

THE ANGOLA TO DEMOCRATIC OF CONGO RAILWAY: ITS HISTORY, DEVELOPMENT AND POTENTIAL COMMERCIAL IMPACT

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Figure 1 - Hand Pinning the Pushpins on the Map - Free Stock Photo photo by Lara Jameson

Introduction

The Angola to Democratic of Congo Railway, commonly referred to as the Lobito Corridor, stretches from the Lobito Port in Angola, across the Democratic Republic of Congo to Kolwezi, with plans to expand further into Zambia. Recent investment from a consortium consisting of Trafigura, Mota-Engil and Vecturis seeks to rehabilitate the Lobito Corridor, aiming for it to become, according to Jeremy Weir, CEO of the Lobito Atlantic Railway, 'the most important logistics corridor in sub-Saharan Africa'. Undoubtedly, this level of investment will open up important trading opportunities that will have a hugely positive commercial impact on all countries involved as the project progresses due both to the improved trading connection across East Africa and also easier access to a port for the DRC and Zambia, both of which are landlocked. This report aims to explore the history and development of the Lobito Corridor, examining the impact of conflict in Angola on the railway line and the influence of global investment, as well as looking towards the potential commercial impact on the countries involved.

History of the Lobito Corridor: The Benguela Railway, Civil War, and earlier investors

Much of the infrastructure that the Lobito Atlantic Railway consortium is developing is from the Benguela Railway, which began development in 1902 for much the same reason as the Lobito Corridor – to provide a profitable trading route connecting the mineral-rich DRC and Zambia to a port, whilst also allowing for the transportation of mined goods and improved intra-Africa trade.

The development of the Benguela Railway, despite starting in 1902, lasted until 1931, due to a number of issues, namely, the outbreak of World War 1, which led to fewer workers and materials available (effectively halting the build) as well as the difficult landscape that had to be navigated. Development of the Benguela Railway was overseen by Sir Robert Williams who was originally granted a concession to develop the railway to connect Lobito to Katanga (on the border of the DRC), in order to more easily export the copper and other minerals gathered from Katanga.

Once built, Benguela Railway proved to be extremely successful in achieving the intended goal of exporting mined copper and other minerals throughout Angola – for example, managing to generate \$30 million in freight revenues in 1973. Throughout its time operating, the railway acted as a crucial connection route for the DRC and Zambia to reach the Atlantic Ocean, proving profitable not only as a trade route, but also as an employer of thousands, particularly in the early 1970's.

Thus, the outbreak of conflict within Angola in late 1975 had a devastating impact on the success of the railway line. On becoming independent from Portugal in 1975, the country descended into Civil War as the Portuguese had withdrawn from Angola without formally handing over power, causing the already divided liberation movements to fight for control of the country, beginning a civil war that would last for 27 years. During the Civil War, goods from Zambia and the DRC were largely diverted – for example, Zambian Copper travelled through Mozambique to be shipped in South Africa. By the end of the Civil War in 2002 the Benguela Railway line was heavily damaged with only 34 kilometres of the railway in Angola remaining operational as the railway had been a target for opposition groups with ballast cars being attached at the front of trains due to the risk of landmines on the tracks. However, the success of the railway as a trading route in the 1970's attracted the investment of the China Railway Construction Corporation from 2006 to 2014, who contributed \$2 billion in order to rehabilitate the disused railway line and allow the transportation of cargo and passengers in an 'oil for infrastructure' agreement, whereby the Angolan government made repayments via oil shipments.

In 2023, the Lobito Atlantic Railway Company won a 30-year concession to work on the Lobito Corridor, which was transporting less than 1 million tonnes of cargo annually, operating far below its potential given that prior to the Angolan Civil War, it was handling the majority of the DRC's copper exports, and nearly half of Zambia's. The consortium (headed by Trafigura) has set out a goal to transport 5 million tonnes of cargo annually, a huge step considering that in 2011 the railway carried 5,640 tonnes of cargo.

Evidently, the Lobito Corridor has vast potential as a lucrative trading route, with previous success in the

Benguela Railway prior to the Angolan Civil War boding promisingly for the future as Trafigura aim to develop it into the 'leading rail transport link in sub-Saharan Africa', creating a more efficient trading route that will have a hugely positive impact on Angola, the DRC and Zambia. On top of connecting the DRC and Zambia with the Atlantic, the development of the Lobito Corridor will also boost intra-African trade, with the President of Angola stating that 'the necessity of putting our infrastructure at the service of the economic and social development of our countries and our continent', highlighting the importance of the Lobito Corridor in boosting trade across Africa.

Investment and Development of the Lobito Corridor

In 2023, the Lobito Atlantic Railway company, a US backed consortium consisting of Trafigura (49.5%), Mota-Engil (49.5%) and Vecturis (1%) won a 30-year concession to work on the Lobito Corridor, beating Beijing's bid. They pledged to reach the full potential of the railway, and thus planning to invest around \$555 million between the DRC and Angola, with expansion plans into Zambia being developed as well. The Zambian extension is planned to be complete in 2029.

The investment from Lobito Atlantic Railway will not only go to extending and improving the railway line but also to wagons and locomotives. In Angola, Trafigura aim to provide an additional 1,555 wagons and 35 locomotives in order to transport more cargo more efficiently. The project has also received significant international backing from both the US and the EU, who have pledged to support development of the railway, through investment in infrastructure and in related sectors to promote growth (for example, investing in technical training).

For the US, investing in the Lobito Corridor is a strategic move, intended to gain a stake in the minerals sector as the railway provides a key link in effectively and quickly transporting goods to the Atlantic from the landlocked DRC and Zambia. Thus, the Biden administration has loaned millions to support the Lobito Corridor's rehabilitation, recognising the influence it will have on access to important raw materials – for example, cobalt, used in batteries and able to be mined in the cobalt rich DRC. China's 'Belt and Road Initiative', launched in 2013, has seen Chinese investment in foreign infrastructure, for multiple reasons, including competition with the US, and thus an attempt to make other nations dependent on Chinese investment, building political influence. So, US investment in the Lobito Corridor is not only an attempt to access a supply chain of minerals, but crucially a supply chain that is independent of China, therefore reducing US dependency on resources which are in turn dependent on China. Thus, the US backed consortium winning the 30-year concession in 2022 was a turning point for the US, and visits to the project from top US officials such as the Secretary of State, Anthony Blinken, demonstrates the international importance that the Lobito Corridor has.

Whilst international competition certainly plays a part in US investment, the US and the EU have also emphasised the importance of maximising potential economic growth via investment in the project. On top of investment in the railway from Lobito to the DRC, the EU and US have announced support for the construction of a railway line into Zambia, launching feasibility studies prior to its construction, and further have announced goals past merely investing in infrastructure, committing to clean energy projects and investing in agriculture to support the growing local communities. Evidently the development of the Lobito Corridor will have benefits for local communities, with easier transport, increased employment opportunities, and investment into food production.

The African Development Bank has also committed to investing in the project, supporting the Lobito Corridor as 'a catalyst for regional growth'. The increased employment opportunities coupled with an estimated \$5 billion annual revenue by 2030 support the ADB's vision, and they have coupled with the EU to support the project.

On the 15th July 2024, the first vessel operated by the LAR consortium docked in Lobito, loaded with sulphur for mines in Katanga. The sulphur will travel on the railway to reach its destination, with the President of the Board of Directors of LAR, Francisco Franca, reaffirming the commitment to the 'most important logistics corridor in the region'. Since winning the concession, LAR's rehabilitation works have also allowed biweekly

international freights from the DRC to Lobito, and after future investments, Trafigura predict 6 international freight trains travelling daily.

The investment the Lobito Corridor has received speaks to its importance, both in terms of regional growth, and as an international trade route allowing easier access to valuable minerals. As the 30-year concession progresses, the impact of international investment will easily be seen, with faster, more efficient and greener travel routes alongside benefits to the local economy.

Impact of the Development of the Lobito Corridor on Angola, Zambia and the DRC

Part of the Lobito Corridor's importance is that it travels from the Port of Lobito to the Copperbelt, on the border of Zambia and the DRC, a mineral rich mining area, that is closely tied to Zambia's economic health. For example, when metal prices fell in the 1970's, the Zambian economy didn't recover for 30 years until the price of copper increased in 2005. The importance of the Copperbelt to the Zambian economy, demonstrates how important investment in the development of the Lobito Corridor will be in boosting economic growth, as the extension to the railway, planned to end in 2029, will increase export opportunities – for example, the railway is predicted to increase trade between the DRC, Zambia and Angola by 30%.

Similarly, as the railway passes through Kolwezi and Katanga, in the DRC, and oil and mineral reserves in Angola, positive effects will be seen here as the logistics corridor provides benefits in shortening travel times and cutting costs. For example, Ivanhoe ran trial runs in 2023, transporting copper via the Lobito Corridor rather than across multiple countries to ship in Durban, South Africa, a journey that took 3 times as long. Amidst international investment, the DRC, Angola and Zambia will seek to claim a larger stake in the global mineral market - rather than just exporting unprocessed minerals for less money, adding value before exportation will bring more profit, benefitting their national economies. The LAR consortium aim to cut the cost of exporting goods from the DRC and Zambia by 40% through their investment in the railway. The decreased cost of exportation, coupled with the increasing price of minerals such as copper and cobalt, as changes to the energy sector led to increasing demand, will undoubtedly lead to very lucrative trading opportunities and economic growth within the three countries.

On top of this, as the rehabilitation of the Lobito Corridor will bring shorter travel times and improved infrastructure, it is expected this will attract investment into surrounding mines. Many mines in the Katanga and Copperbelt regions are smaller-scale and investment from larger companies will allow for their expansion, bringing more jobs and higher wages. This large-scale investment will aid the economic growth of the nations as well as being more likely to practice good ethical and environmental standards. On top of this, the railway is expected to create 200,000 jobs directly, with others being created through the growth of mining and opportunities created due to a faster and safer method of travel between countries.

Further to the economic impact that the Lobito Corridor will have, it will also provide a safer travel route to the Benguela Railway service for passengers. This will also lead to less congested roads, and inevitably, less road accidents, as well as having a positive environmental impact as air pollution will be cut. US and EU investment in clean energy projects alongside the railway rehabilitation means carbon emissions will fall, further benefitting the nations involved. These projects include a commitment to expand internet access for 300 million people and increase renewable energy usage.

Conclusion

The Benguela Railway's history has demonstrated the success of a trading route connecting the DRC and Angola, so the US backed LAR consortium's investment in the Lobito Corridor across the course of the 30-year concession will undoubtedly have a very positive impact. Allowing the mineral rich landlocked countries of the DRC and Zambia easier and quicker access to a port will allow for more effective transportation of minerals that will increase in demand and cost over the coming years as the energy sector changes and develops, as well as attracting large scale investment into surrounding mines as existing infrastructure improves, increasing the appeal of investing. This will help boost global and intra-Africa trade, growing the

economies of the DRC, Zambia and Angola, as well as allowing the US to counter Chinese dominance over minerals in Africa by investing in infrastructure independent of Chinese control.

Alongside the global impact that the rehabilitation of the railway line will have, the impact on the environment and local economies will also be positive, expected to create thousands of jobs and a safer, quicker method of travelling, reducing road congestion and air pollution. Not even two years into the concession, the benefits of investment in the railway are plain to see, and expected to have a greater positive impact in the coming years as the railway expands and improves further.

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