cargo Carriers	Transport
Shoprite	Retail
Adcorp Holdings limited	Education, Bus Training &Employment
AngloGold Ashanti	Mining
Pretoria Portland Cement	Construction

Source: http://www.lrs.org.za/mnc/reports/repcount/?rep=1&id=181

The Department of Trade and Industry (DTI) continues to support the Bas Congo spatial Development Initiative (SDI). The Bas Congo corridor provides Kinshasa with a crucial link to the coast and highlights trade and investment opportunities in the DRC. A number of South African companies do business in the DRC and are seen to be contributing positively to the development of the DRC communities. It is interesting to observe that trade relations between the two countries are showing positive growth from a relatively low base, with bilateral trade being heavily skewed in South Africa's favour. This is because of the limited productive capacity on the part of the DRC economy. South Africa is the DRC's biggest supplier of foreign goods and services, providing 21, 6% of the country's total imports (DTI, 2013).

Table 2.2 and figure 2.1 below shows that exports from South Africa grew very significantly from 2006 to 2008 (R2, 431bn to R9, 161bn) before sinking heavily to R4, 758bn in 2009. In 2012, South Africa's exports to the DRC amounted to R12, 142bn whilst its imports from the DRC only amounted to R67m, resulting in a trade surplus of R12, 074bn for South Africa (65.7% increase as compared to R7, 934bn in 2011). Trade flows since then have been strong

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reaching R12, 074bn in 2012, as reflected in the figures below. One should also note that imports from the DRC to South Africa have been increasing very slowly since 2006. However, in 2008, imports from the DRC declined by close to 10 million and then picked up in 2009 and in 2011, reaching to 106, 4 billion mark. For some reason, imports from the DRC to South Africa declined to 67.5 billion in the year 2012.

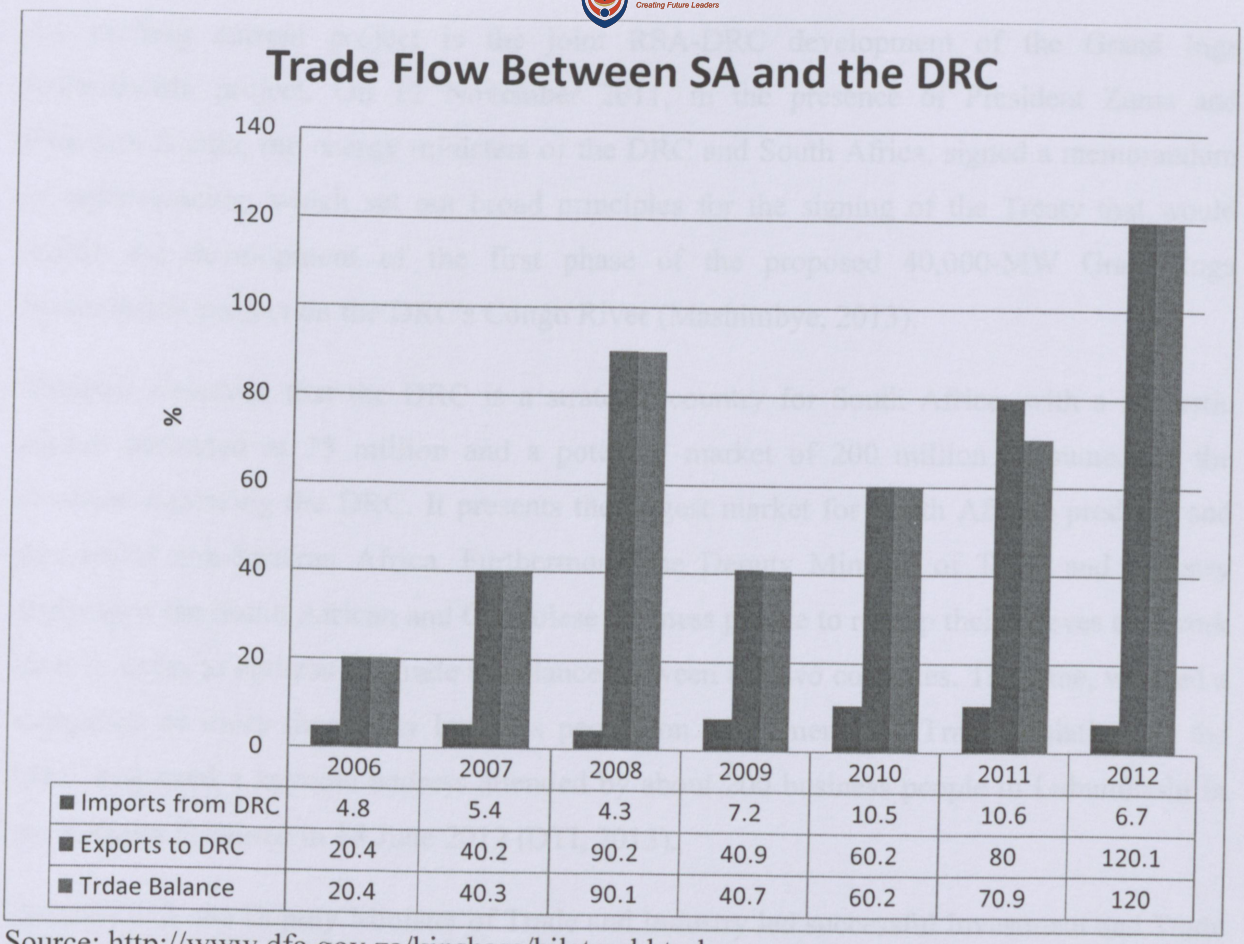
Table 2.2: imports and exports between South Africa and the DRC 2006-2012

YEAR	IMPORTS FROM DRC	EXPORTS TO DRC	TRADE BALANCE
2006	47 768 011	2 479 644 104	2 431 876 093
2007	54 034 126	4 369 539 310	4 315 505 184
2008	43 239 861	9 203 936 291	9 160 696 430
2009	72 354 386	4 829 931 726	4 757 577 340
2010	100 511 011	6 318 722 965	6 218 211 954
2011	106 500 768	8 040 664 774	7 934 164 006
2012	67 436 251	12 141 678 103	12 074 241 853

Source: http://www.dfa.gov.za/kinshasa/bilateral.html

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	2006	2007	2008	2009	2010	2011	2012
Imports from DRC	4.8	5.4	4.3	7.2	10.5	10.6	6.7
Exports to DRC	20.4	40.2	90.2	40.9	60.2	80	120.1
Trdae Balance	20.4	40.3	90.1	40.7	60.2	70.9	120

Source: http://www.dfa.gov.za/kinshasa/bilateral.html

Figure 2.1 Trade flow between South Africa and the DRC: (Scale used in this graph is: 10 million = 1 %

Figure 2.1 explains the information on table 2.1. It should be understood that the information in table 2.2 and figure 2.1 only covers the period between 2006 and 2012. This means that it is difficult to obtain official statistics on trade between South Africa and the DRC for the year 2013.

Furthermore, Deputy Minister Thabethe pointed out that the two-way trade between South Africa and the DRC stood at R 7.8 billion in 2011 compared to R 6.2 billion in 2010 and R 4.8 billion in 2009. This demonstrates a steady growth in trade between the two countries, although, the trade balance is still skewed in favour of South Africa. The challenge is to reduce this imbalance, without necessarily reducing South Africa's exports to the DRC, but by increasing the DRC's exports to South Africa. However, it should be noted that imports from the DRC increased by more than 5 per cent from 2010 to 2011, from R 103, 768 million to R 108.242 million, which is a welcomed improvement (see table 2.2 and figure 2.1) (DTI, 2013).

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An exciting current project is the joint RSA-DRC development of the Grand Inga hydroelectric project. On 12 November 2011, in the presence of President Zuma and President Kabila, the energy ministers of the DRC and South Africa, signed a memorandum of understanding, which set out broad principles for the signing of the Treaty that would enable the development of the first phase of the proposed 40,000-MW Grand Inga hydroelectric project on the DRC's Congo River (Mashimbye, 2013).

Thabethe observed that the DRC is a strategic country for South Africa, with a domestic market estimated at 75 million and a potential market of 200 million consumers in the countries bordering the DRC. It presents the largest market for South African products and services in sub-Saharan Africa. Furthermore, the Deputy Minister of Trade and Industry challenged the South African and Congolese business people to roll up their sleeves and work hard, in order to address the trade imbalance between the two countries. Thabethe, who led a delegation of more than sixty business people on Investment and Trade Initiatives to the DRC, delivered a keynote address attended by about 200 business people in Lubumbashi in the Katanga Province in 18 June 2012 (DTI, 2013).

In June 2012, the Deputy Minister of Trade and Industry led successful Investment and Trade Initiative (ITI) event that were presented in Kinshasa and Lubumbashi. The ITI is part of the Department of Trade and Industry's export and investment promotion strategy that focuses on targeted high growth markets with the objective of creating investment and export opportunities for South African companies and promoting South Africa as a trade and investment destination (DTI, 2012).

Thabethe added that, in improving the trends of the trade imbalances, the key interventions proposed by the two countries should focus on ensuring diversification of their economies through closer collaboration on business to business ventures and relations. She further noted that in terms of country to country economic patterns, trade between South Africa and the DRC is mainly based on manufactured goods for South Africa while imports from the DRC are mostly mineral products. This clearly reveals that there is a big room for improvement in this regard. To ensure diversification, the two countries also need to cooperate in areas of policy know-how and knowledge sharing. On this note, South Africa is ready to share skills in infrastructure development and in other relevant expertise, in order to assist in addressing the infrastructural backlog experienced by most countries in Africa. South Africa is also ready to share knowledge, experience and to provide capacity in the development of the

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Industrial Policy to address the issue of diversification and beneficiation of mineral resources (DTI, 2012).

In October 2012, during the meeting between Presidents Jacob Zuma and Joseph Kabila both echoed their commitment to strengthen economic ties between South Africa and the DRC. Both presidents believed that economic ties could be strengthened by enhancing cooperation between the business communities and the two nations, and by increasing bilateral trade and investment. Both Presidents saw South Africa's Investment and Trade Initiative (ITI) as a perfect platform to achieve this particular goal. The two presidents also witnessed the signing of a co-operation Agreement between PetroSA and COHYDRO. The purpose of this agreement was to establish a strategic cooperation in the activities of pre-exploration, exploration, development and production of hydrocarbons for mutual benefit (DTI, 2012).

Also worth noting is that the growing bilateral economic cooperation between South Africa and the DRC received added impetus through a two-day business forum held from 29-30 October 2013 in Kinshasa. This particular business forum was aimed at devising appropriate mechanism to expand economic cooperation and investment between the two nations. Some of the South African representatives present at the Business Forum included, among others, Vodacom, Standard Bank, Shoprite, and Anglo Gold Ashanti. When he was addressing the Business Forum President Jacob Zuma commended South African companies that had already invested in the DRC in mining, telecommunications, financial services, road infrastructure, construction, the hospitality sector among others (DTI001, 2015).

Furthermore, President Zuma stressed the significance of intra-African trade and stated that "South Africa is looking to harness further opportunities by embarking on several projects that favour the promotion of value added products and services to the DRC and to give support to the DRC government's infrastructure and economic development initiatives" (SANews, 2013:2). President Zuma also estimated the African growth rate at 6% average in 2014. In comparison, growth in the developed world averaged 3.6%. Zuma estimated that the DRC will grow at 8.2% in 2014 alone (SANews, 2013). The following section discusses the South Africa-DRC social and cultural relations.

2.9 South Africa-DRC social and cultural relations

The previous section of this chapter dealt with the South Africa-DRC economic relations. This section focusses on the South Africa-DRC social and cultural relations. One of the

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strong links between South Africa and Congo is provided by the DRC diaspora in South Africa. Despite being an English speaking country, South Africa hosts a significant Congolese community that dates from the Mobutu era. Waves of migrants (legal and illegal) were generated by poverty and the war and from an attraction to the South African lifestyle. South Africa was, and still is, a destination for both the elite and the poor. The repression and subsequent collapse of the Mobutu regime drove a lot of Congolese to South Africa. Business executives and political opponents were among the first to arrive in the early 1990s, looking for jobs and a safe haven. The late Katumba Mwanke, a former main advisor to President Kabila, worked for many years in South African mining companies. Congolese elites now visit South Africa for medical treatment, own properties and send their children to South African universities. Among the Congolese bourgeoisie, having a Johannesburg wedding is fashionable while Gauteng is seen as the most convenient shopping destination from Kinshasa (SAFPI, 2012).

The Department of Public Service and Administration of South Africa helped the DRC develop its anti-corruption strategy. The strategy is now a tool that the DRC is using to address corruption around the country. The Department is currently also involved in the DRC's public service census project. This project is aimed at helping the DRC to identify its public servants and to establish effective control of its public service. To date, the counting has been finalised in eight of the 11 provinces of the DRC. Only three provinces (South Kivu, Orientale and Equateur provinces) are outstanding and will be completed soon. The Public Administration Leadership and Management Academy (PALAMA) has done excellent work in supporting the establishment of a National School for Public Administration (ENA) that trains public service officials. PALAMA trained a number of government officials in different areas, including project management, leadership, human resources and public administration (SAFPI, 2012).

The South African Department of Home Affairs provides capacity-building in population and immigration matters, the training of trainers, the identification of relevant equipment and infrastructure technology transfer which could be supplied by Home Affairs, and the development of standard operating procedures regarding immigration and population matters. During their meeting on the 22 October 2012, Presidents Zuma and Kabila agreed to encourage people-people contacts through cultural, scientific and educational exchange programmes and tourism (SAFPI, 2012). The next section deals with the theoretical perspectives used in this study.

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2.10 Theoretical perspectives: international trade and development

2.10.1 The Realist School Perspective

The above section discussed the South Africa-DRC social and cultural relations. This particular section focusses on the theoretical perspectives such as realism, neo-liberalism, neo-functionalism and interdependency. According to Devetak, Burke and Goerge (2012), the realist theory has historically been the dominant theory of international relations. This school of thought argues that states are central actors in international relations. This implies that, for the state to develop, it needs to guard against and take advantage of the external environment. One key assumption of the realist theory of International Relations is that states are selfish actors who always seek to attain and protect their own interests. Thus, the theory is centred on the idea that states seek to maximise their gains in the international system, even if it means risking benefits that more than one state can share. This means that where there are economic gains, states may resort to using sanctions and military force. The advocates of this theory believe that as long as the state sees substantial gains in the world economy, the state will be prepared to unleash military force, so as to maximise gains even if it means sacrificing military personnel in the process.

According to Seybolt (2007), realists are of the view that interventions are purely driven by the need to protect and promote national interests of the party that is intervening, more than the protection of moral responsibilities to the humanity at risk, which the intervening party claim to be exercising. The realist theory also argues that the state has a responsibility to initiate and facilitate development within its territorial boarders and also to protect its citizens. Realists also argue that the state has supreme control over its resources and the security sector. This implies that the state has the capacity and capability to develop itself as a nation. Trade is widely accepted as an important engine of economic growth and development. It is an undeniable fact that there are many regions and countries of the world that have been able to lift their peoples from poverty to prosperity through trade. Morganthau (1962) pointed out that states are selfish actors in the international system, meaning that they are unwilling to share the benefits but aim at maximising the losses of another in their efforts towards economic growth.

The South African government knew all along that to exploit the economic potential that the DRC had, there was need for political stability in the country. Political stability creates a conducive environment for trade and investment. Apart from sacrificing military personnel,

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the South African government also spent a lot of money, for example, R126 million used in 2011 to ensure that elections took place in the DRC. The South African government was criticised for using a lot of money on the DRC, but the South African government chose to use the money in the DRC because it wanted to protect its economic interests in the DRC. It has to be understood that although peace was achieved in the DRC through the military intervention by the South African military forces through the mandate of the UN, and democracy was consolidated in the DRC in 2011 through the logistical and financial assistance the South African government, did to promote and protect its economic interests in the DRC.

2.10.2 The Neo-liberalist perspective

Neo-liberalism as a school of thought, argues for free trade and a market or capitalist economy as a way towards achieving peace and prosperity. Thus, advocates of neo-liberal views are of the opinion that there is a need to transfer the economy from the state to the private sector. Thus, there is a direct connection between neo-liberalism and capitalism because both promote the ownership and control of the economy by the private sector, and they both also promote private interests at the expense of state development (Guy, 1978). Neo-liberalism argues that if the economy is under private sector control, the nation is bound to benefit more due to the universality of the private sector, epitomised by multinational corporations.

Given the above information, it will be a miscarriage of justice within academic circles to omit John Williamson's concept of the Washington Consensus, a collection of recommendation and policy options for a favoured private sector ownership and control of the economy within a Western-based approach to the economy (Gowan, 1999). Neoliberalism therefore pushes global financial institutions such as the International Monetary Fund (IMF) and World Bank (WB), to spearhead an economic revolution and transformation, popularly known as Structural Adjustment Programs (SAP) (Mirowski & Plehwe, 2009).

It is worth noting that, even though the South Africa-DRC trade and investment cooperation is a South-South Cooperation initiative, it is clear that neoliberalism shapes the current South Africa-DRC trade and investment approach and cooperation with the rest of Africa. South Africa and the DRC under the current scenario, guided by neo-liberalism, tend to favour floating exchange rates, trade liberalisation, and privatisation of state enterprises,

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deregulation and, above all, existence of legal security policies that protect property rights. A closer analysis shows that capitalism has always been the preferred system, regardless of geo-political location (ISS, 2011).

2.10.3 The Neo-Functionalist perspective

Neo-functionalism is a theory that is located within institutional liberalism. It acknowledges the increasing responsibility of institutions to contribute to industrialisation and the general improvement of the welfare of the state (Haas, 1964). The theory came into prominence after the 1970s and 1980s economic resilience in the wake of the oil shocks. Haas (1968) notes that neo-functionalism is a theory of integration which is vested within the European Union success story. Neo-functionalism is enshrined within the growth of economic interdependence between nations (Haas, 1964; 1968); Sandholtz and Sweet, 1991). In addition, this should culminate in the development of organisational capacity with an increasing ability to resolve disputes and build international legal structures. Moreover, neo-functionalism argues for the existence of some market structures that replace the traditional and realist informed state-centred economic welfare.

The South Africa-DRC relations can also be explained on the basis of neo-functionalism. This will have a direct impact on the concept of spill overs. It is within this context that Haas (1968) and Sandholtz and Sweet (1991) assert that cooperation in one area leads to cooperation in another area within the framework of integration. Cooperation within economic considerations, such as trade and investment (to which the study is anchored), creates and increases cooperation in other areas, such as diplomatic, military and political solidarity. This could be seen through the South Africa-DRC cooperation in conflict resolution and management, which later led to economic cooperation. Most importantly cooperation with one nation may lead to cooperation with other nations, particularly the neighbouring nations. Again, it is within this context that the trade and investment relationship between South Africa and the DRC should also be seen as an effort to integrate SADC and the whole of Africa.

2.10.4 Interdependence perspective

Interdependence as a theory should be best understood as a part of a larger scale of social change theories. This theory holds that closeness is the key element to all relationships including state-to-state relationship. It is undeniable that South Africa and the DRC are closer

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than ever in the Jacob Zuma and Joseph Kabila era. Some commentators' political analysts and those who are sceptic about the South Africa-DRC relations even refer to the DRC as the 10th province of South Africa due to the closeness of these two nations. Jackson and Sorenson, (2010) identified Keohane and Nye as the key proponents of the Interdependence theory in International Relations. They argue from a Functionalist point of view, that no man is an island, meaning that states need one another to survive. They further argue that states should establish functional alliances in every sphere of human activity (Jackson and Sorenson, 2010).

The alliance between South Africa and the DRC is functional because the DRC on the other hand, is able to intensify efforts to bring about lasting peace in the DRC with assistance from the South African government. On the other hand, the South African government and private business people are able to secure trade and investment opportunities in the DRC. This implies that the relationship between South Africa and the DRC is a win-win situation, even though the gains are not equal, they are mutual. Thus the world, is increasingly interrelated, resulting in a condition of complex interdependence. This complex interdependence means South Africa and the DRC do not only rely on each other for survival, but they also rely on other countries (Jackson and Sorenson, 2010).

2.11 Conclusion

Inter-state relations on matters of trade and investment are not a new phenomenon. They started a long time ago. States traded with each other long before the GATT and the WTO came into exist. Before the international community became concerned about trade regulations, states relied on bilateral trade negotiations. However, this era, it is believed, was characterised by high levels of protectionism and trade discriminations. States were also vulnerable to trade-related conflicts. GATT was formed after the Second World War so as to regulate international trade and do away with trade barriers, in order to promote free trade in the international community. GATT was later changed to WTO as it was seen to be promoting the interests of developed nations on matters of trade. In addition, benefits and losses of Foreign Direct Investments were discussed in this chapter. In addition, the foreign policy of South Africa and the DRC since independence were also discussed in this chapter.

This chapter also looked at the relationship between South Africa and the DRC. It noted that, in 2001, South African companies such as Standard Bank and Vodacom, to name but a few, penetrated the DRC market. The relationship between South Africa and the DRC became

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official in 2004 when they signed what was termed the General Cooperation Agreement (GCA). This agreement necessitated the establishment of a Bi-National Commission (BNC). The relationship between South Africa and the DRC has grown from strength to strength since the first president of the Democratic Republic of South Africa Nelson Mandela's visit to the DRC in 1997. Although there is evidence of a decline in trade, trade and investment, in general, has increased between these nations since 2006. However, there are still many challenges that these countries need to seriously work on to further improve their cooperation. This study is grounded on the realist theory of international politics. It focuses on the role of history in the current dynamics of international trade and investment relations in the international community. However, other theories such as neo-functionalism, neo-liberalism and interdependence are used in this study. The next chapter discusses how the study was conducted, the methods that were used and the ethical considerations related to this study.

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CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

The previous chapter focussed on conceptual framework of the study and on regional and international trade as well as the foreign policies of South Africa and the DRC. The chapter also focused on the background and nature of the relationship between South Africa and the DRC. This chapter discusses the research methodology which comprises the approach that the study adopted, data collection instruments, the target population and sample size, and the data analysis strategy. In addition, the chapter also looks at the limitations, delimitations and the ethical considerations of the study such as informed consent, debriefing, avoidance of harm and violation of privacy/confidentiality/ anonymity just to name but a few. Therefore, this chapter aims to clarify the methodology and all the instruments used for data collection and analysis.

3.2 Methodology

According to William (2011:1) methodology is used to give a clear cut idea of what the researcher is studying or researching on. Neuman also observes that methodology comprises ideas, rules, techniques and approaches that are used when undertaking a research project.

There are two scientific methods in the research domain, namely qualitative and quantitative methods. Qualitative research is a system of inquiry which seeks to build a holistic, largely narrative, description to enhance the researcher's understanding of a social or cultural phenomenon (Cresswell, 1994:16). Strauss and Corbin (1990:10) argue that qualitative methods can be used to better understand any phenomenon about which little is yet known. However, the quantitative approach is that approach of research in social sciences which is more highly formalised as well as more explicitly controlled with a range that is exactly defined and which involves the study of subjects and a broader understanding of phenomenon (De Vos, 1998:15).

Swanson and Holton (1997: 93) believe that qualitative and quantitative research approaches can be effectively combined in the same research project. Strauss and Corbin (1990) also argue that using both quantitative and qualitative data can give insights that neither type of analysis could provide alone.

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However, this study employed the qualitative research design. Qualitative research provides a richer and more in-depth understanding of the population under study (Vanderstoep & Johnston, 2009). This is mainly because the study is about perceptions, attitudes and interaction and understanding about the subject matter. The qualitative approach was chosen for this study because it is considered the best in understanding and explaining the complexities of the social, economic and political challenges associated to trade and investment between the two countries. The following section discusses data collection methods.

3.3 Data collection methods

The above section discussed the methodology the study adopted. This section focusses on the data collection methods. Grinnell and Williams (1990:44) define a data collection method as a procedure specifying techniques to be employed, the measuring instruments to be utilised and activities to be conducted in implementing a research study. This is accomplished through various methods and techniques of observation, such as document analysis, content analysis, interviews, questionnaires and psychometric tests. As already highlighted in the methodology section, data for this study were collected in two ways, namely, from primary and secondary sources. Secondary sources, in this context, refer to the documented sources from various governmental departments, research institutions, the DRC embassy in Pretoria, newspapers, speeches from the presidents and various political leaders, the World Trade Organisation, and earlier researchers, to name but a few. In this study, primary sources refer to the oral sources from various governmental departments, business people from both South Africa and the DRC, research institutions, the DRC embassy in Pretoria and other individuals from the DRC. This study employed a qualitative research design for primary data collection.

The research instruments that were used for data collection were mainly unstructured face to face interviews and telephone interviews. Telephone interviews were used to gather data from participants who were not available for face to face interviews. Tools that were used for data collection included among others, a voice recorder, camera, and a cell-phone. These methods of data collection provided the researcher an opportunity to obtain information through direct interchange with individuals expected to possess the knowledge that the researcher sought (see Depoy & Gilson 2008:108). Face to face interviews and telephonic interviews were sought data on the questions that cover the following aspects: the concept of foreign investment, international trade, and challenges and prospects of the South Africa-

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DRC trade and investment relations. Quantitative data, however, were derived from secondary sources and were mainly numeric and statistical in nature. The following section of this chapter deals with the population and sample.

3.4 Population and Sample

The previous section dealt with data collection methods. This section discusses the population and sample of this study. A sample refers to a group of subjects on which information is derived, while sampling is the process of selecting a sample. In a broader sense, sampling is the process whereby a small population or sub-group of a population of interest is selected for a scientific study (Baumgartner & Hensley, 2006:176). The aim of sampling is to arrive at generalisations for the whole population based on a subset of the entire population. This is done because it is often impossible, impractical or even extremely expensive to collect data from all the potential units of analysis encompassed in the research problem (Nachmius & Nachmius, 1987).

This study used purposive sampling. Purposive sampling is a technique also referred to as judgemental sampling (Rubin & Babbie, 2005:247). This is because this type of sampling is based totally on the judgement of the researcher, in that a sample is composed of elements that contain the most characteristics, representative or typical attributes of the population that serve the purpose of the study (Grinnel & Unrau, 2008:153).

The study also employed snowball sampling mainly because it was not easy to find respondents from the DRC to give their perspectives on the prospects and challenges of the South Africa-DRC trade and investment relations. According to O'Leary (2009:190), snowball sampling involves building a sample through referrals. This implies that once an initial respondent is identified, he/she should be asked to identify others who meet the study criteria. Each of those individuals would then be asked to recommend others. The study identified two individuals from the DRC who live in Pretoria. These two individuals were then asked to recommend others for the purpose of the study. The researcher was fortunate to find more respondents from the DRC, who were staying in Pretoria and in Thohoyandou town.

The sample was selected in a representative manner. This implies that the subjects represented a larger population from which they were obtained. It should be noted that this study targeted government departments, research institutions, business people and individuals

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from the DRC, especially those who were enlightened enough to understand international trade issues. The study, however, did not select all the government departments and research institutions. Rather, it targeted those governmental departments that deal with trade, investment and foreign relation issues. Furthermore, the study also targeted those research institutions that deal with international issues. Therefore, participants were those government workers who work directly with trade, investment and foreign relations, particularly with African countries and more specifically the DRC. Workers that were interviewed were only those who work or used to work in departments that dealt with the South Africa-DRC relations. Thus, researchers from those research institutes that dealt with international matters, and who concentrated their research efforts on African issues, particularly the SADC region, were also be interviewed. This is because the researcher believed that these were the most relevant people to provide the necessary information on the challenges and prospects of the South Africa-DRC trade and investment relations. The next section deals with data analysis.

3.5 Data analysis

The above section dealt with the population and sampling of this study. This section focusses on data analysis. Quantitative data analysis refers to the process of placing observations in numerical form and manipulating them according to their thematic properties to derive meaning from them (Monette *et al*, 2008:486). Rubin and Babbie (2005:552) defines quantitative data analysis as the techniques by which researchers convert data to a numerical form and subject it to a statistical analysis. Royse (2008:318) related the process of quantitative analysis to the process of translation, in that the researcher presents from the raw data a meaningful picture of patterns and relationships. Wiersma (1995:217) defines qualitative data analysis as the classification of data into organised and coded themes. It is also defined by Baumgartner and Hensley (2009:138) as a method of manipulating and analysing collected data to reveal relevant information. Moss (2004) believes that in qualitative research, observations and narratives given by participants are put together and form the fundamental part of the research findings.

This study used thematic analysis to analyse data. Thematic analysis is a qualitative research tool that requires the researcher to be extremely familiar with the data he/she intends to analyse. This data analysis technique requires the researcher to carry out data collection on his/her own, in order to develop a thorough understanding of the data. Here, the researcher is

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expected to explain the themes sufficiently, in order for the audience to understand clearly what they mean. According to Johnstone (2008), thematic analysis allows the researcher to identify a limited number of themes that adequately reflect textual data. This study also analysed numerical and statistical data from secondary sources to derive different meanings to which they were used. This was to relate those numerical and statistical data to the subject of this study.

3.6 Limitations of the study

Unavailability of contemporary reading materials such as books and journals in the University of Venda and other libraries in Venda posed a serious challenge for the researcher. However, the researcher tried by all means necessary to access books and different journals from the Internet and other libraries outside the Limpopo Province. The researcher also experienced a serious challenge in accessing the DRC officials through the DRC Embassy in Pretoria. The researcher did not secure enough funding to travel to the DRC to interview some officials who might have shared interesting insights or shed more light on trade and investment matters. Language differences prolonged some of the interviews conducted especially with DRC citizens who struggled to express themselves in English. However, the availability of published materials, such as magazines, journals, newspapers and books, provided enough information on the subject. Some documents were written in French and were difficult for the researcher to use. However, as a remedy the researcher used google translator.

3.7 Delimitation of the study

Although the study was about South Africa and the DRC, it was carried out within the boundaries of South Africa. This implies that the researcher did not travel to the DRC to collect data.

3.8 Ethical considerations

The above sections dealt with limitation and delimitation of the study. This section discusses ethical considerations that are relevant to this study. Research ethics deal with how researchers treat those who participate in their studies and how they handle the data after collecting it (Vanderstoep and Johnston, 2009). All the participants of this study were treated with fairness and respect. Furthermore, this study is not a secret and the research results will be freely accessible at the University of Venda library when the study has been completed.

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The researcher made it a point that he acted responsibly to all sponsors of this study by adhering to all the terms of the agreement made with them. All sources of information used in this study were duly acknowledged to avoid plagiarism. In the next section informed consent, avoidance of harm, anonymity/ privacy/ confidentiality, cooperation with contributors and sponsors, and debriefing just to name but few will be discussed.

3.8.1 Informed Consent

Ensuring that all the participants in the study sign the informed consent form indicates that the researcher respected the rights of the participants to know what being part of that study entailed. The researcher communicated all the details of the study from potential risks and any potential costs to withdrawal to the participants (Vanderstoep and Johnston, 2009). It should be noted that for participants to participate freely in a research study, they should be made aware of all the appropriate information about the study. Participants should be encouraged to participate on voluntary basis, meaning that they should not be forced or be paid to participate in the study. Again participants should be made aware of their rights and freedom to either decline or withdraw from participating in the study at any time they so wish. Babbie (2007) argues that informed consent should be regarded as a norm in the field of research, and that participants should base their voluntary participation in the study on the full understanding of the possible risks associated with the research project.

Informed consent was utilised in this study for the sole purpose of seeking an agreement with the participants on whether to take part in the study or not. All the participants in this study, were met several times. The first time they were met was to discuss the tittle of the study and indicate to them that they were identified as potential participants. They were told that the researcher believed they could provide him with necessary and relevant information for the study. On the second visit, participants were made aware of possible questions and risks that they were likely to experience during the research journey. Appendix 1 shows the consent form used in this study.

3.8.2 Avoidance of Harm

Babbie (2007) argues that the fundamental ethical norm of social research is that the research must bring less or no harm to participants and the environment. Although physical injuries cannot be completely faced out in social inquiries, it is widely accepted that harm to respondents in social research could be mainly emotional. Cresswell (2003:64) argues that

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the researcher has an ethical obligation to protect participants within all possible reasonable limits from all forms of physical and emotional discomfort that may emerge from the research project. In this study, the researcher made sure that all participants were protected from both physical and emotional harm during the duration of the study. The researcher avoided personal and confidential questions that could expose participants to any kind of discomfort. Furthermore, the researcher conducted the interviews with the participants in an environment that promoted safety for both the researcher and the participants.

3.8.3 Anonymity/Privacy/Confidentiality

Privacy, in its most basic meaning, is to keep to oneself that which is normally not intended for others to observe or analyse. Every individual has a right to privacy, and it remains his/her right to choose when, where, to whom and to what extent his/her attitudes, beliefs and behaviours will be revealed. The principle of privacy could be easily violated, and this can happen in many ways. It is, therefore, necessary for researchers to be constantly reminded of the importance of safe-guarding the privacy and identity of respondents, and to also act with the required sensitivity with regard to the privacy of participants (Yegidis and Weinbach, 1996:34). In view of this information, the researcher avoided mentioning the names of the participants and used a coding system to match the participants with their contributions. For example, for an official from the Department of International Relations and Co-operations who participated in this study, the researcher used the code DIRCO001 instead of the name of the participant; the same was done for other respondents. The researcher also indicated to respondents that there would be no disclosure of information to third parties and the researcher adhered to this commitment. The respondents were also told that their names would remain anonymous if they so wish. Some of the respondents felt that the usage of cell phones, the voice recorder, camera and video camera violated their privacy, and, as a result, these were not used in the interviews of those respondents. This was done to try and avoid invasion of the privacy of the respondents.

3.8.4 Scientific validity

The methodology, data collection instruments and data analysis approaches used in this study were rigorous, justifiable, and reasonable. Again, some staff in the Department of Development Studies at the University of Venda also validated the data. Methodologies that are unreliable and invalid could be viewed as unethical and, as such, they may yield invalid

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and unusable results. The researcher, thus, made it a point that the methodologies used in this study were appropriate.

3.8.5 Cooperation with contributors and sponsors

Contributors are colleagues and students who participated in the research project. They did so either as co-authors, and field assistants or data collectors, and may only be acknowledged in the publication. Sponsors are organisations or individuals who assisted the research process financially. Monette *et al* (2005:62) argue that every individual who takes part in the research process should be included in a properly written agreement between the parties involved. In this study there are individuals who assisted in the collection of data, data analysis, and as peer reviewers, some organisations also assisted the research process financially. All these people and organisations will be dually acknowledged and all the terms agreed upon will be adhered to.

3.8.6 Debriefing

Debriefing of participants takes place at the conclusion of the study, and it involves revealing the purposes of the research. It should be done as soon as possible after completion of the study, preferably immediately after participation. It is important to provide a written debriefing so that participants leave the research experience with a tangible description of the activities they just performed (Vanderstoep and Johnston, 2009).

Debriefing serves two main purposes. First, it clears the air about the rationale of the study. Participants can hear, in the researcher's own words, why the researcher conducted the study. Second, it can educate participants about the topic at hand, thereby increasing the community's collective knowledge about the issue.

3.9 Conclusion

The chapter discussed the research methodology used to carry out this study. The researcher chose to use qualitative research methods simply because they are considered the best when dealing with complex and dynamic issues such as trade and investment challenges and prospects of South Africa and the DRC. Unstructured face-to-face interviews and telephonic interviews were used as methods of data collection from various participants. The information obtained was from the knowledge, attitudes and understanding of participants. The researcher probed for further information and where necessary made useful observations.

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Purposive and snowball sampling techniques were used in this study. This was an attempt by the researcher to make sure that only people that the researcher felt had relevant information to contribute to the study are included in the study. Data were analysed using the thematic analysis approach. The chapter also looked at the limitations and delimitations of the study.

For the study to be ethically acceptable, the researcher considered the following ethics: informed consent, avoidance of harm, anonymity/Privacy/Confidentiality, cooperation with contributors and sponsors and debriefing. The next chapter discusses prospects of trade and investment relations between South Africa and the DRC.

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CHAPTER 4: EXPLORING THE PROSPECTS OF TRADE AND INVESTMENT RELATIONS BETWEEN SOUTH AFRICA AND DEMOCRATIC REPUBLIC OF CONGO

4.1 Introduction

The chapter above discussed the research methodology which comprises the approach that the study adopted, data collection instruments, the target population and sample size, and the data analysis strategy. The chapter also looked at the limitations, delimitations and the ethical considerations of the study such as informed consent, debriefing, and avoidance of harm and violation of privacy/confidentiality/anonymity among other things. This chapter explores the prospects of trade and investment relations between South Africa and the DRC. Framed with the of South-South cooperation narrative, the South Africa-DRC trade and investment relations evidently have more prospects for the development and betterment of the two respective nations under study.

After gaining independence and acceptance in the international community in 1994, it became a priority to the South Africa government to ensure socio-economic and cultural development so as to meet the development constraints facing its citizenry. This led to South Africa assuming a very ambitious and pragmatic foreign policy identity. However, the DRC's approach to economic and development has been a little daunting due to conflict and political instability among other reasons. Bearing this in mind, this chapter specifically traces the South Africa-DRC relations with a binary analysis of trade and investment. The binary lenses adopted by this study involves unpacking through comparative lenses of how trade and investment opportunities between these two nations contribute to return revenues to aid human development of their respective citizenry. The chapter is, thus, arranged as follows: Section one address an economic angle of trade and investment between the two countries, section two locates trade and investment prospects within a socio-political horizon of analysis; and the last section concludes the chapter by evaluating whether there are prospects for trade and investment, or whether there is need for improvement.

4.2 An economic approach narrative

Trade and investment are important economic activities that contribute not only to peace and mutual cooperation, but also to greater development. Within a realist perspective, cooperation in economic frontiers such as trade and investments contribute tentatively to the betterment of

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participating nations. This can act as an important factor in alleviating conflict. A neoliberal approach supports the realist perspective by arguing that mutual cooperation in trade and investment ensures friendship that alleviates conflict. Besides, from a development perspective, developed nations have reached such a status probably by trade and investment imperatives.

For South Africa and the DRC, trade and investment relations have reached a peak level as evidenced by the establishment of a joint trade and investment bilateral agreement. To strengthen this, the two nations meet annually. This highest level of commitment is demonstrated by very few countries, and as such, South Africa and the DRC see prospects and mutual interdependence in the greater development of their respective nations.

4.2.1 Doing business Index

The Global Competitive Index is one, among others, variable that can be used to measure the market, trade and investment aspects of a country at a given time. Unlike the Gross Domestic Product that measures economic output and performance, Global Competitive Index measures the 'doing business' environment. Doing business environment tentatively attracts potential investors. This acts as an important barometer to measure safety, risk and profit or loss conundrums of doing business in any given country.

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The doing business environment in South Africa is in a very positive position. This is good for Pretoria as evidenced below. The Global Competitiveness Index (2013/14 and 2014/15) observes that South Africa is sitting on number 56 and has an overall index score of 4.35 on its 'doing business' imperative (Schwab, 2015). Furthermore, the index reports that South Africa has quality institutions, which are complimented by quality intellectual property protection laws ranked 22nd, property rights 20th, the efficiency of its legal framework in challenging and settling disputes (9th and 15th, respectively), and its top-notch accountability of private institutions ranked 2nd. The index further notes that South Africa has quality financial market development imperatives ranked at 7th (Schwab, 2015).

DRC, however, does not even appear on both 2013 and 2014 Global Competitiveness Index reports. This is a worrisome development indicator. This is not surprising because of the political instability and conflict situation in the country which has led to some people labelling DRC a failed state. Regardless of that, Wakana and Bamou (2014) observe that the economy of the DRC remained strong in 2013 with a growth in gross domestic product

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(GDP) of 8.1% (against 7.2% in 2012). This growth should be credited to mining, trade, construction and agriculture. They further argue that growth was aided by the improvement in the business environment and reconstruction of infrastructure (Wakana and Bamou (2014).

Based on the above analysis of the doing business imperative between South Africa and the DRC, it appears that South Africa has more prospects in trade and investment than its counterpart. Having a conducive doing business environment guarantees potential investors. Such a good business environment, in turn, contributes to the development of trade relations. The political instability status in the DRC can, however, be used as a key determinant in contributing to broader cooperation. Using the functional school of thought as expounded by Haas and Mitrany (1964), cooperation in one area has the potential to spill over to other areas. As such, South Africa has demonstrated huge commitments in contributing to the DRC peace through its peace keeping missions. This military-led intervention stands out as a potential for a spill over in other sections, of which trade and investment finds locus here.

4.2.2 Business opportunities endowment

Trade and investment relations can undoubtedly be shaped by the business opportunities endowment (DTI001, 2015). This section, therefore, addresses the business opportunities in South Africa and the DRC and how these ultimately contribute to prospectus matrix within which both countries may benefit. The South African government has identified business opportunities for its parastatals (government-owned corporations) and private companies in the DRC, particularly in the mining, telecommunications, financial services, road infrastructure, construction and hospitality sectors, among others. Using a government-led initiative, South Africa provides a political cover for South African private companies. This is seen through the establishment of the Investment and Trade Initiative (ITI) to the DRC initiative. Through this initiative, the South African government, through the Department of Trade and Industry (DTI), arranges and facilitates South Africa-DRC yearly business seminars where South African business people being transported to the DRC to look for business opportunities.

A good example is the 2013 South Africa-DRC Business Seminar that was hosted by the Department of Trade and Industry (DTI) in Kinshasa in which the South African Deputy Minister of Trade and Industry, Ms Elizabeth Thabethe, pointed out that there is a great opportunity to improve trade and investment relations between South Africa and the DRC. The Business seminar between these two nations was part of the first leg of the Investment

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and Trade Initiative (ITI) to Kinshasa and Lubumbashi where Deputy Minister Thabethe led a delegation of 43 South African business people. The Deputy Minister noted that "DRC continues to be a strategic market and partner for South Africa. It is one of the fastest growing economies in Africa. It's Growth Domestic Product (GDP) increased from 6.9% in 2011 to 7.2% in 2012" (allAfrica, 2013:1). This growth was driven by vigorous performances in mining, trade, agriculture and construction. (allAfrica, 2013). She added that the economy was expected to continue to expand in 2013 and, therefore, called for South African business people to work hard and take advantage of the current situation, as the South African government had created forums to enable them to take advantage of the available opportunities (allAfrica, 2013).

Thabethe added that one of the opportunities that was available for both countries was in upgrading existing or new investments in manufacturing across a range of sectors. In this regard, she noted that, although manufacturing and beneficiation are important for economic development of Africa, they are currently not the drivers of its economies and Africans themselves need to change that situation. Manufacturing and beneficiation are important as they will create more jobs and promote industrialisation in the African continent. It is disappointing to learn that Africa contributes 1% of the world manufacturing output and we need to strive to improve that. She further noted that in 2012 South Africa's exports to the DRC amounted to R11.5 billion whilst its imports from the DRC were worth R74.5 million. To be more specific Thabethe argued that "It is clear that there is a greater room to increase investments and to grow the volume of the two-way trade and create a more diversified balance of exports from both countries" (allAfrica, 2013:1). She urged business people from the DRC and South Africa to take advantage of platforms such as this ITI to engage with potential partners and contribute in increasing investment and trade between the two countries (allAfrica, 2013).

At the very same seminar, the Minister of Trade and Small and Medium Enterprises in the DRC, Mr Remy Musungai, told the attendees in the seminar that the DRC was a sleeping giant, and needed countries like South Africa to work with to revive abandoned companies, improve social life, create jobs, reduce poverty and develop the country's infrastructure. Musungai added that the DRC provides unlimited number of opportunities for the South African business community to explore. The two governments created an environment that is conducive for business people to operate in without major hindrances through the

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establishment of the Bi-National Commission and the signing of the Memorandum of Understanding on Economic Cooperation (allAfrica, 2013).

Deputy Minister of DTI, Thabethe, also acknowledged the fact that a lot was being done and had been done on foreign trade and investment relations between South Africa and the DRC, but more still needed to be done. She pointed out that there was a greater room to increase investments and grow the volume of trade between the two countries, and to create more diversified exports from both countries. She argued that South Africa wanted to see the DRC prosper. By implication South Africa as, a big brother to the DRC in terms of economic and military strength, wanted to see the DRC prospering. Medupe the spokesperson of the Deputy Minister of DTI Thabethe, added that the governor of Katanga Province, Moise Katumbi, had moved to assure the South African business community that the DRC government was working to ensure the country was attractive for business. Katumbi encouraged South African and DRC investors to take advantage of the opportunities the country had to offer in a variety of sectors (allAfrica, 2013).

4.2.3 Resource as a gift

South Africa and the DRC are both naturally blessed with natural resources. The World Trade report (2010) defines natural resources as stocks of materials that can be found in the natural environment. They are both scarce and economically useful in production or consumption either as raw materials or as processed products. These resources are discussed below.

4.2.3.1 Oil

Oil is one of the most lucrative and essential natural resources which is important for the development of any nation. Oil can facilitate development or destruction which can be viewed with the resource curse narrative. DRC is blessed with oil. This might be an important resource to aid South Africa's DRC relations. The DRC oil fields are the largest in sub-Saharan Africa and have been found in the Lake Albert Rift Basin, which overlaps the DRC-Uganda border (Pawn, 2014). The field contains an estimated 2 billion barrels of oil.

With the aid of the South African and DRC governments, Khulubuse Zuma's South African company, has signed a R100 billion oil deal with DRC (Pawn, 2014). Though highly speculated and criticised, this is an important deal that may contribute to the socio-economic development of both South Africa and the DRC in the short, medium to long term basis. The

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oil deal between the DRC government and Khulubuse should be seen as the DRC and South African government efforts to expand their cooperation beyond the political sphere. This deal will create many jobs for both South African and the Congolese people. The deal will also generate a lot of income for both countries. More so, this deal will expand Khulubuse's exploration experience so that in future, Khulubuse companies will be able to compete with other international oil exploration companies.

4.2.3.2 Minerals and Mining

Both South Africa and the DRC have huge mineral deposits. These mineral deposits could play a very important role in promoting trade and investment. South Africa can share its experiences with the DRC. Trade in minerals can be used to boost economic relations between the two countries. The Oxford Policy Management (2013) argues that large-scale mining can play an important role as a catalyst of economic development in low- and middle-income countries such as South Africa and the DRC. The challenge lies in identifying the shared interests around which government, industry and other stakeholders can engage. This involves building an environment that maximises economic and social benefits for the country and its population, whilst providing an enabling environment that allows investors to capture their necessary risk-adjusted returns (Oxford Policy Management, 2013).

The 2009 Africa Mining Vision, formulated by Africa's natural resource ministers, maps out how to unlock the socio-economic benefits of the continent's mineral wealth. Key recommendations include strengthening horizontal and vertical economic linkages between the mining sector and national enterprises and other economic sectors, improving the quality of the business environment; increasing private sector confidence and participation; and reducing entry barriers and operating costs to achieve economies of scale (Oxford Policy Management, 2013).

The Oxford Policy Management (2013) further pointed out that the DRC contains some of the world's largest mineral deposits. These include an estimated 10% of world copper reserves, 34% of cobalt reserves and 80% of niobium (usually called columbium in the United States) and tantalum. Copper is and has been the most important mineral export, followed by cobalt (often found together with copper), gold, diamonds, tin, niobium/columbium, tantalum and tungsten. Most of the DRC's known mineralization is contained in four main regions – Katanga, the two Kasaïs, Northeast Congo, and Kivu-Maniema (Oxford Policy Management, 2013).

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Since the end of the civil war in 2002, mining has enabled the country to move from a prolonged and deep economic recession (1988-2001), to a phase of strong economic growth, with annual GDP increasing by 5-6% and mining accounting for 12% of total GDP. Income from mining remains an important source of income and social investment. The World Bank estimates that mining directly generates 50,000 jobs, equivalent to one-sixth of the country's formal workforce, although this figure could be twice as high if induced employment from miners' expenditure is factored in (Oxford Policy Management, 2013).

South Africa continues to invest in the DRC mining industry. This, in turn, helps in strengthening the relations between these two nations. In the DRC, foreign direct investment has increased more than six-fold for the period 2005-2010, totalling more than US$7 billion over this time. Mining now represents an estimated 60-80% of the country's FDI stock. In addition, mineral-related exports increased from US$1 billion in 2002 to nearly US$5 billion in 2011. This is helping the DRC generate a surplus of foreign reserves to weather the effects of any negative commodity price shocks on the economy (Oxford Policy Management, 2013).

In 2010, 21 mining companies operating in the DRC paid US$773 million in taxes (EITI data), equivalent to more than 10% of the government's estimated total revenues of US$6.4 billion. This is likely to increase in the future as production cycles mature and companies recover their initial investment. In addition to best-practice investments in local public services, including health and education, mining companies, in the DRC, have invested heavily in local infrastructure, including hydroelectric plants and the construction of roads (Oxford Policy Management, 2013).

In view of this information, it is clear that mining in the DRC has high returns. The first step is to understand the regional politics and operating costs. Transparency has vastly improved. Licenses and tariffs are not left to chance and investors are expected to address human capital issues and management. Copper grabs the news spotlight but value opportunities exist in diamonds, gold and manganese. The current challenges as explained above in the mining sector in the DRC, and South Africa can potentially increase its hand in particular in experience sharing. South Africa has a very successful record in its mineral administration, and this can be used as an important variable for improving its trade and investment relations.

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4.2.3.3 Water and the hydro-power energy prospects

Water availability is a determining factor in the prosperity of societies. It should be pointed out that every being, both human and non-human, need water to survive. Globally, available freshwater is limited, shrinking, unevenly allocated and often poorly managed. These circumstances lead to a lack of access to safe drinking water for a fifth of the world's population (Sitkin, 2015). According to the World Business Council for Sustainable Development (2009), less than three per cent of the earth's water is potable and 2.5 per cent of this freshwater is inaccessible, because it is locked up in Antarctic and Arctic ice sheets and glaciers. The vast majority of freshwater that is accessible is secured through ground water sources, rainfall and natural lakes. In addition, fewer than 10 countries hold 60 per cent of the world's available freshwater supplies: and these are Brazil, Russia, China, Canada, Indonesia, U.S, India, Columbia and the Democratic Republic of Congo.

Furthermore, the United Nations believes that water use has grown at more than twice the rate of population increase in the last century. By 2025, an estimated 1.8 billion people will live in areas plagued by water scarcity, with two-thirds of the world's population living in water-stressed regions as a result of use, growth, and climate change. This also implies that, at the current consumption rate, this situation will only get worse. By 2025, two-thirds of the world's population may face water shortages (Sitkin, 2015).

South Africa is a water scarce country. According to Du Plessis (2014) project leader of the Water Conservation and Management Focus Group in UNISA's Geography Department, South Africa is currently facing a multi-faceted water crisis. The mismatch between water supply and water demand, the theft of water resources, a deteriorating infrastructure, the loss of essential skills, a strangling educational pipeline, management failure, and deterioration in the quality of water, are all potential threats and key concerns. Du Plessis adds that, because of the growing population and the expanding economy, South Africa's current freshwater resource status is described as being under immense pressure. She indicates that all of South Africa's freshwater resources, including those from rivers, manmade dams and groundwater sources, had already been fully allocated by 2005. Concerning the future demand for water, it is predicted that South Africa will suffer serious water shortages in 2020 (Du Plessis, 2014).

The DRC, however, has a lot of rain fall and one of the deepest rivers in the world, the Congo River. This means that the DRC is a water rich country. South Africa is undoubtedly seen trying to negotiate with the DRC government for ways to tap into the water resources in the

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DRC. This is seen through the signing of the Great Inga Hydro power project between the DRC and South Africa. This project is the biggest hydro power project on the African continent, perhaps in the entire world (The Star, 2014).

Manahan (2011:324) indicates that hydro power is the future; it is easy and cheap to maintain and is a renewable energy. Unlike nuclear energy, which is expensive to maintain and unsustainable, hydro power is sustainable. Despite power blackouts and electricity shortages, the DRC has immense power generation potential. It boasts the largest and most cost-effective hydropower potential on the continent and could produce up to 100 000MW of power. The entire installed capacity of sub- Saharan Africa is only 48 000MW and the DRC has the potential to become Africa's largest power exporter. While less than 10% of the population has access to electricity today, the DRC government has set an ambitious target to provide electricity to 60% of the population by 2025. The first step in achieving this goal is the construction of the Grand Inga hydroelectric project, which will produce about 40 000MW at a cost of US$80 billion (KPMG International, 2014).

It is against this background that during the October 2013 state visit of President Zuma to the DRC the two countries concluded and signed the Grand Inga Treaty. The treaty outlines the development of the Grand Inga Hydro Electric Power complex which is currently estimated at 100 million USD. The Grand Inga Project, based on the Congo River, has the potential of generating over 41, 000 MW of clean energy, enough to supply the African continent and possibly, with the potential for exporting to south Western Europe. This Treaty therefore, represents a practical commitment of the two countries to jointly partner and invest to develop this gigantic project. This agreement is of great significance since the Grand Inga Project has been in the pipe-line for a very long time (DIRCO, 2013).

The Minister of International Relations and Co-operation, Maite Nkoana-Mashabane, argues that the construction of the giant and elusive Inga 3 hydroelectric plant on the Congo River will finally begin over the next five years. This is because both Inga one and two are complete. It should be noted that Inga 3 is the first phase of the seven-phase project (The Star, 10 June 2014). This shows that South Africa is prepared and ready to partner with the DRC and invest more money and resources in the DRC. South Africa, the DRC and the rest of Africa stands to benefit immensely from this Great Inga project.

Water scarcity in South Africa has, thus, led South Africa to find ways to channel some of the water from the DRC into South Africa to address the on-going and serious water shortages in

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the country. It is water scarcity in South Africa and the abundance of in the DRC which will see South Africa and the DRC relations improving. Water in the DRC will not solve water scarcity only in South Africa, but will also solve the on-going electricity challenges in the both countries. Undoubtedly, there are mutual gains in this kind of collaborations between South Africa and the DRC. Although the gains may not be necessarily equal, they are mutual.

4.2.3.4 Agribusiness

According to Making it Magazine (2011) agribusiness is the business of agricultural production. It includes agrichemicals, breeding, crop production (farming and contract farming), distribution, farm machinery, processing, and seed supply, as well as marketing and retail sales. Agriculture is a dominant sector in Africa, and is essential for economic development. Making it Magazine (2011) indicated that the development of agribusiness is important for Africa mainly because it employs over 60% of Africa's labour force, contributes 17 % of aggregate GDP, and accounts for 40% of total economic output (Making it Magazine, 2011). Furthermore, the GDP growth generated by agriculture has been shown to be at least twice as effective in reducing poverty as GDP growth in other sectors. Accelerated agricultural growth is crucial for reducing hunger and poverty, empowering youth and women, and achieving a global partnership for development.

According to The World Bank (2013) it is estimated that both agriculture and agribusiness will be a US$ 1 trillion industry in sub-Saharan Africa (SSA) by 2030 (compared to US$ 313 billion in 2010), and that they should be at the top of the agenda for economic transformation and development. Agribusiness can play a critical role in revving up economic transformation through the development of agro-based industries that create jobs and generate incomes. Successful agribusiness investments, in turn, stimulate agricultural growth through the provision of new markets and the development of a vibrant input supply sector.

Kurt (2013) argues that, given the DRC's sizeable land mass of 227 million hectares, the Congolese people still endure a system that provides an insufficient amount of food. The main agricultural exports, in terms of value of unmanufactured tobacco, green coffee, sugar, wheat and dry rubber, still have great potential, as commercial agriculture is limited. Most farmers are still subsistence or small-scale in future. A lack of manufacturing and packaging infrastructure hinders the country's ability to move the value chain further on shore and capture greater profits and rewards for the farmers.

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The livestock and fishery sectors have the highest potential. Imported frozen chicken and fish are the norm in the DRC. The cost of chicken and eggs in Kinshasa is approximately twice the price you would pay in South Africa. The same story applies to milk and cheese. Both poultry and dairy industries suffer from a lack of capital and out-dated equipment. Boosting production and lowering costs is the name of the game. Most of the DRC's urbanized population are seeing gains in income but are still waiting for lower prices, in order to meet their greater consumption needs. The cost of eating anything in the city is high. There is a need for more capital and advanced equipment and technology to change the situation (Kurt, 2013).

4.2.4 Trade creation and diversification

Inter and intra Africa trade are significantly lower as compared to the other regional trade dynamics, such as Europe and South America. Intra and inter trade promotes economic development, based on comparative advantages principles. Regions, such as Asia, are doing significantly well because of consolidated and well managed inter and intra trade. In Africa, intra trade stands at around 10 per cent, which is very minimal as compared to 60 per cent between European countries, 40 per cent between North American nations, and 30 per cent between ASEAN countries (African Union, 2013).

Africa is naturally embodied with natural resources and other aspects of economic importance. Surprisingly, a majority of African nations prefer doing trade with non-African nations. There are products and services which are found in Africa, but these are outsourced, at a higher price, outside Africa. In 2013, the then president of Nigeria lamented that Africans still purchase roses and other beautiful flowers grown in Kenya from fancy stores in London and other parts of Europe. He further pointed out that these flowers could have been sourced from other African countries, but instead they are sourced from outside the continent and this situation serves as the greatest sad commentary of Africa's lack of integration.

The South Africa-DRC relations can thus be seen as good arrangement for generating fair and mutually equitable trade. Since trade issues are coordinated at a bilateral level, there is room for trade creation and diversification. This will mean comparative advantage and, will subsequently contribute to fair gains. This will also give a pool of goods and services for the citizens of these respective nations. Improved, diversified trade relations based on comparative advantages also contribute to the social welfare improvement of the citizens. The South Africa-DRC relations have the potential to create new avenues of trade. As such,

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South Africa-DRC trade relations primarily focuses on promoting trade, enhancing industrial development for key industries and sectors, promoting job creation , promoting cooperation in infrastructure development, promoting skills development and promoting financing projects for greater trade and investment.

4.2.4.1 Tax and tariff holidays

According to African Tax News alert (2013), South Africa became the second country to enter in a double taxation agreement with the DRC, which came into force on July 18, 2012. This development is of interest to US multinationals with planned and existing investments in the DRC because it will provide alternative investment structuring opportunities. When a US company holds its DRC investment through South Africa, the treaty and South Africa's attractive holding company regime may reduce the tax cost of doing business in the DRC.

The DRC's domestic laws provide that dividends paid by resident companies to non-residents are subject to a 20% withholding tax (10% for mining companies). However, the treaty with South Africa reduces the rate to 5% if the South African resident company holds at least 25% of the DRC Company. In all the other cases, the rate is reduced to 15% (Starr, 2013).

Interest arising in the DRC is subject to a 20% withholding tax rate (0% in the mining sector under certain conditions). If the beneficial owner of the interest is a South African resident, the treaty reduces this rate to 10%. Royalties arising in the DRC are subject to a withholding tax at an effective rate of 14%. However, if the beneficial owner of the royalties is a South African resident, the treaty reduces this rate to 10% (Starr, 2013).

Table 4.1: Double Taxation treaties signed by the DRC

Double Taxation Agreements with DRC as of 1 June 2009			
	Partner Country	**Type of Agreement**	**Date of Signature**
1	Belgium	Income and Capital	23 May 2007
2	South Africa	Income	29 April 2005
3	Spain	Air Transport	14 June 1969

Source: www.sadc.int/files/8413/9323/6347/DRC.doc

The table shows that only three countries signed Double Taxation Agreements with the DRC. South Africa is the only African country which has signed this type of agreement with the DRC. This implies that the DRC regards South Africa as a close ally and a significant trade and investment partner.

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The DRC/South Africa Double Tax Treaty provides that income derived by an individual who is a resident of South Africa shall be taxable only in South Africa, unless the individual has a fixed base regularly available to him in the DRC for the purpose of carrying out his employment. An individual who is a resident of South Africa will be deemed to have a fixed base in the DRC if he stays in that country for an aggregate of 183 days in any 12-month period commencing or ending in the year of assessment concerned. Furthermore, Directors' fees derived by a South African resident are an exception to this provision as the tax treaty grants taxing rights for income earned in one's capacity as a member of the board of directors of a company resident in the DRC. Similarly, income derived by a resident of South Africa as an entertainer, or a musician, or a sportsperson, are also an exempt (Starr, 2013).

On 24 September 2012, the DRC amended its tax legislation. The corporate income tax rate applied to a DRC company, subsidiary or branch or a foreign company was reduced to 35%. This was applicable to the 2013 fiscal year in the DRC. Furthermore, a new withholding tax has been introduced on service fees. Brandt points out that the DTA is based on the Organisation for Economic Co-operation and Development (OECD) Model Convention. Therefore, South African residents are free from the 14% withholding tax.

Because taxpayers could qualify for reduced withholding tax rates without being subject to an additional layer of tax in South Africa (if the South African holding company qualifies as a 'headquarter company', there should be no additional layer of tax on dividends, interest and in future royalties), US multinationals with existing and planned investments in the DRC may wish to consider the potential benefits of holding their investments through South Africa. The treaty applies to amounts paid on or after January 1, 2013 and with respect to tax years beginning on or after January 1, 2013 (African Tax News alert 2013). Below is the table that shows trade treaties signed by the DRC since 2009.

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Table 4. 2: Trade treaties signed by the DRC

Bilateral Investment Treaties with DRC as of 1 June 2009			
	Partner Country	**Date of signature**	**Date of Entry into force**
1	Belgium and Luxembourg	17-Feb-05	-
2	China	18-Dec-97	-
3	Egypt	18-Dec-98	-
4	France	5-Oct-72	1-Mar-75
5	Germany	18-Mar-69	22-Jul-71
6	Greece	26-Apr-91	-
7	Israel	14-May-85	-
8	Italy	13-Sep-06	-
9	Jordan	23-Jun-04	-
10	Korea, Republic of	17-Mar-05	-
11	South Africa	31-Aug-04	-
12	Switzerland	10-Mar-72	10-May-73
13	United States	3-Aug-84	28-Jul-89

Source: www.sadc.int/files/8413/9323/6347/DRC.doc

The above table clearly indicates that in 2009, the DRC had already signed 13 trade treaties. It is interesting to observe that, of those 13 treaties, only two were signed with African countries, namely Egypt in 1998 and South Africa in 2004. This confirms that the DRC is an African country that trades more with countries outside Africa.

Trade relations between South Africa and the DRC should be seen as an effort to improve the nature and the level of trade between African states. The fact that trade and investment between these two African nations is intensified every year is a step in the right direction. This study argues that, by increasing trade between African countries, market integration among African countries can be easily realised. A look at the recommendation of the 6th Ordinary Session of the AU Ministers of Trade, shows that Africa is now serious about increasing trade levels among African countries (African Union, 2013).

It is for these reasons that the study argues that there is a good chance and many reasons that the trade and investment relations between South Africa and the DRC will and should go from strength to strength, thereby contributing to both regional and continental integration in Africa. Deeper and more complex interdependence in Africa is starting to be visible and should continue to be strengthened through the improvement of trade and investment cooperation among African countries.

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4.2.4.2 A Market access approach

Market approach is one of the most important variables of promoting trade and investment scenarios. Market access, according to Carter (2014), is part of a system, institutions, and procedures within which socio-economic and cultural imperatives of doing business are located. In the 21st century, market access is not only an important economic determinant status, but also a political tool with which the status quo of states are shaped or broken. Markets vary in form, scale (volume and geographic reach), location, and types of participants, as well as the types of goods and services traded. Markets are thus exemplified as physical retail markets, such as local public markets, farmers' markets, street markets, flea markets, bazaars, and other public marketplaces; shopping centres and shopping malls; physical wholesale markets; (Non-physical) internet markets; Ad hoc auction markets; markets for intermediate goods used in production of other goods and services; labour markets; international currency and commodity markets; stock markets, for the exchange of shares in corporations; artificial markets created by regulation to exchange rights for derivatives that have been designed to ameliorate externalities, such as pollution permits, as well as to forget illegal markets such as the market for illicit drugs, arms or pirated products and even human beings (Boundless. 2014).

To date, the South African market is almost at a point of saturation, as observed by (AISA001, 2014). New technologies and skills development which are contributing to the growth of the South African economy indicate that South Africa needs to outsource markets. South African companies are gaining and improving their capacity to manufacture more and new products and services that South Africa cannot consume alone.

4.2.5 Investment attraction potential: creation and diversification

South Africa and the DRC have a standing potential for investment attraction. To date, the DRC has the world's largest potential hydro power. Furthermore, DRC is naturally endowed with large deposits of minerals. South Africa's interest in the hydro power project contributes immensely to the strengthening of investment relations. These investments may come in the form of technology transfer or FDIs. As noted by the Organisation for Economic Cooperation and Development (OECD) (2014), FDI is a category of capital established to gain interests in an enterprise. South Africa's environment which is conducive for doing business may attract DRC business to also invest in the southern Africa nation. There is thus a win-win situation in the investment deals and potential between South Africa and the DRC. While South Africa

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may invest hugely in mining and water projects, the DRC may invest in service sectors, financial and communication sectors in South Africa.

4.2.5.1 Investment for industrial development

Since investment should result in industrial development, the South Africa –DRC relations could lead to the development of the greater good in industrialisation. Such industrial development may be identified in manufacturing, thus contributing to value addition.

4.2.5.2 Infrastructure investment

Mahafha (2009) argues that the DRC's infrastructure has been strongly hit by endless wars within the country. Foster and Benitez (2011) reveal that the condition of infrastructure in the DRC is bad. As a result, growth and sustainable development are affected within and outside the country. Foster and Benitez state that there is a need to improve infrastructure in the DRC and the rest of Africa so as to increase the growth rate (Foster and Benitez, 2011). In addition, The PWC (2015) believes that the DRC is one of the African countries with the lowest level of infrastructure. The poor condition of the infrastructure in the DRC could be seen as a great challenge to trade between South Africa and this will be discussed fully in the next chapter (chapter 5) of this study. South Africa, however, is one of the leading countries on the African continent in terms of infrastructure development. South Africa's roads, rail-roads, airports and seaports are among the world's best, a reason that accounts for its global connectedness.

This study argues that, just as much as the infrastructure in the DRC poses a serious challenge to trade between South Africa and the DRC, it also provides a huge opportunity to both countries to invest more on the infrastructure in the DRC. The two countries could collaborate and invest in infrastructure in the DRC and, in the process, this will improve trade between these two African nations. South Africa has financial muscle and skills to invest in the infrastructure in the DRC, and the DRC also has capacity to invest on her own infrastructure. These SADC countries could work on joint ventures to improve road, rail, airports, seaports and telecommunication infrastructure for the betterment of trade and investment relations between these nations.

The South African government reiterated its commitment to support the government of the DRC and its people in their efforts toward sustainable infrastructure development. Infrastructure, in this context, is aimed at improving communication systems, providing

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adequate transport and power supply. This commitment is based on the view that there is a great trade and investment potential between these African nations, and this potential can only be realised if both countries join hands in infrastructure investment. Although both South Africa and the DRC have already started collaborating on infrastructure development projects such as the Great Inga Project, more collaboration is needed in telecommunication infrastructure, roads, rail, airports, and seaports and in buildings.

Khoza (2007) argues that NEPAD provides African countries with a forum to discuss how regional integration, trade and infrastructure can be harmonised and improved through initiatives such as the Programme for Infrastructure Development in Africa. This means that NEPAD which both South Africa and the DRC are signatory to helps both countries to be part of discussion on the development of Africa and integration, particularly in infrastructure development matters.

4.2.5.3 Transport infrastructure

The Promoter Africa Magazine (2013) contributed to the infrastructure debate by positing that the DRC's transport infrastructure is vastly underdeveloped. Previously built infrastructure is now decrepit after years of mismanagement and war. Given these conditions, reliable and capable transport and warehousing is in high demand. Margins are high, but challenges still remain. Cement imports and mineral exports require a change in the sector. Both heavy construction and mining struggle to reach full potential because of the poor infrastructure. Transport and warehousing are necessary to access the most volatile or remote parts of the country, meaning that companies have to operate in danger zones using extremely subpar infrastructure. With Kinshasa and Lubumbashi at opposite ends, a lot still must happen throughout the country (The Promoter Africa Magazine, 2013).

4.2.5.4 Prospects for telecommunication and information communication technology investments

Zandbergen (2015) defines telecommunication as communication at a distance by technological means, particularly through electrical signals or electromagnetic waves. Telecommunication is an important tool for businesses; it enables companies to communicate effectively with customers and deliver high standards of customer service. Telecommunication is also a key element in ensuring teamwork, and it allows employees to collaborate easily from wherever they are located. Mobile telecommunication gives

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companies an opportunity to introduce more flexible working environment by allowing employees to work efficiently from home.

The introduction of smartphones gives employees new levels of productivity and capability on the move (Linton, 2013). Information and Communications Technology (ICT) is often used as an extended synonym for information technology (IT), but is actually a more specific term that stresses the role of unified communications and the integration of telecommunications (telephone lines and wireless signals), computers as well as necessary enterprise software, middleware, storage, and audio-visual systems. These enable users to access, store, transmit, and manipulate information. Information and communication technology applications can be found in practically every area of life; they shape the private and work lives of individuals. ICT has become an integral and accepted part of everyday life for many people in both South Africa and the DRC, as well as in other parts of the world. ICT is increasing in importance in people's lives and it is expected that this trend will continue, to the extent that ICT literacy will become a functional requirement for people's work, social, and personal lives.

According to the Promoter Africa Magazine (2013), telecommunication is always a virtual gold mine in the DRC (a country of more than 75 million people). But the gold mine has not yet been tapped. It is estimated that the mobile phone penetration rate in the DRC is slightly above 25 %, implying that 75 % of the population in the DRC do not have mobile phones. There is high limitation of news circulation in the main cities of DRC such as Kinshasa and Lubumbashi. It is also very difficult to access the Internet outside Internet cafes in the DRC. As a result, mobile phones provide an opportunity for accessing a vastly growing consumer base, especially with a large number of Congolese people outside its urban areas.

The Promoter Africa Magazine further argues that President Joseph Kabila's administration seems to be focusing much of its attention on increasing mining and oil production in the country. Ramping up such efforts requires investment in regions far from Kinshasa. North and South Kivu, which have an abundance of gold and other metals, are still fairly disconnected. Oil potential in the regions is unknown but thought to be high. An improvement in the telecom industry is essential to these sectors. Accessing untapped resources requires more than getting past economic mismanagement, but also connecting one side of the country to the other (The Promoter Africa Magazine, 2013). Nigerian telecom managers created the ideal situation by packaging a growing oil and gas industry with

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emerging mining companies and a huge population to generate great returns. The DRC has similar potential as Nigeria, though on a smaller scale and with half the population (The Promoter Africa Magazine, 2013).

According to South Africa info (2013), the South African information and communication technologies (ICT) sector is well established and sophisticated. It is regarded as the largest and most advanced in Africa. The local IT industry is characterised by technology leadership, particularly in the field of mobile software and electronic banking services. South African companies are world leaders in pre-payment, revenue management and fraud prevention systems and in the manufacture of set-top boxes, all exported successfully to the rest of the world. The South African Electro technical Export Council (SAEEC) argues that, in 2010, IT spending reached $10, 6-billion. Together with telecommunications, it generates an estimated $29-billion in revenues, R10.3-billion of which comes from IT.

South African software developers have gained a lot of recognition for their innovation, production and cost efficiency and are backed by a sturdy local infrastructure, as well as government support (Basebone. 2013). This can be seen through the efforts of the South African government, in particular the amendment of the Income Tax Act, in order to stimulate local innovation and create jobs. The income Tax Act provides that software developers can now claim back 150% of research and development expenses against tax. There are around 1 000 software development companies in South Africa. Among these 1000 software development companies, there are several international corporations, recognised as leaders in the IT sector, which operate subsidiaries from South Africa. These include IBM, Unisys, Microsoft, Intel, Systems Application Protocol (SAP), Dell, Novell and Compaq (Basebone. 2013).

With a network that is 99.9% digital and which includes the latest in wireless and satellite communication, South Africa has the most developed telecoms network in Africa. Financial assistance is also available from the Industrial Development Corporation (IDC), which is a government agency that aims at promoting technology development. The Support Programme for Industrial Innovation (SPII) supports companies engaged in the development of innovative or creative products (Basebone. 2013).

Lincoln (2014) points out that, in South Africa, testing and piloting systems, as well as applications, are businesses that are growing tremendously. With the diversity of the local market, first world know-how in business, and a developing country environment makes

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South Africa an ideal test lab for new innovations. It is for these reasons that in 2010/11, Gartner, the international research group, ranked South Africa among the global top 30 software development outsourcing destinations. South Africa is a favoured international location for business process outsourcing. Investment opportunities lie in the roll-out of wireless networks and technologies, and in the local assembly of green-energy technologies for electronic components and subassemblies (Lincoln, 2014).

There are many opportunities in the ICT and electronics sector in South Africa, including the development of access-control systems and security equipment, automotive electronic subsystems, systems and software development in the banking and financial services sector, silicon processing for fibre optics, integrated circuits and solar cells. There are also significant opportunities for the export of hardware and associated services, as well as software and peripherals. Export growth and internationalisation of South African companies is supported by the Department of Trade and Industry via the Electro technical Export Council (SAEEC). Much of the excitement in the South African electronics sector is centred on communications, which, together with transport and storage, accounts for around 10% of GDP. The communications sector has been one of the fastest growing sectors in the South African economy, reflecting the rapid expansion of mobile telephones across the country (Lincoln, 2014). The following section deals with the socio-political prospects of trade and investment relations between South Africa and the DRC.

4.3 A prospectus socio-political approach of trade and investment relations

The above section discussed economic prospects of trade and investment relations between South Africa and the DRC. This section focusses on the prospects of trade and investment relations between South Africa and the DRC within the socio-political context. This section argues that socio-political dynamics contribute to the success or failure of trade and investment relations. Careful positioning and understanding of the socio-political dynamics is, therefore, an important factor. While these two variables cause challenges, they present an equally important factor for potential improvement in trade and investment relations of the given countries. Both the DRC and South Africa have huge population bases that can be used for improving the current trade and investment relations. Again political instability in the DRC maybe framed functionalists as evidence that the DRC will always need South Africa's helping hand. This helping hand, in dealing and restoring peace and order, can thus lead to spill over effects (Haas and Mitrany, 1964). It is for these reasons that the next section

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discusses political instability, conflict and intervention by the South African government under the UN umbrella.

4.3.1 Political instability, conflict and South African intervention

DRC's political instability can be viewed from many angles. On one hand conflict is bad for economic development, and it disrupts all aspects of investor confidence thereby contributing to a failed state status, as seen in Somalia and many other nations. On the other hand, conflict situation promotes the economic interest of the elites, through corruption and maladministration, in particular, in natural resource rich countries such as the DRC. In the DRC, some believe that the country is politically unstable because Joseph Kabila is accruing benefits from the politically unstable DRC. As such, they believe that the DRC political instability might be an internally organised situation for the benefit of political elites. However, business- demonstrated political will can lead to greater peace, which eventual may disrupt the economic benefits to the few political elites in the DRC, who are believed to be benefiting from the current situation.

One of the interviewee pointed out that, "despite the political instabilities in the DRC, South African companies continue to penetrate the DRC market and the trade and investment cooperation between South Africa and the DRC continues to be tightened every year since Jacob Zuma (South African president) came to power in 2009" (DIRCO001, 2014). He made a reference to the ITI initiative that has taken place yearly since 2011 despite political instability in the DRC, in particular the two mining deals that Kulubuse Zuma acquired in the DRC. These mining deals were acquired while there was a political instability in the DRC (DRC002, 2015).

The respondent from the DRC gave an interesting angle with regard to trade and investment relation issues. His view was also supported by one of the respondent from the Department of International Relations and Co-operations (DIRCO) who argued that South African business people should take advantage of the current situation in the DRC and invest (DIRCO001, 2014). He mentioned that the current political instabilities in the DRC makes other investors to lose interest in investing in the DRC, thus creating greater opportunities for South African investors to invest in the DRC in full force.

This study, therefore, argues that, as long as there is still political instability in the DRC, the investment relations between South Africa and the DRC will continue to be strengthened.

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Political instability, in this case, should be seen as a catalyst to the South Africa-DRC investment relations. However, it should be acknowledged that the movement of goods and services to and from South Africa and the DRC could be badly affected in a politically unstable DRC. The study also argues that the continuous presence of the South African military personnel in the DRC is very strategic. This is because the South African military could also be used to escort vehicles or any transport system transporting goods and services to and from the DRC, so as to make sure that goods and services reach the destination point safely, and this, in turn, minimises loses and improves trade between the two countries.

4.3.2 Population and market dynamics

A large population, if properly managed, might be a key determinant in influencing economic outcomes. China and India, among other nations, point out the advantages of a large population. Large populations provide a large market for products and services offered by Multi-National Corporations (MNEs). Asongu (2011) argues that a population containing a high proportion of dependents may be expected to have a relatively high inclination to consume. Asongu further points out that the effect of population growth on the composition of total consumer demand is important for investment opportunities. In fact, a growing population, of necessity, directs a relatively large proportion of its expenditure towards commodities, which require relatively heavy capital outlays for their production.

Although South Africa and the DRC do not have as large population as China and India, their populations are growing very fast, an important potential aspect for the increase in trade and investment relations. Based on the 2015 World Bank estimates, the DRC is above 70 million and South Africa is above 50 million (The World Bank, 2015). Moreover, the DRC is bordered by eight other countries with a total population of close to 130 million. Thus, the DRC and the countries surrounding it have a potential market comprising 200 million consumers. South Africa can access these market opportunities through the DRC. South Africa, as a regional hub for southern Africa, provides the DRC with an opportunity to access this huge market base.

Thus, a large population also contributes to human capital. However, Asongu (2011) argues that, some scholars view positive demographic change as an instigator of long-run growth, while others express concerns over this relationship as expressed through the youth bulge concept; already witnessed in the Arab world.

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Considering the advantages of a large population, it was hypothesized that MNEs would make larger investments in countries with larger populations. The present study explores the relationship between the size of the population and the inflow of FDIs in some Asian and African countries. The effect of population growth on the composition of total consumer demand is important for investment opportunities. In fact, a growing population directs a relatively large proportion of its expenditure towards commodities which require relatively heavy capital outlays for their production. More direct is the effect of population growth on the labour supply. Indeed, this is an aspect of concern that has interested classical economists. While some proponents view positive demographic change as an instigator of long-run growth, others express ambivalence over this relationship.

The contribution of population growth to economic development has been addressed in many studies. Azomahou and Mishra (2008), when revisiting the impact of age dynamics on economic growth through age-structured population for OECD and non-OECD countries, have shown that between 1960 and 2000, economies grew mostly due to the stock of human capital. Based on the population narrative, it could be argued that the South Africa-DRC relations have the potential to grow.

4.4 Conclusion

The discussion reveals that there is potential for trade and investment between the DRC and South Africa. These prospects presently show that, regardless of the conflict situation in the DRC, South Africa continues to actively engage with the DRC to invest in natural resources, in particular on minerals, water and hydro energy. As shown above, the two countries have comparative advantages in respective areas and sectors. South Africa, with its world class doing business environment, aided by its level of economic development and promotion of accountability, transparency and quality institutions, can contribute skills development to the DRC.

Again, South Africa's level of infrastructure development can be a big opportunity for the DRC to tap into. However, there is dire need for both countries to engage in massive infrastructure development projects, including roads, airports and sea ports. A strong collaboration in agriculture is needed as there are very few agro-processing businesses or industries in the DRC, and South Africa is still lacking in this sector.

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The huge shortage of water in South Africa and the abundance of water in the DRC give these two countries a strong and relevant reason to work together. Lastly, trade and investment relations between both countries, shows a positive trend since the inception of the Zuma administration in South Africa. Conflict and political instability is less challenging for the South Africa-DRC trade and investment relations. Therefore, there is a huge potential for growth and development in the South Africa- DRC trade and investment relations. The next chapter focuses on the challenges that South Africa and the DRC are experiencing in their trade and investment relations. The next chapter discusses the challenges of trade and investment relations between South Africa and the DRC.

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CHAPTER 5: SOUTH AFRICA AND DRC: EXPLORING TRADE AND INVESTMENT CHALLENGES

5.1 Introduction

The previous chapter dealt with the prospects of trade and investment relations between South Africa and the DRC from economic and socio-political contexts. This chapter deals with the challenges of trade and investment relations between South Africa and the DRC. Since the beginning of South Africa and the DRC's political independence, trade and investment has been identified as one of the key economic activities that shape economic development in those two countries. From as early as 1960, through the formation of the OAU, and later its transition to AU and the creation of NEPAD, trade and investment have been identified as key factors for inclusive and sustainable development. At a bilateral level, South Africa and the DRC have improved the status of trade and investment immensely through the creation of the joint trade and investment platform, the Investment and Trade Initiative (ITI).

Despite these gains, there remain a number of challenges that are constraining the increase and improvement of trade and investment between these two nations. The South Africa-DRC trade and investment relations are hampered by political, socio-cultural and economic challenges. This chapter specifically examines the current trade and investment challenges between South Africa and the DRC. Attention is devoted to infrastructural, socio-political and economic related factors that heavily curtail the growth of trade between the two counties under study. The next section focusses on the economic challenges facing trade and investment relations between South Africa and the DRC.

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5.2 Economic challenges

This section discusses various economic challenges that are being experienced by South Africa and the DRC within their trade and investment relations. Trade and investment relations between South Africa and the DRC are affected by economic challenges. These economic challenges are more dominant in the DRC than in South Africa. South Africa's economic considerations to trade and investment are flexible and easier and less bureaucratic as compared to those of the DRC. This section discusses these economic challenges below.

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5.2.1 Business set up hurdles

The business environment of the DRC and South Africa is quite cosmopolitan. The DRC environment is more of a solid system and is full of bureaucratic hurdles, while South Africa is more of a mixed command system which is run on liberal principles. This speaks well to the Global Competitive Index of 2013-2014 in which South Africa scored a significantly high percentage, while, surprisingly, DRC was not even on the index. As noted by the World Bank Doing Business Report of 2012, the process for registering a company in the DRC is considered complex and time-consuming. It takes, an average, 65 days to start a new business and involves high costs, thereby resulting in the DRC ranking 148th (out of 183 countries) for corporate governance. The procedure outlined in table 5.1 is governed by various decrees and ministerial orders of the DRC as they are administrative in nature. This procedure is not governed by the Organisation for the Harmonisation of Business Laws in Africa (OHADA) laws on corporations (Chance, 2013).

The DRC remains a highly challenging environment in which to do business. Underdeveloped infrastructure, inadequate contract enforcement, limited access to credit, continued insecurity in the eastern part of the DRC, lack of adequate intellectual property rights protection, and high levels of both bureaucracy and corruption continue to constrain private sector development. It is important to note that the DRC was ranked 175 out of 182 countries in the 2011 World Bank's Doing Business report. The DRC was previously ranked second to last (182 out of 183 countries) in the 2010 Doing Business ranking, and last in the 2008 and 2009 Doing Business rankings (181 out of 181 countries). The DRC was also ranked 164 out of 178 countries on the 2010 Heritage Foundation's Economic Freedom Index (United State Department of State, 2011). Despite that, there are no formal impediments, per se, to foreign investment by any private or public company in the DRC. Tables 5.1 and 5.2 below summarises the business hurdles in the DRC.

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Table 5.1: Procedure to start a business

	Procedure to Follow	Time	Associated Costs
1	Obtain a certificate confirming location of headquarters	7 Days	CDF 1000
2	Notarise the articles of association	14 days	USD 53 per document, assuming 5 documents
3	Register with the Commercial Registry	5 days	USD 120 for the registry and USD 40 to deposit the document
4	Publication of the company's statutes in the official journal	1 day (receipt only)	CDF 300 per line
5	Obtain a national identification number from the Ministry of Economy	15 days	USD 50
6	Register the company for tax with the Direction Générale des Impôts	7 days	no charge
7	Declare the establishment of the company with the Department of Labour (l'Inspection du Travail) and the National Office of Employment (l'Office National de l'Emploi)	1 day	no charge
8	Receive inspection by the inspection officials from Ministry of Labour	1 day	no charge
9	Register with the National Institute for Social Security	7 days	no charge
10	Obtain operational permit from the Municipality	7 days	USD 250 for each permit

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Source:http://www.congoforum.be/upldocs/Doing%20Business%20in%20the%20Democratic%20Republic%20of%20Congo%20-%20June%202013.pdf.

Table 5.2: World Bank Doing Business 2013 for eight key indicators

Country	Ease of doing business	Construction permits	Getting electricity	Registering property	Protecting investors	Paying taxes	Trading across borders	Enforcing contracts
Chile	37	84	40	55	32	36	48	70
USA	39	39	150	79	10	32	115	82
Peru	43	86	77	19	13	85	60	115
Ghana	64	162	63	45	49	89	99	48
Zambia	94	151	151	96	82	47	156	89
Tanzania	134	174	96	137	100	133	122	36
Guinea	178	152	88	151	177	183	133	131
DRC	181	81	140	106	158	171	170	173

Source: World Bank Doing Business Report 2013.

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A senior lecturer at the University of Venda who was interviewed indicated that one of the major challenges is that the current South African government plays a facilitative role with regard to trade and investment relations with the DRC. This implies that the South African government is not really benefiting from these deals since at the centre of trade and investment deals are private companies that in turn do not really contribute to human development in South Africa. The South African government, however, is using its resources to assist the DRC to achieve peace, which literally means that in terms of government to government business, trade and investment relations are gruesomely lower than expected.

Thus, South Africa, as a nation, is not benefiting much from the trade and investment relations with the DRC. Only private companies and a few individuals, enjoy the fruits of the South African government efforts and its attempt to bring about peace and political stability in the DRC. The South African government should be fronting and doing all it can to look for business opportunities for government-owned companies such as Telkom, Eskom, South African Airways (SAA), Passenger Rail of South Africa (PRASA) just to name a few, in the DRC. If the government assists government-owned companies to get trade and investment deals and contracts in the DRC, the government would be seen as investing and trading with the DRC and that will benefit the entire nation (UNIVEN001, 2015).

5.2.2 Investment Challenges

Investing in the DRC remains a key challenge, not because the DRC has no sectors within which investment can be directed. The major problems are administrative and/or bureaucratic in nature; laws and regulations are often ineffectively enforced. Draft laws and regulations are not distributed for public discussion and comment, making the process a closed process, which encourages corruption.

In 2007, the DRC government launched a review of 61 mining contracts entered into with the government prior to 2002 that may have been negotiated in less than transparent circumstances. The mining contract review process was characterised by numerous delays and a lack of transparency, with little information provided by the government to foreign (including American) investors. The government reached an agreement, in December 2008, with six of the companies under review. Subsequently, the government cancelled the mining contracts of one of these six companies that the government had reached an agreement with. The opaque mining contract review process highlights the government's inability to

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guarantee protection of rights already secured by foreign investors, and this discourages future investment (United State Department of State, 2011).

The one-stop shop, or "guichet unique" established in 2005 within the National Agency for the Promotion of Investment aims at simplifying the process of registering a company by bringing under one roof the procedures which are required by various government ministries. However, the "guichet unique" lacks sufficient authority for approving licenses, permits, and other requirements, and, therefore, has had limited success in expediting company registration. The most time-consuming step involves securing a presidential decree to establish companies (United State Department of State, 2011).

In 2008, the DRC became a candidate for membership in the Extractive Industries Transparency Initiative (EITI), a multi-stakeholder effort to increase transparency in transactions between governments and companies in the extractive industries. Though the government has taken some positive steps under EITI, including the establishment of a National EITI Committee, implementation of necessary steps toward EITI membership has been slow to date (United State Department of State, 2011). These all contribute to investors being discouraged to invest in the DRC. In South Africa, establishing a business entity is an open process, and, as such, it is easier to do business in South Africa than in the DRC.

5.2.3 Intellectual property rights protection

In theory, under the 2006 DRC Constitution, intellectual property receives full legal protection in the DRC, but the enforcement of IPR regulations is weak. Pirated books, sound recordings, and visual media are readily available. Privately-owned television stations, in Kinshasa, routinely broadcast U.S. films, apparently without securing exhibition rights from the owners. The government is also unable to prevent most pirated goods from being imported into the country or their subsequent distribution and sale. However, the government is working to improve IPR related legislation and to build its capacity for implementation and enforcement. DRC officials have also participated in several U.S. government-sponsored training programmes organised by the U.S. Patent and Trademark Office (Kirk, 2011).

However, in South Africa, private property rights, whether foreign or domestic, are equally protected by law and the same opportunities exist for both foreign and domestic private entities. In general, all foreign and domestic private entities are entitled to own business enterprises and engage in profit-making activities. In South Africa, property rights, including

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intellectual property, are protected under a variety of laws and regulations. South Africa has an independent judiciary under which any threat to property rights may be enforced without political interference. Moreover, South Africa has developed a system of intellectual property law covering patents, industrial designs, copyright and trademarks. It is also a signatory to most of the international conventions in this field (Kirk, 2011). Thus, it is risky for a company to trade and invest in the DRC; it risks losing its property rights as these can be easily pirated and copied without consent of the interested parties. This jeopardises the environment within which trade and investment relations can be improved, not only for South Africa, but for other interested players.

5.2.4 Tariffs burden and customs procedures

The DRC is a member of the World Trade Organization (WTO), the Central African Economic Community, the Common Market for Eastern and South African Countries (COMESA), and the SADC. The DRC does not participate in the COMESA or SADC free trade areas, in part due to the DRC government's strong dependency on revenues from tariffs. According to the WTO, the DRC's average applied tariff rate was 12 per cent in 2008. Most tariffs are *ad valorem* and are charged on a cost, insurance, and freight (CIF) basis (Trade Summary, 2012).

The DRC's tariff structure consists of three tariff bands as follows: 5 % for equipment goods, raw materials, agricultural and veterinary supplies, and unassembled equipment; 10 per cent for large consumable food items, industrial inputs, spare parts, and items for social services, such as hospitals and disabled persons; and 20 per cent for other finished products. The Office of Congolese Control (OCC), DRC's import-export control authority, charges a 1.5 per cent tax (ad valorem) on the CIF value of all imports exceeding $10,000 and uses a sliding scale for imports valued less than $10,000 (Trade Summary, 2012).

Since June 2006, a French-owned company has been the DRC's authorised agent for pre-shipment inspection (PSI) of imports valued at $2,500 or greater. Firms exporting to the DRC must provide the PSI agent with an invoice containing a detailed description of the goods that will be shipped and a statement accepting inspection. Imports that arrive in country without a PSI certificate are charged 40 per cent of the Free on Board (FOB) value. Other required shipment documents are a commercial invoice, packing lists, bills of lading/air waybill, import license, pro forma invoice, the U.S. shipper's export declaration, an insurance

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certificate, and (sometimes) a certificate of origin (Trade Summary, 2012). The existing tariffs, enacted by the DRC government act as a barrier for trade and investment to occur. This constrains trade and investment relations between South Africa, the DRC, and other players. Besides the existing tariff burden, the procurement procedures also act as yet, another key challenge in investing in the DRC. This challenge is discussed below.

5.2.5 Incompatibility in national economic models

Incompatibility of economic models between South Africa and the DRC is one of the pressing challenges hampering trade and investment relations between the two countries. South Africa has adopted an open economy underpinned by neo-liberal principles. This approach to trade and investment includes lowering trade barriers and reducing capital control.

The DRC, however, has adopted the so called protectionist approach. This approach limits South Africa's opportunities in the DRC. In the long run, this has a potential implication for both South Africa and the DRC running the risk of so called entrenched 'asymmetrical patterns of trade' which reflects well within the so called trade deficit scenarios (Chiyemura, 2014). It is considered very difficult for a nation to penetrate the DRC economy, in particular to trade with that country since the central government has put a regulatory framework that often hinders foreign investment. However, this does not wholly diminish South Africa's trading and investing relations with the DRC.

In addition to the above, the DRC is a cash economy whereas South Africa is a credit economy. This means that, in South Africa, people do more of their transaction in banks or electronic services. In the DRC, however, people buy and sell goods and services using cash. This is a big challenge to both South African and the Congolese people because they all need to get used to the nature of each other's economy. For South Africans, it is a challenge to transact with hard cash, while for Congolese business people, it is difficult to do business through banks and electronic transactions as they are not used to this kind of system. The majority of them have no confidence in the banking system and they think that making electronic transactions is expensive as compared to using cash in business transactions. It is for this reason that most of the Congolese business people lack interest in doing business and investing in South Africa. This contributes to low levels of trade and investment between these two nations (AISA001, 2014).

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5.2.6 Infrastructure deficits

The nature of a country or region's infrastructure has a significant impact on its trade performance and competitiveness. ECA (2004, 107) suggests that trade between African countries is known to be hampered by an inadequate infrastructure that acts as a major barrier. High transaction costs related to infrastructure impede greater trade. The DRC's population and economic activity are mostly concentrated in three areas, namely Kinshasa in the southwest, Lubumbashi in the southeast and Kisangani in the northeast. There is little well-developed infrastructure linking these three cities. The most serious impact of insecurity on infrastructure development has been felt in the east, where conflict and instability have had a major impact on infrastructure development (World Bank, 2015).

The DRC has been under dictatorship for a long time and has experienced a series of civil wars for more than three decades (Mail & Guardian, 2008). These civil wars have seriously damaged most infrastructure networks. According to the World Bank (2015), infrastructure investment needed in the DRC is among the highest in Africa. Unless spending is increased and efficiency improved, it will take more than a century to redress the country's infrastructure deficit.

However, in the last few years, there have been promising signs. Since 2006, there has been a large upswing in external financing commitments from OECD and non-OECD partners. For example, a major new financing agreement signed with China promises US$3 billion, primarily for road and urban infrastructure projects (World Bank, 2015). Infrastructure deficit in the DRC is a huge barrier for South Africa which makes it difficult for it to effectively trade and investment in the DRC. Infrastructure is the backbone of any economic development, and trade and investment cannot flourish without an adequate support infrastructure. Without proper investment in infrastructure in the DRC, South Africa's benefits from this relationship remain very minute.

5.2.6.1 Transport

Transport infrastructure is particularly critical to trade as it facilitates the movement of goods between points of production to final destinations. High transport costs can price a country out of the export market. Limoa and Venables (2000) have shown that a 10 % increase in transport costs results in reduction in trade volumes by approximately 20 per cent. ECA

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improvement scheme has significantly eased congestion on the roads in Gauteng, the country's busiest province (DTI, 2012).

The challenge is that the toll roads make the transportation of goods and services, especially in the Gauteng Province very expensive, thus limiting the profit of doing business in that area. It is possible that many of DRC's business people who would like to come and do business in that Province are reluctant to do so because they are afraid that their investments may not have good returns due to high transport costs. It has to be noted that the Gauteng Province is one of the most economically viable areas in South Africa. This is because it is highly populated and there are more economic activities than in other areas of the country. Thus, while Gauteng is a very good area for doing business, its high transport costs may hinder further increase in trade and investment volumes (DTI, 2012).

5.2.6.3 Air transport

Air transport is one of the sectors of an economy that can contribute to an increase in trade and investment, provided there is a favourable air transport infrastructure. The DRC has 500 landing runways, 101 of these are open to public traffic, three (Kinshasa, Lubumbashi and Kisanga) to international traffic. There are four main cargo companies linking Sharjah, Luxemburg, and Addis Ababa and 13 international airlines flying to and from the DRC including Brussels Airline, Turkish Airline, South African Airways, Air France, Ethiopian Airlines, Asky, and Royal Air Maroc. Since 2000, the number of domestic air transport routes has dramatically increased and the aircraft fleet has undergone renewal.

Given the vast size of the DRC, its disparate population centres and deficiencies of the surface transport network, the air transportation system has an important role to play in passenger travel. However, in terms of air transport, the DRC is not well-connected with other countries, and it is being served primarily by South African Airways, Ethiopian Airlines and Kenya Airways (PWC, 2015). The situation makes the movement of potential investors to and from the DRC challenging. Also, the movement of goods and services through cargo planes to and from the DRC is limited.

The PWC (2015) also indicates that DRC's domestic air transport services have a worrying safety record and the most urgent issue facing the sector is to strengthen regulatory oversight, in order to improve the safety of domestic flights. One of the consequences of this problem has been the diversion of a significant volume of domestic air transport outside of the country

to avoid using domestic air services. This means that domestic transit is often undertaken via a foreign country. This situation has significantly changed since the arrival of Korongo Airlines, a company partially owned and technically supported by SN Brussels. Although the situation is increasingly becoming better, investors are still worried about their safety when they travel by air to the DRC and this influences their decisions to invest more money in the DRC.

Safety issues have been a major concern because 3 plane crashes. On 09 July 2011, a plane crashed while landing during a rainstorm at the Kisangani airport, killing 102 and injuring 53 passengers. Again on 12 February 2012, a private jet belonging to former Katanga Province governor, Katumba Mwanke, crashed killing the pilot and the co-pilot near the airport of Bukavu, South Kivu Province (Congo Planet News, 2015). In 2013, another plane crash occurred in Goma, the main city in eastern Democratic Republic of Congo, killing 5 passengers (BBC news, 2013).

The safety of air transport in the DRC remains a great challenge to the movement of people, goods and services. This is one of the reasons why some South African investors are reluctant to invest in the DRC. They are concerned about the safety of people, goods and services as they move across the country. What compounds the problem is that ground transport is also dangerous due to a damaged road infrastructure and security issues in some of the provinces in the DRC.

5.2.6.4 Rail transportation

The DRC has two main rail systems of strategic importance to the country, the "Société Commerciale des Transports et des Ports" (SCPT, formerly ONATRA) and the "Société Nationale des Chemins de Fer du Congo" (SNCC). SCTP railway connects Kinshasa to the Port of Matadi, While SNCC operates an extensive network in the southeast of the country. The most important branch of this network connects Katanga on the Zambian border to Dilolo on the Angolan border. It also connects the northern part of the Katanga region to Ilebo in the Kasaï region. The SNCC network is used extensively for copper exports leaving the DRC for the port of Durban, and will also facilitate exports through Lobito in Angola once construction on the Benguela Railways is completed.

The railway line is 30 years old and the tracks are usable, but dangerous; the networks are inefficient and tariffs relatively high. As a result, the tracks have fallen into disuse.

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Furthermore, the SNCC network is in poor condition, with speed limits of 10-35km/h, making it clear that the railway transport poses a great challenge to trade between South Africa and the DRC. Goods and services cannot be transported effectively using railway transport in the DRC because the tariffs are high and the railway networks are inefficient.

5.2.6.5 Water transportation

With poor connections to the sea, the DRC is predominantly landlocked (PWC, 2015). Port infrastructure in the DRC is very poor and connection to the ports is hampered by the country's natural forests and the country's vast size. There are no ports in the DRC which can take direct shipments from conventional cargo liners. The country has to rely on shipments from Pointe Noire in the Congo-Brazzaville using smaller vessels. There are two main ports in the DRC, namely Boma and Matadi. These have a low capacity and are unable to fill the needs of the western part of the country adequately. In addition, to the two main ports, the DRC has the sea port of Banana, which currently has limited capacity and is used mainly for crude oil exports (PWC, 2015). Thus, there are low capacity seaports.

According to AICD (2010), the Port of Matadi on the Congo River plays a great role in serving Kinshasa and the southwest area of the country. However, it also has limited cargo-handling capacity, as well as costly and inefficient port services. Because of the high internal transport costs and large distances involved, trade from the southeast DRC, notably copper trade, is channelled mainly through Durban in South Africa and, to a lesser extent, through Dar es Salaam in Tanzania. Mombasa in Kenya remains the key port for Kisangani and the northeast part of the country (AICD, 2010).

As much as the network of rivers across the DRC poses as a major challenge for national roads and rail lines, it also offers an opportunity for inland water transportation. Inland waterways are best known for providing low-cost surface transport, and it can do so in the DRC provided investments that it needs for the betterment of navigability are made. The Congo River navigates the DRC, and links two of its main cities, Kinshasa and Kisangani, while its numerous branches cross much of the country. About 15 000km of the Congo River and its branches are navigable, or potentially so with regular dredging and relatively modest investments in quays and signalling (PWC, 2015).

In contrast to the port situation in the DRC, major shipping lanes pass along the South African coastline in the South Atlantic and Indian oceans. Approximately 96% of the

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country's exports are conveyed by sea, and the eight commercial ports are the main channels for trade between South Africa and its Southern African partners. They are also hubs for traffic to and from Europe, Asia, the Americas and the east and west coasts of Africa (DTI, 2012).

The state-owned Transnet National Ports Authority manages the country's ports, namely Richards Bay and Durban in KwaZulu-Natal; East London, Port Elizabeth and the Port of Ngqura in the Eastern Cape; and Mossel Bay, Cape Town and Saldanha in the Western Cape. Durban is Africa's busiest port and the largest container facility in southern Africa, while Richard's Bay is the world's largest bulk coal terminal (South Africa Info, 2012). One may argue that the port infrastructure in South Africa is adequate for the transportation of goods and services, thereby boosting both internal and international trade. However, there is always room for improvement. This is because improving the infrastructure of these seaports will make the transportation of goods and services faster and cheaper, and it will also increase the amount of goods and services transported.

5.2.7 Energy Inadequacy

New Partnership for Africa's Development (NEPAD) (2001) indicates that energy plays a significant role in the development process. Energy is also a factor of production, which directly affects prices of other goods and services and the competitiveness of enterprises. Again, Africa is the sole continent where 25 – 30% of the population only has access to electricity, compared to Europe where 100% of the population has access (Tafirenyika. 2012).

It is clear that the NEPAD blue print is facing lack of progress in the implementation of the agreement along with the absence of reliable energy infrastructure. Thus, one of the DRC's most urgent infrastructure challenges is to increase the generation of power and deliver it in a more cost-effective manner. Close to half the existing plants require refurbishment. Capacity must increase by 35% over the period 2006–2015 to meet domestic demand (World Bank, 2011).

The DRC is characterised by power blackouts, and electricity shortages occur frequently and present major problems to the rising number of mining companies operating in the country. This situation is fuelled by fast-rising demand for power and ageing infrastructure. About

40% of the firms in the DRC own and operate their own backstop generator to shield themselves from frequent power interruptions. Those firms that do not have their own backstop generators to protect themselves from frequent power interruptions, end up losing during the power cuts (World Bank, 2011).

According to the CIA (2008), in 2007, total energy generation in the DRC was estimated to be 8.217 billion kWh. Hydroelectricity provides almost all (99.9 per cent) of the electricity generated in the DRC (DRC, 2010). The DRC's rate of electrification is the lowest on the African continent 6% compared to the African average of 20%, despite the country's incredible hydroelectric power potential (AFDB, 2008). The potential capacity at the Inga dam on the Congo River alone is sufficient to supply all of Southern Africa's electricity needs, however, only a fraction of this has been developed (UNCTAD, 2006). The DRC government plans to revitalise and modernise the sector by rehabilitating existing installations, building new power and hydroelectric stations and investing in renewable energy (ANAPI, 2009).

South Africa also has serious electricity shortages. Companies that now operate backup generators have also increased the cost of doing business and, at the same time, lowered the profit. Because of that the majority of South Africa's small and medium enterprises are unable to take advantage of the trade and investment opportunities that the DRC presents. To concretise the matter, electricity supply shortages and disruptions have become very costly for African countries, with some increasingly resorting to privatising energy provision. Lack of adequate electricity remains the greatest challenge of doing business in both South Africa and the DRC (Maswanganyi, 2014).

The Economist (2015) alludes to the fact that power cuts in South Africa are hurting an already stagnant economy, estimated to have expanded by just 1.4% in 2014. Both big industry and small businesses are feeling the pinch. Meanwhile, Eskom has warned that the blackouts could drag on for months, perhaps even years, as it struggles with a maintenance backlog and a barrage of technical problems associated with its ageing power stations. There are delays in bringing new capacity online, particularly at Medupi, a heralded new coal-fired plant whose completion has been endlessly postponed. This indicates that South Africa has a major electricity challenge just like the DRC. As such there is no significant difference with regard to the extent of the electricity problems in both South Africa and the DRC.

The World Bank Doing Business Report (2013) indicates that, on the Getting electricity indicator, South Africa is ranked 150 whereas the DRC is ranked 140. A DRC citizen who is living and doing business in Pretoria pointed out that power cuts in the name of load shedding, are impacting negatively on his hair saloon business. He specifically said that, "Without electricity one cannot work and at the end of the month, the owner of the building wants the rent, he does not wants to know if you worked or not, he just want the rent" (DRC001). Another DRC citizen engaging in the same type of business, in Thohoyandou, mentioned that he had to move to the street and start using a car battery for power because electricity was not reliable and the rent was too high in the area (DRC004). The following section deals with political challenges facing South Africa and the DRC in their trade and investment relations.

5.3 Political challenges

5.3.1 Political Instability, conflict and failed state implications

The above section discussed various economic challenges facing the South Africa-DRC trade and investment relations. This section focusses on the political challenges facing South Africa and the DRC in their trade and investment relations. A senior researcher at the Human Science Research Council (HSRC) noted that the greatest impediment to economic development in the DRC has been the political turmoil in the country. The unsettled socio-political environment is a key risk factor for businesses. Since 1996, the DRC has practically been at war with itself. The DRC's immense natural resources have fuelled conflict rather than development. Human rights abuses and banditry deter economic activity. At the moment, this political instability mainly affects the country's eastern region, which is close to the borders with Rwanda and Uganda. The eastern part of the country still sees frequent clashes between the rebels and government forces, and there is sporadic fighting in other parts of the country. Security forces are known to set up occasional, spontaneous roadblocks, especially after dark, and this places a constraint on transportation and results in delays. It is this situation that could affect South Africa in terms of achieving her objective in the DRC and in the neighbouring countries (AISA001, 2014, HSRC001, 2014).

Due to the conflict in the eastern region of the DRC, transport and communication networks are poor. It is difficult and expensive for trade to thrive in this region without advanced transport and communication systems as these are pre-requisite for trade and investment. As

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sporadic fights are also experienced in other parts of the country, investors are hesitant to invest in the country as a whole, and trading with the DRC is a serious challenge. (SADC Document, 2003:162). High political risks have severely undermined prospects for diversified growth, while protection of property rights is hampered by a dysfunctional public administration. Furthermore, enforcement of the complex legal code is selective. Another challenge is the local financial sector, which remains fragile and underdeveloped.

The war that started in 1996, in the DRC, is believed to have claimed more than 5.4 million lives. The North Kivu Province has been the hot spot of the conflict because a large number of militant groups and local militias have occupied the mineral rich area. The war has also contributed to fuelling extreme poverty. The majority of the people in the DRC, particularly in the rural areas, survive on one meal a day, and some of them go a whole day without a meal. South African business people still think that the majority of the DRC citizens cannot afford their products due to high levels of poverty, or if they sold their goods and services cheaply, that would not generate profit. Therefore, the DRC is seen as not conducive for doing business. Shekhawat (2009: 10) argues that, due to the war that started in 1996 in the DRC, there is a high unemployment rate and most people that are affected by poverty are children and elderly people. Agriculture sustains the livelihoods of the majority of the DRC citizens, and, as a result of war, agricultural production has declined. In addition, trade and food availability has declined. Because of the wars in the DRC, investors are reluctant to invest in the DRC as they fear losing their investment.

The Eastern region has been the most affected zone. For more than 15 years, Oxfam notes that, more than 50% of the 2 million people have been internally displaced in the region (Shah: 2008). The report states that 80% of the families in rural areas of the two Kivu Provinces have been displaced at least once in the past fifteen years. More than one million of the displaced have received no foreign assistance. The war in the DRC has displaced many people, both internally and internationally, as some of the Congolese people crossed borders for their safety. This means that some Congolese people become homeless as the rebels have vandalised their properties and their homes, forcing them to become refugees. Apart from moving from one part of the country to the other, some people have migrated to neighbouring countries such as Burundi, Rwanda, Uganda, Angola, Zambia, South Africa and other parts of the SADC region.

According to the UN Refugee Agency (2007), the Congolese people form the largest single group of refugees in South Africa: that is over 10,000 recognised refugees and a further 15,000 with asylum applications pending. As a result of continuing violence and political tensions in the DRC itself, coupled with an illicit network of smugglers, the flow of Congolese asylum seekers to South Africa is on the increase. Congolese refugees are found across the continent. In 2007 there were 60,000 Congolese refugees in Southern Africa; in Zambia there were 40,000 in camps near the border with their former homeland, 13,000 in Angola and 6,500 in Zimbabwe.

Potential investors from South Africa are worried about these uncontrolled movements. This is because people who are migrating to South Africa and other parts of the SADC region are able-bodied and skilled men and women, and this reduces the potential work force within the country. Investors are worried that they will struggle to find healthy and competent individuals who will be part of the workforce in their factories, companies and other businesses in the DRC.

5.3.2 Incompatible governance systems

According to AISA001 (2014), on one hand South Africa has a democratic culture and South African companies are used to operating within this framework or situation. On the other hand, the DRC does not have a democratic culture, there are no strong democratic institutions, including the judiciary system and civil society. The DRC is known to be characterised by corrupt courts of justice and police personnel that are also corrupt. This implies that there is a major challenge when it comes to the protection of South African companies and business people in the DRC.

Again, South Africa has effective and world class labour laws and effective labour unions. South Africa has good workers' rights and superb civil society that plays an important role in the establishment and enforcement of the law. However, there is no strong civil society in the DRC. Unlike South Africa's civil society, the civil society in the DRC cannot assist the government in drafting and implementing laws and policies. This could be a major challenge for South African people and businesses to operate effectively under these conditions. It could be argued that this is one of the reasons South African companies are not doing business fully in the DRC (AISA001, 2014).

5.3.3 Bureaucratic hurdles

Weber (cited in Smriti, 2015) defines bureaucracy as an administrative system designed to accomplish large-scale administrative tasks by systematically coordinating the work of many individuals. Weber indicated that bureaucracy is a particular type of administrative structure developed through rational-legal authority. It can also be understood as a system of government in which most of the important decisions are taken by state officials rather than by elected representatives. For example, in much of the Congolese business environment, many of the country's trade barriers result from complex regulations, a multiplicity of overlapping administrative agencies and a frequent lack of professionalism and control by officials responsible for the regulatory environment.

The DRC has numerous agencies with legal authority in trade matters. Required signatures are often difficult to obtain, and regulations are complex and poorly codified. Enforcement of regulations varies widely across the country. Many local traders run their own private networks for expediting the movement of goods. The DRC government formally or informally suspended many regulations as a result of the economic upheaval of the 1990s and the rapid spread of corruption (Trade Summary, 2012).

5.3.4 Regional political influence

According to the African Arguments (2014), during the Mandela and Mbeki years, the South African government played key roles in Rwanda's reconstruction efforts, particularly in the health and higher education sectors. Both countries have significant commercial interests in each other's territories, South Africa in telecommunications, engineering and transport, Rwanda mainly in aviation. Rwanda's national carrier, Rwanda Air, has also previously benefitted from the vast technical resources at the disposal of South African Airways to service and maintain their aircraft. Today the two airlines are operating a code share arrangement in which they each sell each other's tickets and ferry each other's passengers. Furthermore, South Africa has also provided training to elements of the Rwandan military and intelligence services and also supplied a wide assortment of materials (African Arguments, 2014).

Despite the fact that both Rwanda and South Africa enjoy cordial relations with each other, relations between the two countries have been strained for some time; they teeter on the edge

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of a complete breakdown. On March 7 2014, South Africa expelled three Rwandan diplomats, accusing them of violating diplomatic immunity. All were said to be linked to an assassination attempt carried out in 2010 on the former Rwandan army, Chief Faustin Kayumba Nyamwasa. Rwanda retaliated immediately, ordering six South African diplomats out of Kigali, leaving Ambassador George Twala virtually on his own (Kotch, 2014).

In addition, South Africa has strong objections about Rwanda mining in the DRC. South Africa believes that Rwanda's illegal mining is somewhat linked to fuelling the unending conflict in DRC. This conflict believed to be fuelled by Rwanda and which is argued to have disrupted some of South Africa's trade and investment deals in DRC, therefore contributes to diplomatic deathblows. South African companies that seek to do business in the mining sector, particularly in the eastern part of the DRC, are unable to gain access because of Rwandan hostility. As a result, this is causing serious challenges for both South Africa and the DRC, and has contributed to diplomatic impasse with Rwanda. The following section discusses socio-cultural challenges to trade and investment relations between South Africa and the DRC.

5.4 Socio-cultural challenges

5.4.1 Ethnicity

The above section focused on the political challenges facing South Africa and the DRC in their trade and investment relations. This section deals with socio-cultural challenges to trade and investment relations between South Africa and the DRC. Sebastien Porter (2011) defines an ethnic group as a group of people whose members identify with each other through a common heritage, often consisting of a common language, culture, religion, ideology or geographical area. Ethnicity is an identity. As a result, it, inevitably, occupies a great space within the political arena. It is also a natural way for people to mobilise around basic human needs such as security, food, shelter, economic well-being, inequality, land distribution, autonomy, and recognition (Kelman, 2007).

Colonialism destroyed ancient African societies (Porter, 2011). After claiming land ownership, colonial powers defined, classified, numbered and mapped African ethnic groups to create administrative units and to facilitate better political and institutional control.

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Colonisation also created inequalities between ethnic communities based on the manner and degree of involvement in the colonial political economy. This "decentralized despotism" meant the use of traditional and local chiefs through patronising relationships, which resulted in their loyalty being rewarded through access to resources controlled by the colonial power. These sources of wealth and power were distributed unevenly and they permitted colonial powers to establish their legitimacy through the strategy of divide and rule (Porter, 2011).

These policies introduced a class structure, thus exacerbating existing internal differences of gender, generation and client hood. Power was given to some at the expense of others, resulting in frustration and competition. This only served the interests of colonial powers. In addition, the extensive use of patron-clients networks left little basis for the development of modern states (Berman, 2010). Even if one may try to make generalisations, one must understand that the African experience of colonialism extremely varied across the continent. In the current scenario (the DRC), ethnicity is a big challenge that is key factor contributing to the continuous conflicts in the DRC.

In the DRC, the Tutsis formed a rebel group called the Congolese Rally for Democracy (RCD) to fight against anti-Tutsi forces in the eastern region (North Kivu) of the DRC. The Democratic Forces for the Liberation of Rwanda was formed in 2000 by the Rwandan Hutus, and it started to participate in the DRC war right from its formation. This clearly indicates that the colonial legacy of ethnicity has played a major role in fuelling conflicts in the DRC since 1996. Moreover, ethnic tensions between native Katangese and civilians of Kasaian origin remain a potential cause for unrest, particularly in the northern areas around Kamina and in the Lubumbashi area. Thus, ethnicity can be seen as a major challenge to trade and investment in the DRC as it fuels conflict and makes the eastern part of the DRC unsafe to facilitate trade and investment in the region.

5.4.2 Language barrier

The official language of the DRC is French. Kinshasa is officially the second largest Francophone city in the world. Although Lingala is widely used as a spoken language in the DRC, French is the language of street signs, posters, newspapers, government documents, and schools. It dominates plays, television, and the press, and it is used in vertical relationships among people of uneven rank. People of equal rank, however, speak the Congolese languages (Kikongo, Lingala, Tshiluba or Swahili) among themselves. Thus, while the culture is dominated by the Francophonie, a complex multilingualism is present in

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Kinshasa (DIRCO001, 2014). South Africa, however, has 11 official languages including English, Afrikaans, Isizulu and Tshivenda, just to name but a few. Although there are 11 official languages in South Africa, English remains the number one medium of instruction (DTI001, 2015).

The fact that English is a medium of instruction in South Africa and French is a medium of instruction in the DRC is a serious challenge when it comes to negotiating agreements between the two nations. An official in the Department of Public Works, during the interview, indicated that language has been a serious challenge in her years of dealing with the DRC. This is because a Memorandum of Understanding (MoU) has to be drafted in both English and French languages and both documents must say the same thing. This is time-consuming because translation expects must examine the MoU to make sure that both documents are giving the exact same message at the same time. She also mentioned that, sometimes, the process of getting the MoU finalised and signed may take up to two years, there by delaying potential investment in these two nations (DPW001, 2014). Therefore, language can be seen as a serious challenge hampering the trade and investment relations between South Africa and the DRC.

5.4.3 Corruption

Corruption is a serious cancer in development in South Africa, the DRC, Africa and the world as a whole. Many trade and investment deals between South Africa and the DRC are hampered by corruption. Evans (2000) defines corruption as the act by which 'insiders' profit at the expense of 'outsiders (conveying the ideas of abuse of position, offending against relationships, and underhandedness). It may flourish both in overregulated and deregulated economies, under democracy or dictatorship. Mingling business with politics (particularly ethnic politics) is a sure recipe for corruption. Other clear culprits are secrecy (in government) and poverty. 'Corruption' is a very broad term. It covers fraud (theft through misrepresentation), embezzlement (misappropriation of corporate or public funds) and bribery (payments made in order to gain an advantage or to avoid a disadvantage). The different types of corruption are likely to be closely linked.

Corruption has been described as the abuse of public office for private gain. This refers to gain of any kind, such as financial, in social and political status and it could be gain by an individual or a group, or those linked with such an individual or group. Apart from bribery, it

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can include patronage, nepotism, embezzlement, influence peddling, use of one's position for self-enrichment, bestowing of favours on relatives and friends, moonlighting, partiality, absenteeism, late coming to work, abuse of public property, leaking and/or abuse of government information and the like (Aderinwale, 1995). Whilst this definition focuses on the public sector, corruption also occurs in the private sector.

It is an undisputable fact that corruption is a universal problem. Its effects can seriously constrain the development of national economies and prevent good governance. Corruption erodes stability and trust, and it damages the ethos of democratic governments. Its macro-economic and social costs are immense. According to Sequeira and Djankov (2013), the public service can engage in two types of corruption, namely collusive and coercive. "Collusive" corruption occurs when public officials and private agents collude to share rents generated by the illicit transaction. "Coercive" corruption takes place when a public bureaucrat coerces a private agent into paying an additional fee, just to gain access to the public service, above and beyond the official price. Bureaucrats will engage in "collusive" or "coercive" corruption depending on the opportunities and constraints created by the bureaucratic structure under which they operate.

Corruption is both a major cause and a result of poverty around the world. It occurs at all levels of society, in local and national governments, civil society, judiciary functions, large and small businesses, military and other services and so on. Corruption in whether rich or poor nations affects the poorest the most, though all elements of society are affected in some way as corruption undermines political development, democracy, economic development, the environment, people's health and more (Shah, 2011).

Corruption is one of the major challenges facing trade and investment relation in South Africa and the DRC. According to Kodi (2008:25), ever since Mobutu came into power, the DRC government has been characterised by authoritarian rule and corruption. The Mobutu regime created a culture of corruption in the DRC for more than 30 years of its rule. The corruption culture infiltrated the private, public, administrative, and business environments and has become deeply entrenched in the business system. Political risk/corruption includes the solicitation of bribes, officials maintaining personal business interests, which can skew the playing field for competitors or result in unfair regulatory changes, and political battles that can affect investor agreements. The power vested in individuals, particularly ministers, is

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a particular problem as a new appointee can scupper deals made with a predecessor (Games, 2011). The DRC was rated as the tenth most corrupt country out of 180 nations on Transparency International's 2008 Corruption Perception Index (Makhabu, 2011).

Government offices and resources are used for personal gains. Corruption undermines the economy in the DRC and makes it expensive to do business in that country because there are always illegal fees that business people and individuals have to pay for services that should otherwise be free. It is possible that the South African government is not investing more through government owned companies because of corruption challenges in the DRC. U.S. businesses people often complain about corruption in the DRC, citing it as a principal constraint to doing business.

In principle, there are legal provisions for fighting corruption. According to the United Nations Office on Drugs and Crime (UNODC) (2015), the DRC is a member of the UN Anti-Corruption Convention and passed its own anticorruption law in 2003. Additional legislation includes the 2004 Money Laundering Act, under which the DRC cooperates with African and European crime-fighting organizations. Despite these reform efforts, bribery is still common in public and private business transactions, especially in the area of government procurement, dispute settlement, and taxation (UNODC, 2015).

Bribery is illegal in the DRC and, in principle, is investigated and prosecuted. Current law calls for imprisonment and fines of both parties involved in bribery no matter what the circumstances. However, law enforcement remains a challenge in this area. In order to enforce anticorruption laws, President Kabila launched a "zero tolerance" campaign in early September 2009. Within this framework, he set up the DRC Financial Intelligence Unit to combat money laundering and misappropriation of public funds (Trade Summary, 2012).

Shekhawat (2009:12) believes that government administrators in the DRC are unable to collect revenue or to utilise it because of corruption as there is a lack of proper control of government reserves. It should be noted that, because of this situation, the DRC is believed to have the weakest revenue collection capacities in the entire African region. De Koning (2010: 6) argues that corruption in the DRC has harmed the national army, because the higher authorities in the army are reported to be using the money reserved for the salaries of army officials, thereby leaving army officials unpaid for several months. These corrupt activities by

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the higher authorities in the army are contributing to high levels of corruption in the national army because some soldiers resort to illegal mining to feed themselves and their families, thus undermining the security of the state. It is because of this corruption that some South African private companies and government-owned companies are still reluctant to invest in the DRC.

Pillay (2004) believes that the source of corruption in South Africa is rooted in the country's bureaucratic traditions, political development, and social history. Corruption has thrived, firstly, due to institutional weaknesses. She argues that the normal motivation of public-sector employees to work productively has been undermined by many factors such as declining civil service salaries and promotion of processes which are unconnected to performance. Staff members have also been demoralised by dysfunctional government budgets, inadequate supplies and equipment, delays in the release of budget funds, and a loss of organizational purpose. The motivation to remain honest has further been weakened as a result of senior officials and political leaders using public office for private gain.

Corruption also arises out of social tensions. Pillay further argues that the new social forces governing South Africa have historically been excluded from the economy, but now these forces control state power, and are responsible for delivering services to previously excluded and marginalised people (Pillay, 2004).

Corruption Watch executive director, David Lewis argues that corruption in South Africa has a negative impact on the country's international image and also on sentiment among citizens. Lewis point out that the direct cost of corruption includes amongst other things, its impact on investment. Indirectly, corruption has led to a decline in trust of leaders and a general acceptance of the situation as it is (Corruption Watch, 2014).

Tawanda (2012) notes that there are countless studies around the world showing how corruption can interrupt investment, restrict trade, reduce economic growth and distort the facts and figures associated with government expenditure. But the most alarming studies are the ones directly linking corruption in certain countries to increasing levels of poverty and income inequality. Corruption can also harm the chances of success for small and micro-enterprises. It has been demonstrated around the world, particularly in developing economies, thus that small businesses pay more than twice as much of their earnings as larger companies,

limiting their ability to grow. Because corruption creates fiscal distortions and redirects money allocated to income grants, it is usually the poor who suffer most. Income inequality has increased in most countries experiencing high levels of corruption.

In October 2011, Willie Hofmeyr, the then head of the Special Investigating Unit (SIU), told South Africa's Parliament that between R25-billion and R30-billion of government's annual procurement budget alone was lost to corruption, incompetence and negligence. The Washington research group, Global Financial Integrity in a report also pointed out that South Africa had suffered an illegal outflow of R185-billion due to corruption in both the public and private sectors between 1994 and 2008. Corruption in procurement leads not only to waste of public money and resources, but to inferior quality products and services, and can deter more qualified suppliers from doing business with the state (Tawanda, 2012). Therefore, South Africa and the DRC are both corrupt nations, and this has eroded investors' confidence.

5.4.4 Crime and violence

South Africa and the DRC trade and investment relations are also constrained by crime and violence in the two countries. By definition, crime is a harmful act or omission against the public which the State wishes to prevent and which, upon conviction, is punishable by fine, imprisonment, and/or death (Business Dictionary, 2015). No conduct constitutes a crime unless it is declared criminal in the laws of the country.

One of the major challenges to trade and investment in South Africa is crime. South Africa has one of the highest crime rates in the world. Businesses within South Africa are vulnerable to encountering all types of crime, including robbery and fraud. Business Mobilising Against Crime (BMAC) (2013) reported, that due to the horrific scenario that South Africa is facing, many businesses fear to enter the country, thereby preventing international business from flourishing. The high crime rate in South Africa is due to structural income inequality and unavailability of youth employment opportunities, leading citizenry to crime and violence as a mechanism of survival.

There are three broad categories of crime that affect businesses in South Africa, namely burglary, armed robbery and financial crimes. Burglary account for over 40% of incidents incurred, followed by shoplifting at 23% and robbery incidents, including cash-in-transit

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(CIT) robbery, bank robbery and carjacking 19%. Financial crimes targeting businesses include corruption, blackmail, money laundering, advance fee fraud, banking fraud, identity theft, and organised crime (Ban Crime, 2011). These crimes lead to direct losses and security costs that reduce profits and divert funds that could be invested in the business infrastructure.

Due to the high rate of crime in South Africa, there is a loss of government aid to stimulate business growth, as more government funds are spent on crime prevention, mitigation and alleviation. Consequently, crime erodes human capital by encouraging the emigration of skilled workers. It keeps workers out of the labour market by discouraging them from work during off-hours and from commuting; directly causes an increase in health costs of employees due to injuries or stress; discourages foreign investment and reduces tourism; causes psychological effects by reducing motivation and causing depression for business owners; and lastly brings unfair competition from stolen goods resold at lower prices (Ban Crime, 2011).

However, it should be noted that control measures such as the "Crime Stop" programme that screens calls and is used for gathering knowledge of known crimes are put in place. In addition, Business Against Crime (BAC) was founded in 1996, in order to make South Africa "safe and secure". This programme brings businesses and the government together, in order to help prevent and fight local crime. There are seven provinces registered, all in support of making South Africa a safer place to do business.

The BAC's crime reduction programmes include, among others, Support and funding for the National Crime Prevention Strategy (NCPS), which provides crime data analysis and research, police management training, and commercial court reform. The National Vehicle Crime Project aims to improve vehicle identification by using microdot technology, and in 2005/06 it reduced hijackings by 30%. The Metal Theft Project was established to prevent the theft of copper for illegal resale. This crime has impacted negatively on the telephone, electrical and public transport systems. The Tiisa Thuto Safer Schools Project was launched in 2006 as a crime prevention measure to educate South African youth. The programme encourages community involvement and teaches parents, educators and students about crime prevention. All these efforts are being made constantly with the objective of making South Africa a business safe haven (Ban Crime, 2011).

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5.5 Conclusion

This chapter discussed the economic, socio-cultural and political reasons constraining South Africa and the DRC trade and investment relations. The chapter found that infrastructure deficits, political instability and conflict, crime and violence together with bureaucratic and unfavourable doing business environment are major constraints in the two countries. The incompatibility in both economic and political governance models, also contributes to constraining the South Africa-DRC trade and investment relations. Thus, trade and investment relations between South Africa and DRC, have as a result, been confined to state-led private deals, in which both governments are hamstrung to effectively put into practise the ITI, due to the above raised hurdles.

Without doubt, the South African government present equally favourable business environment for DRC to exploit, which is exactly the opposite case as of DRC. South Africa has modern day state of the art infrastructure in industry, business, finance, and transport sectors that is further reinforced by peace, tranquillity and a guarantee of property, business and investment rights to foreign-owned entities. This is the exact opposite of the DRC. There is great need for both South Africa and the DRC to work closely together and deal with these challenges. If these challenges can be minimised, trade and investment relations in these countries could reach great heights and contribute positively to the economic development of these two nations, the SADC region and the entire African continent, if not the whole world. The next chapter presents the findings, and makes recommendations and conclusions of the study.

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CHAPTER SIX: FINDINGS, RECOMMENDATIONS AND CONCLUSION

6.1 Introduction

The previous chapter discussed economic, political and socio-cultural challenges of South Africa and the DRC regarding their trade and investment relations. This chapter discusses findings, recommendations and conclusion of the study. The study examined the trade and investment relationship between South Africa and the DRC. The relationship between South Africa and the DRC started soon after the readmission of South Africa into the international system in 1994, it became official in 2004 through the signing of the General Cooperation Agreement (GCA). Since then, the relationship has been dominated by political cooperation best explained in military ties, that is South Africa's role in DRC conflict cessation. However, President Zuma's entry as President of South Africa has contributed to the reconfiguration of the relationship and concentrated more on economic aspects, in particular on trade and investment. To concretise this new relationship, an ITI agreement was reached, allowing both countries to mobilise their business people to meet every year and discuss possible trade and investment areas of cooperation.

This final chapter, therefore, gives a summary of the study. This is done through synthesising the key findings and interpreting such findings in relation to the research aim, objectives and questions. The chapter proffers some recommendations aimed at improving trade and investment relations between South Africa and the DRC.

6.2 Overview of the Research and key Findings

This study used a thematic analytical approach to identify the key prospects and challenges in the trade and investment relations of South Africa and the DRC. The study also located trade and investment between South Africa and the DRC within the context of the South-South cooperation and the promotion of the African Agenda as per the strategic objective of the South African foreign policy. This study is grounded in the realist theory of international politics. It discusses the role of history in the current dynamics of international trade and investment relations in the international system. However, other theories such as neo-functionalism, neo-liberalism and interdependence were also used to analyse this study.

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The study of the trade and investment prospects and challenges of South Africa and the DRC is relevant since there are major concerns about the low level of trade and investment between African countries. Current scholarship blames Africa's underdevelopment on the low intra-Africa trade and weak investment relationships in Africa. The research findings and recommendations of this study are useful because they provide insights on how to improve trade and investment between African countries, in general and South Africa and the DRC in particular.

Chapter one presented the introduction and background of the study. It comprised the aim and the objectives of the study, research questions, problem statement, assumption, and significance of the study, justification of study period and definitions of key terms.

Chapter two discussed key concepts of the study such as inter-state relations on matters of trade and, foreign direct investment. Inter-state relations on matters of trade and investment is not a new phenomenon; it started long time ago. States traded with each other long before the GATT and the WTO came into existence. Before the international system became concerned about trade regulations, states relied on bilateral trade negotiations. However, this era was believed to be characterised by high levels of protectionism and trade discriminations, resulting in trade related conflicts. GATT was formed after the Second World War so as to regulate international trade and do away with trade barriers, in order to promote free trade in the international system. GATT was later changed to WTO as it was debatably seen to be promoting the interests of developed nations on matters of trade. Foreign direct investment, and how it related to the foreign policy of South Africa and the DRC was discussed in this section.

This chapter also looked at the relationship between South Africa and the DRC. In 2001, some South African companies, such as Standard Bank and Vodacom to name a few penetrated the DRC market. The relationship between South Africa and the DRC became official in 2004 when they signed what was termed the General Cooperation Agreement (GCA). This agreement necessitated the establishment of a Bi-National Commission (BNC). The relationship between South Africa and the DRC has grown from strength to strength since the first president of the Democratic Republic of South Africa, Nelson Mandela's visit to the DRC in 1997. The chapter revealed that, although there is a low level of trade record, trade and investment, in general have increased between these nations since 2006. However,

despite this achievements, there exists some challenges which that these countries need to seriously address, in order to further improve their cooperation.

Chapter three discussed the research methodology used to carry out this research. The researcher chose to use qualitative research methods simply because they are considered the best when dealing with complex and dynamic issues such as trade and investment challenges and prospects of South Africa and the DRC. Unstructured face-to-face interviews and telephonic interviews were used as methods of data collection. The information obtained from the interviews revealed the knowledge, attitudes and understanding of participants.

Purposive and snowball samplings techniques were used in this study. The two were chosen to enable the researcher to choose people with relevant information to contribute to the study. Data for this study were analysed using the thematic analysis approach. The chapter also looked at the limitations and delimitations of the study. For the study to be ethically acceptable the researcher discussed in this chapter how he met the required ethics. The researcher considered the following ethics: informed consent, avoidance of harm, anonymity/privacy/confidentiality, cooperation with contributors and sponsors, and debriefing.

Chapter four focused on the trade and investment prospects that exist between South Africa and the DRC. The discussion revealed that there are potential trade and investment prospects between South Africa and the DRC. These prospects presently show that, despite of the conflict situation in the DRC, South Africa continues to actively engage with the DRC for natural resources, in particular minerals, water and hydro energy. As shown above, the two countries have comparative advantages in respective these areas and in other sectors. South Africa with its world class doing business environment, aided by its high level of economic development and promotion of accountability, transparency and quality institutions, stands to contribute to skills development in the DRC.

Again, South Africa's achieved level of infrastructure development can be a big opportunity for the DRC to tap on. Despite the developed infrastructure in South Africa, there is need for both countries to engage in massive infrastructure development projects such as roads, airports and sea ports. A strong collaboration in agriculture is needed as there are very few agro-processing businesses or industries in the DRC, and South Africa is still lacking in this sector. The huge shortage of water in South Africa and the abundance of water in the DRC give these two countries a strong and relevant reason to work together.

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Lastly, the chapter revealed that trade and investment have shown a positive trend since Jacob Zuma became the president of South Africa. Conflict and political instability proves less challenging for the South Africa-DRC trade and investment relations. Therefore, there is huge potential for growth and development of the South Africa-DRC trade and investment relations.

Chapter five discussed the economic, socio-cultural and political reasons constraining the South Africa and DRC trade and investment relations. The chapter revealed that infrastructure deficits, political instability and conflict, crime and violence together with bureaucratic and unfavourable doing business environment contribute to greater constraints in the trade and investment relations between these two countries. The incompatibility of both economic and political governance models in the two countries, also contribute to hampering the South Africa-DRC trade and investment relations. Due to the hurdles noted above, trade and investment relations between South Africa and the DRC, have, as a result been confined to state-led private deals, in which both governments are not active in putting into practise the ITI.

Without doubt, the South African government presents more favourable opportunities for the DRC to exploit, than the DRC does for South Africa. South Africa, unlike the DRC has modern day state of the art in industrial, business, finance, and transport infrastructure that is further reinforced by peace, tranquillity and a guarantee property, business and investment rights for foreign-owned entities. There is a great need for both South Africa and the DRC to work closely together and deal with these challenges. If these challenges can be minimised, trade and investment relations in these countries could reach great heights and contribute positively to the economic development of these two countries, the SADC region, the entire African continent, and the world as a whole.

In addition, the chapter revealed that language is a major problem in the trade and investment relations between these two African nations. All the respondents identified language as a predicament when negotiating, drafting and interpreting memorandum of understanding between these two countries. One respondent also indicted that most of the South African products that are being sold in the DRC are written in English; the Congolese people do not understand the instructions or the information on those products as they do not know or understand English. MOUs take far too long to be signed due to language differences between these two SADC nations.

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Furthermore, the study found that political instability in the DRC is a major challenge to trade and investment between South Africa and the DRC. It is unsafe and extremely dangerous to transport goods and services or invest in the eastern part of the DRC due to on-going political instability in that region. The study also discovered that, apart from being a serious challenge, political instability is seen by others as an opportunity for more investment. As long as there is political instability, many countries and major companies will hesitate to invest in the DRC. This gives an opportunity for those South African companies that are major risk takers to invest in the DRC. The South African government also sees the political instability of the DRC as presenting opportunities for South African companies to penetrate the DRC market. This is evident through the ITI introduced by the South African government through the Department of Trade and Industry, in which the department takes South African business people to the DRC yearly to look for business opportunities. This is done despite the political instability in the DRC.

Infrastructure has also been identified by all the informants and literature as one of the major challenges to trade and investment relations between South Africa and the DRC. There is infrastructure deficit in the DRC following years of political instability and lack of investment in infrastructure within the country. For trade to be facilitated with ease within the country, infrastructure such as roads, railway lines, seaports and airports, to name a few, should be in good condition. The following sections deals with the recommendations of the study.

6.3 Recommendations

The previous section discussed key findings of the study. This section focusses on the recommendations of the study. It is undeniable that South Africa is doing a lot to capacitate the DRC in a number of areas. South Africa is also making sure that the SADC protocols of democracy, peace and security are adhered to in the DRC. In addition, South Africa is acting within the framework of the AU and the UN to make sure that peace reigns in the DRC. South Africa is one of the three African countries that contribute soldiers to the UN brigade to assist in dealing with political instabilities in the eastern region of the DRC.

It is, however, time for the DRC to stand on her own feet and do more for South Africa and with South Africa. This big brother younger brother kind of relationship needs to change. The DRC also has a lot to offer to South Africa in terms of trade and investment. South Africa needs to refrain from doing things for the DRC and give advice to the DRC if and when that

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is needed. There is still enough room for South Africa and the DRC to cooperate on trade and investment matters and beyond.

The researcher also recommend that South Africa and the DRC must play leading roles in mobilising the international community to join hands and denounce those countries that are buying diamonds that have been mined illegally by rebel groups such as FDLR, LRA, ADF, CNDP/M23 and the Mai-Mai in the eastern part of the DRC. Countries, organisations, businesses and individuals that are engaging in this kind of trade should be told to stop buying diamonds that are being mined illegally because, by doing so, they are financing the activities of the rebel groups, and contributing to political instability and wars in the eastern region and other parts of the DRC.

It is inevitable that if the rebel groups are not able to raise funds for their activities, the DRC government with assistance from the South African government and other governments, would find it easier to deal with the rebel groups and bring about lasting peace in all corners of the DRC. Peace in the DRC will create a conducive environment for growth. Peace will also play a greater role in attracting more investment from the South African government and private companies as well as investments from other countries. Moreover, South Africa and the international community must make sure that mineral resources, such as diamonds, cobalt, uranium and other resources, go through proper international trade procedures in line with international laws and the WTO trading systems. This will contribute positively in making mining legal in the DRC and in doing away with illegal mining in the DRC.

6.3.1 People to people interaction

South Africa and the DRC should also consider people to people interaction, not just government to government and business to business interaction. This study, therefore, recommends that South Africa and the DRC should promote and encourage people to people interaction. This study argues that the best way to know and understand a country is to know and understand its citizens (people). The DRC and South Africa should encourage university partnerships, research institution collaborations and Non-governmental organisations of both countries to collaborate in different ways. This will help individuals from both countries to exploit opportunities and to meet and share knowledge and experiences which, in turn, will assist them to gain knowledge and understanding of each other. South Africans and the Congolese people should be able to understand how they live, the challenges they both face and how to assist each other with possible solutions to address challenges. The study also

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argues that knowledge and understanding of each other will help to increase the desire of the South Africans and Congolese people to invest and to do business with each other. This highlights the importance of dialog between South Africans and Congolese people. The coming together of South Africans and the Congolese people to share ideas on how best to develop these two nations, should continue and involve more people from both countries.

6.3.2 Infrastructure

The study also recommends that the DRC should improve its security and air transport, in order to open up this gigantic country. The improvement on safety of air transport in the DRC would make the movement of people, goods and services easier and effective. If people, goods and services are able to move safely through air transport, trade and investment between South Africa and the DRC will increase. Because the DRC is a landlocked country, it would be easier and faster to travel to and from the DRC using air transport provided air transport is safe. Again, most business people are concerned about saving time; with a bad road infrastructure within the country, it would be faster to travel from one part of the country to the other using air transport. This is why it is of great importance to improve security and safety of air transport in the DRC.

It is also recommended that the DRC government should fast track the improvement of all the ports, including seaports and airports. This is because the improved Port of Matadi alone is expected to service the southwest DRC for some years to come. However, it is important that, in the long term, additional capacity is developed. For the DRC to achieve the daunting task of finding additional capacity, it faces two strategic options. The first option involves embarking on further development of the Port of Banana and transforming it into a deep-water port. The establishment of such a port would cost around US$2 billion and take 10 years to complete. The second option involves strengthening land links with the Republic of Congo to facilitate access to the Port of Pointe Noire. The DRC government should therefore, also invite some South African investors and the South African government to bring some financial muscle and invest in these projects.

6.3.3 Energy

Both South Africa and the DRC are faced with energy problems. The power blackouts in the DRC and the so called load shedding in South Africa are impacting negatively on the economic growth of these two countries. This is because both countries are not generating

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enough energy. It is, therefore, recommended that both countries should work tirelessly together to make the Inga Hydro-energy project a success. Both countries should put most of their resources into this project, as it has the potential of doing away, once and for all, with the energy challenges faced by these two countries and the African continent at large. If need be, both countries should invite more investors to this massive project to make it a reality.

6.3.4 Promotion of parastatals

Instead of encouraging private companies to take up business opportunities in their countries, both countries should seek to promote government to government investment or promote government-owned companies. This is recommended because when countries promote private companies, they contribute to the creation of income inequalities in those countries. Private companies are owned by individuals or groups and they care more concerned with generating profit than the welfare of the general population. Government-owned companies, however, will generate wealth for the country, rather than for individuals or small groups of people. It is my understanding that, by promoting government-owned companies, the poverty and income inequality gap can be address faster. Again, if the government is making more money, it can have the capacity to deliver basic services to its people. The argument is not that private businesses should not be promoted but that government-owned companies should be promoted more, meaning that the Joint Venture Investments approach should be adopted by these two SADC countries.

6.3.5 Corruption and crime

Both South Africa and the DRC share this challenge. It is this challenge that is pulling the development of these countries and other African countries backwards. Important for both countries is that they should cooperate and share ideas on how to deal away with these two social ills. Undoubtedly, if these two social ills are dealt with effectively, the trade and investment relations between these two countries would improve significantly, and this would fast track the development of these two nations. The study, therefore, recommends that corruption and crime should top the list of priorities in both South Africa and the DRC.

6.3.6 Political instability, conflict and failed state implications

The unsettled socio-political environment is a risky factor for businesses. Human rights abuses and banditry deter economic activity. However, currently, in the DRC, this mainly affects the country's eastern region, close to its borders with Rwanda and Uganda. The

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eastern part of the country still sees frequent clashes between the rebels and government forces, and there is sporadic fighting in other parts of the country. Security forces are known to set up occasional, and spontaneous roadblocks, especially after dark, and this places a constraint on transportation and results in delays. It is, therefore, relevant to recommend that both South Africa and the DRC should channel more resources to the peace effort in the DRC. Both countries should consider seeking more assistance, particularly, from the neighbouring countries and other African countries through African organisations such as the AU. The following section provides the conclusion of the study.

6.4 Conclusion

The above section focussed on the recommendations of the study. This section concludes the study. This chapter presented the overview of the study and revealed a number of findings that emerged in the study. This section concludes the study and answers the research questions that introduced the research.

The main research questions were: What is the nature of the South Africa-DRC trade and investment relations? What are the political, economic and social prospects of trade and investment between South Africa and the DRC? And what are the political, economic and social challenges of trade and investment between South Africa and the DRC? The aim of the study was to investigate the trade band investment prospects and challenges facing South Africa and the DRC. This study was divided into six chapters as follows: an introduction, four fundamental chapters, and a concluding chapter.

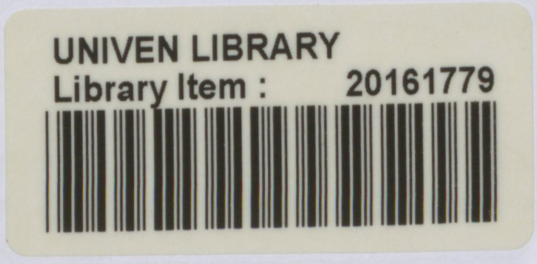
The study focused on the trade and investment prospects and challenges of South Africa and the DRC. The main research question on the nature of the South Africa –DRC relations was fully address in Chapter two of this study. In chapter two, the researcher discussed the political, economic and social relations between these two nations. Chapter three discussed methods used to conduct this study. Chapter four was dedicated to answering the main question about the trade and investment prospects that exist between South Africa and the DRC. The study, therefore, concludes that there are many trade and investment prospects that South Africa and the DRC can explore for the betterment of their economies and the lives of their citizens. Chapter five of this study answered the main question about the trade and investment challenges that these two nations are experiencing. The study identified a number of challenges, which if not addressed can prevent these two countries from reaching greater heights.

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The study responded to all the questions asked in chapter one. To sum up, the study also made recommendations that could assist both South Africa and the DRC in dealing with some of the challenges faced by these two nations in their trade and investment relations. This study has contributed to scholarly information about trade and investment prospects and challenges between African countries in general and, South Africa and the DRC in particular. There are many debates and discussions that can be initiated from this study in order to improve the nature of trade and investment among African countries. This study also opened the door for other scholars and researchers to engage in studies that can assist African countries to improve their trade and investment relations.

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Interviews and discussions

Anonymous:	DDRC citizen (small business owner). Interview; 18 May 2015. Thohoyandou, Game Complex
Anonymous	Talk: Junior politician who worked in the DRC for three years. Pretoria, 224 Hotel
Anonymous	Discussion with: Senior lecturer at the University of Venda. Thohoyandou University of Venda
Anonymous:	Discussion: DRC citizen. 13 May 2015. Thohoyandou, University of Venda
Anonymous:	DRC citizen (small business owner). Interview: 30 June 2015. Pretoria, central.
Selby Matlukga:	Assistant Director on Africa Desk at the Department of International Relations and Cooperation (DIRCO) DIRCO001. Interview: 7 August 2014. Pretoria, OR Thambo building.
Loraine Ngwenya	Director of International Relations at the National Department of Public Works (DPW) DPW001. Interview: 5 August 2014. Pretoria, National Department of Public Works
Jerry Djidja	Manager Southern Africa at the Department of Trade and Industry (DTI) DTI001. Interview: 1 July 2015. Pretoria, DTI Complex
Pieveillard Kalonji	DRC citizen living in South Africa (DRC002). Interview: 15 May 2015. Thohoyandou, University of Venda
Israel Litshani	Manager on Rest of Africa at Standard Bank (STB001). Interview: 5 April 2015. Thohoyandou, Plazza complex
Check Achu	Senior Researcher at African Institute of South Africa (Research Specialist regarding peace and security on the African continent) AISA001. Interview: 6 August 2014. Pretoria, Human Science Research Council Building.
Mphidi K M	Masters Student at the University of Venda. Occasional informal discussions
Israel	PhD student at the University of Venda. Occasional informal discussions

Addendum 1: Informed consent form

Researcher: I, Tshimangadzo Justice Makhanikhe, am a Masters student at the University of Venda. I am at present engaged in a study entitled: **PROSPECTS AND CHALLENGES OF SOUTH AFRICA AND THE DEMOCRATIC REPUBLIC OF CONGO REGARDING TRADE AND INVESTMENT RELATIONS (2000-2013).**

This study is conducted under the supervision of Prof. R.R. Moplapo and Mr. H. Tshamano, who are senior researchers in the Department of Development Studies in the School of Human and Social Sciences. This study has been approved by University's Higher Degrees Committee (UHDC).

The purpose of this study is to investigate the trade and investment prospects and challenges of South Africa and the Democratic Republic of Congo.

I am requesting your participation in interviews concerning this study. Please note the following before signing the consent form as a research participant:

- This interview will last between 45 minutes to one hour.
- Participation in the research is entirely voluntary.
- Sometimes interviews will be audio-taped or video-recorded for verification of the findings by the supervisors. However, if you are not comfortable with the use of those devices, they will not be used.
- Information shared with the researcher will be treated as confidential.
- No financial compensation will be offered for participating in the study.
- The information provided by the informant will not be used by the researcher for commercial benefit since it is meant for academic purpose.
- It is not compulsory to respond to sensitive questions.
- Should you feel like terminating your participation in the research at any point, you have a right to do so without supplying reasons to the researcher.

Participant: I, ... give my consent to be interviewed by Tshimangadzo Justice Makhanikhe. It has been explained to me that my name will not be revealed without my consent, if I so wish.

Participant's signature: ..... Date.....

Researcher's signature: ..... Date.....

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Addendum 2: Debriefing Letter from Researcher to be sent to Interviewees

August 2015

Dear Friend:

Thank you for your participation in my research study on the Prospects and Challenges of South Africa and the Democratic Republic of Congo regarding trade and investment relations. For some of you, your interview took place almost a year ago. I have been busy transcribing close to 30 interviews that I carried out, cleaning and organising data, and reading all the interesting materials for the purpose of this study. I certainly enjoyed learning more about you and about your thoughts and understanding of the prospects and challenges that exist in the South Africa- Democratic Republic of Congo relations, particularly with regards to trade and investment. I believe it will be proper and fair to share just a couple of my preliminary findings with you and to give you a chance to respond if you so wish. This study found that the relationship between South Africa and the Democratic Republic of Congo is characterised by more challenges than prospects.

Political instability is seen as both a challenge and a prospect in the South Africa and the Democratic Republic of Congo relations, especially regarding trade and investment. Political instability is arguably a challenge to trade because it makes it difficult to transport goods and services within the Democratic Republic of Congo. Goods and services are at risk of being confiscated by rebels at all times, particularly in the Eastern part of the Democratic Republic of Congo. Therefore, most South African investors are afraid of losing their investments to the rebels. This situation presents a challenge to the broader trade and investment relations between South Africa and the Democratic Republic of Congo.

Political instability is also seen as a prospect because for as long as there is political instability, many investors will hesitate to do what some will not even be willing to invest in the DRC. South African companies are encouraged by the South African government to invest more in the DRC despite the political instability. The government argues that it is easier to penetrate the DRC and invest now as the world is not willing to invest in the DRC in the current political unstable environment. In addition, the South Africa motivates and takes more initiatives to promote trade and investment between these two nations. The government

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is also of the view that it will be too competitive and difficult for South African companies to invest in a political stable DRC.

I am planning on using this research to write at least two scientific papers for publication purposes. My overall goal is not to suggest that the prospects and challenges discussed in this research are the only trade and investment challenges and prospects between South Africa and the DRC, but that they are part of the broader relationship between South Africa and the DRC.

I will send you all an email in the future to notify you when the scientific papers I intend to write have been published. In the meantime, please feel free to contact me with your comments.

Sincerely yours,

Makhanikhe Tshimangadzo Justice

Teaching Assistant

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Addendum 3

Interview questions

1 What was the nature of the South Africa-DRC relations during the Apartheid era?

2 How have the South Africa-DRC relations changed in the post-apartheid era?

3 How has the DRC foreign policy been since the country gained independence?

4 What is the nature of the South Africa-DRC trade relations?

5 What is the nature of the South Africa-DRC investment relations?

6 What challenges are South Africa and the DRC experiencing in their trade relations?

7 What challenges are South Africa and the DRC experiencing in their investment relations?

8 What are the prospects for trade between South Africa and the DRC?

9 What are the prospects for investment between South Africa and the DRC?

10 How do you think the challenges that these two nations are experiencing can be surmounted?

11 How do you think the investment challenges that these two nations are facing can be conquered?

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Addendum 4

RESEARCH AND INNOVATION
OFFICE OF THE DIRECTOR

NAME OF RESEARCHER/INVESTIGATOR:
Mr TJ Makhanikhe

Student No:
11592655

PROJECT TITLE: Prospects and challenges South Africa and Democratic Republic of Congo regarding trade and investment relations (2000-2013).

PROJECT NO: SHSS/15/DS/01/0405

SUPERVISORS/ CO-RESEARCHERS/ CO-INVESTIGATORS

NAME	INSTITUTION & DEPARTMENT	ROLE
Prof RR Molapo	University of Venda	Supervisor
Mr H Tshamano	University of Venda	Co- Supervisor
Mr TJ Makhanikhe	University of Venda	Investigator - Student

ISSUED BY:
UNIVERSITY OF VENDA, RESEARCH ETHICS COMMITTEE

Date Considered: May 2015
Decision by Ethical Clearance Committee Granted
Signature of Chairperson of the Committee: .....
Name of the Chairperson of the Committee: Prof. G.E. Ekosse

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The United State Department of State's Security Environment Threat List has also designated the DRC as a "Critical" crime and "High" political violence post. Most reported criminal incidents in Kinshasa are 'crimes of opportunities', which include pick-pocketing and petty theft. The majority of the petty crimes in the DRC are committed by "sheggehs," who mostly are homeless street kids working in gangs.

The DRC is also a home for serious crime, including armed robbery and assaults, especially by groups posing as police or security agents. Armed robbery, assaults, vehicle thefts, and carjacking occur throughout the country, but are not common in the Gombe neighbourhood of Kinshasa. Most victims in Kinshasa report being targeted, while walking alone or during the night, and in high-traffic areas such as outside hotels, restaurants, supermarkets, and nightclubs. The chances of becoming a victim increase dramatically after midnight. In some instances, crimes have been committed by groups posing as Congolese law enforcement agents. Crime also increases dramatically during the holiday season (United States Department of State, 2013).

Drug use, primarily cannabis, is common. However, evidence of a drug trade is not readily apparent to travellers in Kinshasa. Local law enforcement capabilities in the area of narcotics detection and interdiction are severely limited. Occasionally, passengers are arrested while attempting to smuggle drugs into the country though N'Djili International Airport. Moreover, kidnappings are more of a concern in eastern DRC due to the unstable security situation. Though most kidnappings involve DRC citizens, from time-to-time, foreigners have fallen victim to this crime (OSAC, 2013).

Police response to incidents is slow or non-existent, unless the police are in the general area where the incident occurred. The police are poorly trained and ill-equipped, have almost no resources, and are largely ineffectual and corrupt. Consistency in administering laws and regulations is notably absent. In cases involving theft or robbery, police intervention and legal recourse are limited. These hostile environments plagued with crime and violence in both South Africa and DRC, have hampered trade and investment relations. Prospects of improving this environment depends specifically on an improved security system to ensure protection of business, from crime and violence.

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(2005) argues that transport costs of a high proportion of the value of exports add to the high cost of import goods and, thus, reduce their competitiveness in foreign markets. Therefore, high transport costs will serve as a barrier to trade amongst African countries (ECA, 2005).

The DRC, probably, has the most challenging transport infrastructure environment in Africa. According to the PWC (2015), the DRC has the most damaged infrastructure in the whole world. Road transportation has always been difficult and the country's vast geography, low population density, extensive forests, and criss-crossing rivers further complicate the development of infrastructure networks. As a result, road, rail, water and communication networks remain far from being constructed. The existing infrastructure have been seriously damaged or destroyed by conflict. Road and rail infrastructure is dilapidated and the rail network has fallen into disuse (PWC, 2015).

5.2.6.2 Road transport

Following years of armed conflict, much of the DRC is disconnected, and most of the road infrastructure is in poor condition. Of the 153 497 km roadways, the country has just over 2 700 km of paved roads (ANAPI, 2008). This means only 1.8% of the roads are tarred. Since the end of the national conflict, in 2003, rehabilitating the road network has been a priority. The country has secured major development funding, as well as an infrastructure-for-minerals deal with China. Private enterprise is also playing a role, with mining companies also investing in roads. These initiatives cover many of the country's major road corridors linking Kinshasa and Lubumbashi, as well as roads along the eastern side of the country. The effort is already paying off. Rehabilitation of rural infrastructure, specifically roads, has been recognised for its contribution to the agricultural recovery that started in 2006 (DTI, 2012).

South Africa's total road network, however, is about 754 000 km, of which over 70 000 km are paved or surfaced roads. While the Department of Transport is responsible for overall policy, road-building and maintenance is the responsibility of the South African National Roads Agency (SANRAL), and the nine provinces and local governments. SANRAL is responsible for the country's network of national roads, which grew to over 20 000 km and an estimated value of over R40 billion in 2010. Around 3 000 km of the national roads are toll roads. About 1 800 km of these are maintained by SANRAL, while the rest have been sold to private companies to develop, operate and maintain. A multi-billion Rand freeway