CHANGE FOR GOOD

Tackling the illicit trade in cigarettes should help address some of Congo's more intractable problems as well.

By Jeannie Cameron

The Democratic Republic of Congo (DRC) has a global image problem, and tobacco is partially responsible. It's not because of public health or the impact on the DRC's smokers; it's because of the role the illicit tobacco trade plays in funding the rebels on the DRC's eastern border, fueling the "deadliest conflict since World War II" and the displacement of more than 2.2 million people since 2012, according to the U.N. High Commissioner for Refugees (UNHCR).

The DRC is one of the world's richest countries in terms of natural resources, minerals, forests, wildlife and its potential for ecotourism, but one of its poorest economically. The Human Development Index ranked the DRC as *the* poorest country in 2011, with a gross national income per capita of approximately $190.

The DRC desperately needs foreign investment—investment of the kind that employs and trains people, not just digs resources out of the ground—if it is going to provide sustainable long-term development. However, with ongoing security problems and systematic human rights violations on its borders with Uganda and Rwanda, the DRC is seen as an unstable place for investment in any other sector than mining, and consequently the country and its 72 million people suffer.

I visited Kinshasa in July as a guest of the speaker of the National Assembly. In addition to meeting parliamentarians, I also spoke with various ministers of the cabinet, including the interior minister, minister for economy, minister for planning, minister for agriculture and minister for women's affairs. All of them individually, and together at a dinner, talked about the devastating situation on the eastern border and the significant damage it had done to the country's international reputation, which in turn has had a negative impact on attracting investment and subsequently continues to force a reliance on aid rather than self-sufficiency.

The DRC's decade-long bush conflicts are complex. Rwanda wants to protect its borders from Hutu Interahamwe rebels, some of whom were responsible for the 1994 genocide in that country, while Uganda wants to secure its borders from Joseph Kony's Lord's Resistance Army (LRA), which has often used the DRC as a base to launch attacks into Uganda. The warring groups generally comprise ethnic groups, and much of the war is a follow-on from the genocide inflicted on the Rwandan Tutsi minority by the Hutu majority tribe. ▶

The current conflict involves three major groups: the Hutu-led Democratic Forces for the Liberation of Rwanda (FDLR), the Tutsi National Congress for the Defense of the People (CNDP) and the M23, which is an offshoot of the CNDP. The DRC national army (FARDC) is supported by the U.N. in its fight against the rebels, and there are also the local Mai-Mai people trying to protect their villages and families against outsiders. The off-and-on presence of the LRA adds to the mayhem.

According to the World Bank, there are 20,000 U.N. peacekeepers stationed in Kivu Province, near the city of Goma. They are there to keep the peace in a conflict that ostensibly ended in 2003 but has flared up and continues to rage due to the opportunity to plunder the DRC's lucrative minerals. The rebels and paramilitaries are funded by the sale of coltan (colombo-tantalite ore), a key raw material used in the production of mobile phones, DVD players and computers, as well as diamonds, copper, cobalt, gold, hardwood timber and illicit cigarettes. Unlike in other parts of the world, the region's illicit cigarette trade is not driven by differing taxation levels among neighboring states. Instead, it is driven by the rebels' need for cash to buy arms. The DRC grows limited amounts—approximately 14,000 ha—of leaf tobacco; the manufactured cigarette market is of greater significance.

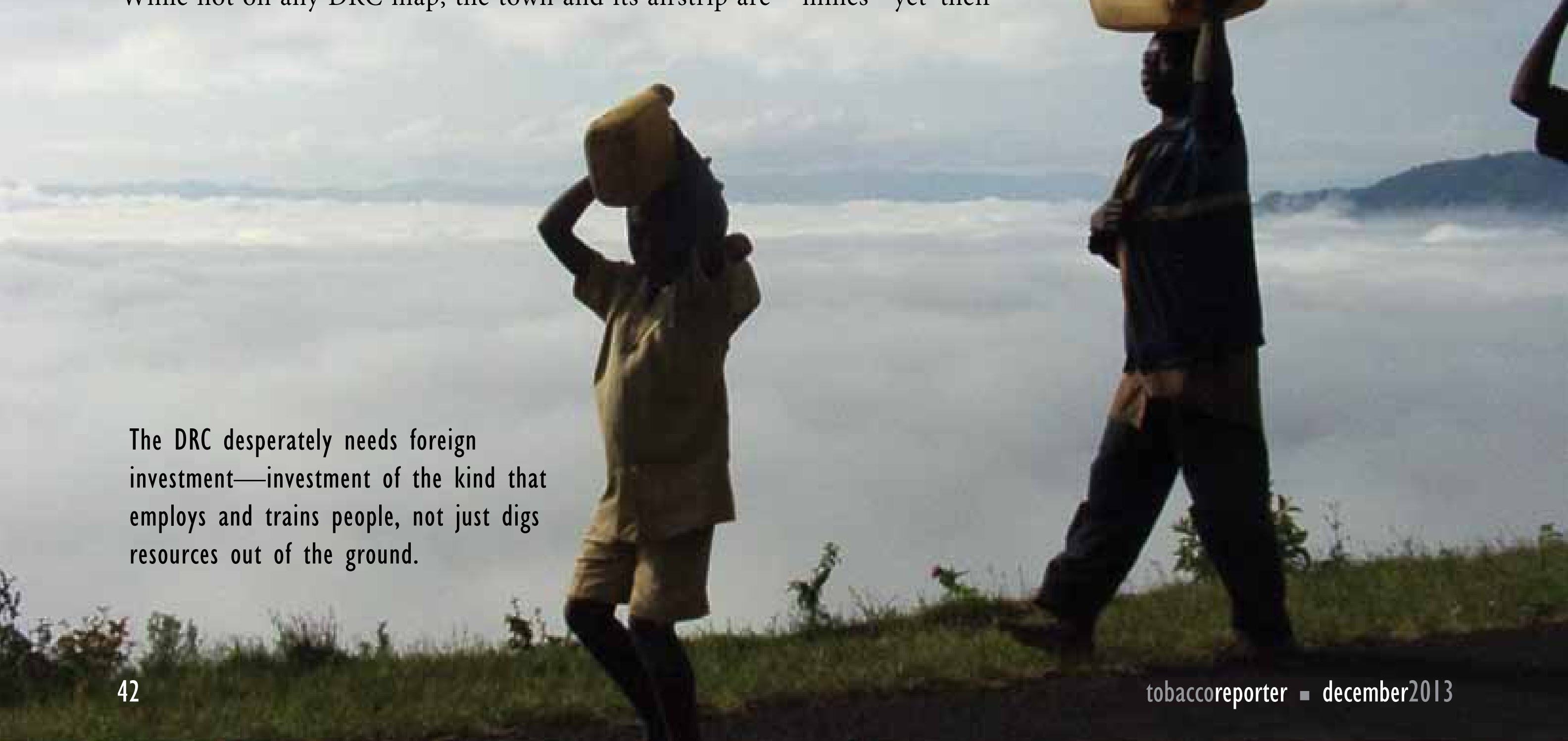
> **THE DRC IS ONE OF THE WORLD'S RICHEST COUNTRIES IN TERMS OF NATURAL RESOURCES, BUT ONE OF ITS POOREST ECONOMICALLY.**

The DRC's 8-billion-stick cigarette market is dominated by British American Tobacco (BAT), which is based in Kinshasa and employs, directly and indirectly, 6,500 people. BAT has been present in the DRC for nearly 75 years and contributes $40 million annually in tax revenue to the DRC treasury. In the 1950s, BAT built a town with a church and school called Auzi in the northeast. While not on any DRC map, the town and its airstrip are still maintained by BAT, as it is the company's main leaf center in the DRC. Auzi has a population of more than 130 people, including women and children, and many of the adults work for BAT. The company also carries out corporate social responsibility activities, drilling water boreholes, supporting the fight against sickle cell anemia, refurbishing a hospital and providing a mobile screening service, among other initiatives. When the northeast of the DRC was occupied by Uganda and Rwanda, BAT was forced to run its business as two separate operating companies—one from Kinshasa and the other from Uganda.

JTI is present through its distributor, Shenimed, a company controlled by Madame Gulamani, who is expected to stand for parliament. PMI has a small market share through a distributor in Brazzaville in the Republic of Congo, across the river from Kinshasa.

The Mastermind Tobacco Co. is also a significant player in the DRC and owns the Congo Tobacco Co. (CTC) in Goma in Kivu Province. CTC's brands include Supermatch and Yes. The CEO of Mastermind, Tribert Ayabatwa Rujugiro, was recently in prison in the U.K. after being arrested at London's Heathrow Airport for tobacco tax evasion. There is evidence that Rujugiro, through his CTC factory, funds the rebel group led by wanted war criminal Laurent Nkunda. He reportedly pays other rebel groups to allow passage of his untaxed cigarettes through their territories and to secure his factory in Goma.

The inability of the DRC's central government to control its remote borders has created an opportunity for outsiders to exploit the country's vast natural wealth. Unlike Congo, neigboring countries have no diamond or gold mines—yet their



The DRC desperately needs foreign investment—investment of the kind that employs and trains people, not just digs resources out of the ground.

official figures show year-on-year increases in exports of gold and diamonds. The illicit cigarette traders have no consideration for the economy of the DRC or for the human misery that is caused though the conflict, including the rape of women and the recruitment of child soldiers that are facilitated through the sale of illicit cigarettes.

The volume of DRC's illicit cigarette market is estimated at 2 billion sticks and causes the DRC to lose out on approximately $190 million to $200 million in revenue annually. BAT believes the illicit trade in tobacco has doubled in the DRC in the past three years. Worse than the lost revenue is the impact of instability on potential investors—who stay away—and the money the government must spend on the military, which, according to the World Bank, accounted for 10.2 percent of the DRC's budget in 2010.

Despite its large claim on the budget, the DRC national army is inadequately funded to achieve its goals, and it is impossible to be effective while soldiers are not paid.

It is the basic premise of good governance and public administration for society to respect and obey the rule of law and for governments to pay their civil servants—without these two foundations in place, the result is corruption and potential anarchy. In the northeast of the DRC this is unfortunately the case.

It's unfortunate indeed, because Congo offers considerable potential to investors. At the height of the global recession, the DRC was growing at 6–7 percent, and it is expected to increase into double digits soon.

It is all too easy to turn a blind eye to the situation in Congo. The DRC needs help—not with aid or sympathy but with business investment at the small-to-medium enterprise level. It needs investment of the type that brings infrastructure, using and training local labor rather than importing workers, as some Chinese companies have done. The DRC needs investment from banks ready to provide small loans to fledgling businesses over much longer terms than the current one-year period, especially in the agriculture sector. It needs Western businesses ready to enter into joint ventures and strategic alliances.

The illegal exploitation of minerals prevents the DRC from ending its ongoing bush war. The illicit trade in tobacco is fueling this. The DRC ratified the Framework Convention on Tobacco Control (FCTC) in 2005 and thereby committed to fighting the illicit trade in tobacco—as did Rwanda and Uganda. Rwanda even took a leading role in developing the FCTC protocol to eliminate the illicit trade in tobacco—a point that seemed lost on its own Rujugiro, who is finally in exile because of his suspected involvement in plotting a coup in Rwanda.

Perhaps the DRC should host an anti-illicit trade conference in Kinshasa. Such an event could bring together relevant business leaders, economists, governments, NGOs and international organizations such as Interpol, the World Customs Organization and the Organization for Economic Cooperation and Development. This conference could help bring global focus to the illicit trade of minerals, tobacco, wildlife, timber and other counterfeited products that are having such a devastating impact on the DRC. Participants could look at the issue from the perspective of economic growth, as well as the humanitarian impact.

While the DRC's administration has long faced difficulty in ending the conflicts on its eastern border, it can do a number of things from Kinshasa. It could raise greater awareness internationally of its desire to end the conflict, and it could implement its international FCTC obligations to address the illicit tobacco trade and collect the lost tax revenue, using part of the proceeds to pay its soldiers appropriately and regularly.

These are not easy tasks, but they are tasks that have to happen if things are going to change. The DRC has the capacity to be the richest country in Africa. It needs political will and determined leadership to drive progress and change the existing realities and perceptions. Its neighbors to the south, Angola and Mozambique, have already done so.

In my brief meetings with DRC parliamentarians and ministers, I could see an unequivocal desire to change the status quo and bring investment to the country. Let's hope that the DRC is on the brink of big change and that the tobacco sector can play a more positive role. TR