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# Sustainability Weeks 2011



# BUSINESS AND ECONOMIC HISTORY OF COPPER INDUSTRY IN DR CONGO

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## Introduction

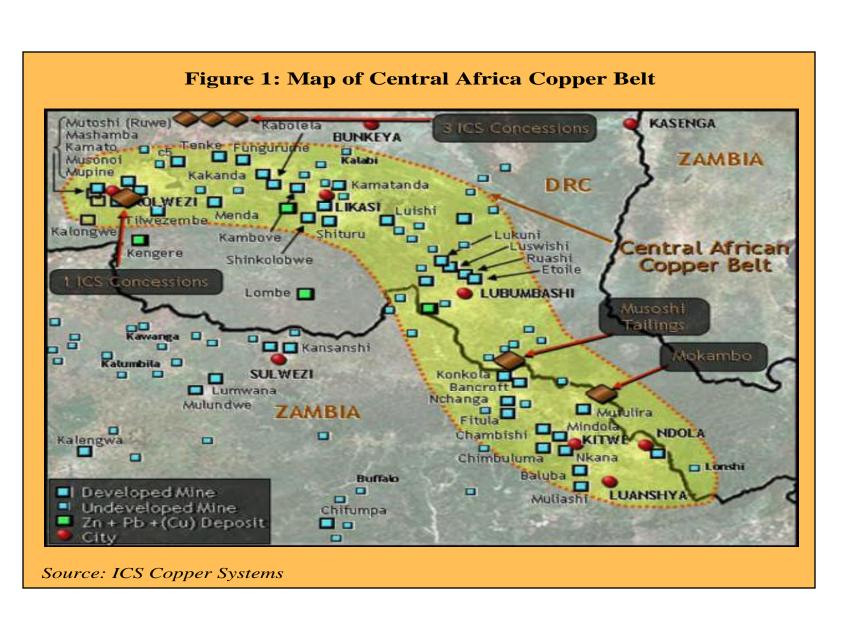
The Democratic Republic of Congo as resource-rich developing country suffers from a phenomenon termed the resource curse. Paradoxically, wealth in the form of natural resources appears to be detrimental to the economic development of the country. The mining sector has constituted the cornerstone of Congolese's wealth since colonial times. The country on average has lower growth rates, lower levels of human development, and more inequality and poverty. The current scenario of production shows high risk to compromise sustainable development for future generations. The copper ore reserves of DR Congo are estimated to last for about half a century. Sustainable management of natural resources is essential to assure the socio-economic development. Historical analysis of primary and secondary sources identifies bad institutions and corruption as the main reasons why the country performs badly in economic terms. There is a risk to maintain people in poverty up to depletion of resources.

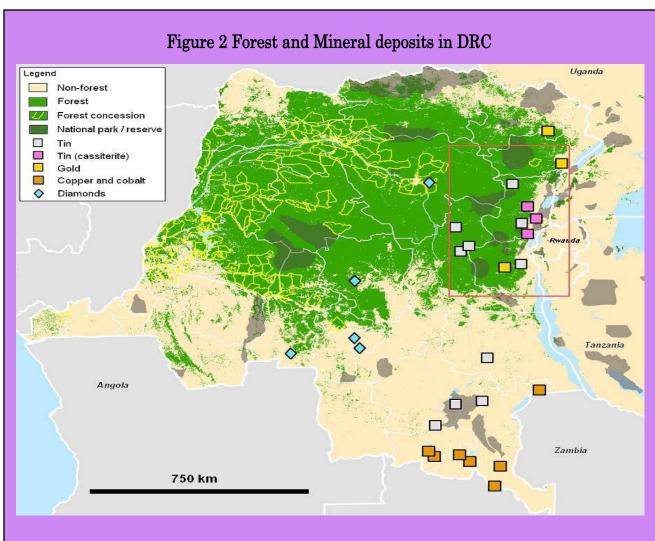
## **Objectives**

- The purposes of the research are:
- 1 To assess the contribution of copper industry to economic growth.
- 2 To explain the turning points of copper industry.
- 3 To understand the impact of mineral resource mining on environment at local and global levels.

## Study Area

This research is conducted on the south-eastern part of Katanga Province, in the Democratic Republic of Congo. This area long of 300 kilometers contains in excess of 10% of the world's known copper resources and about 34% of global cobalt deposits which are exploited by Gecamines and Sodimico in DR Congo. It is called the Central African Copper belt.



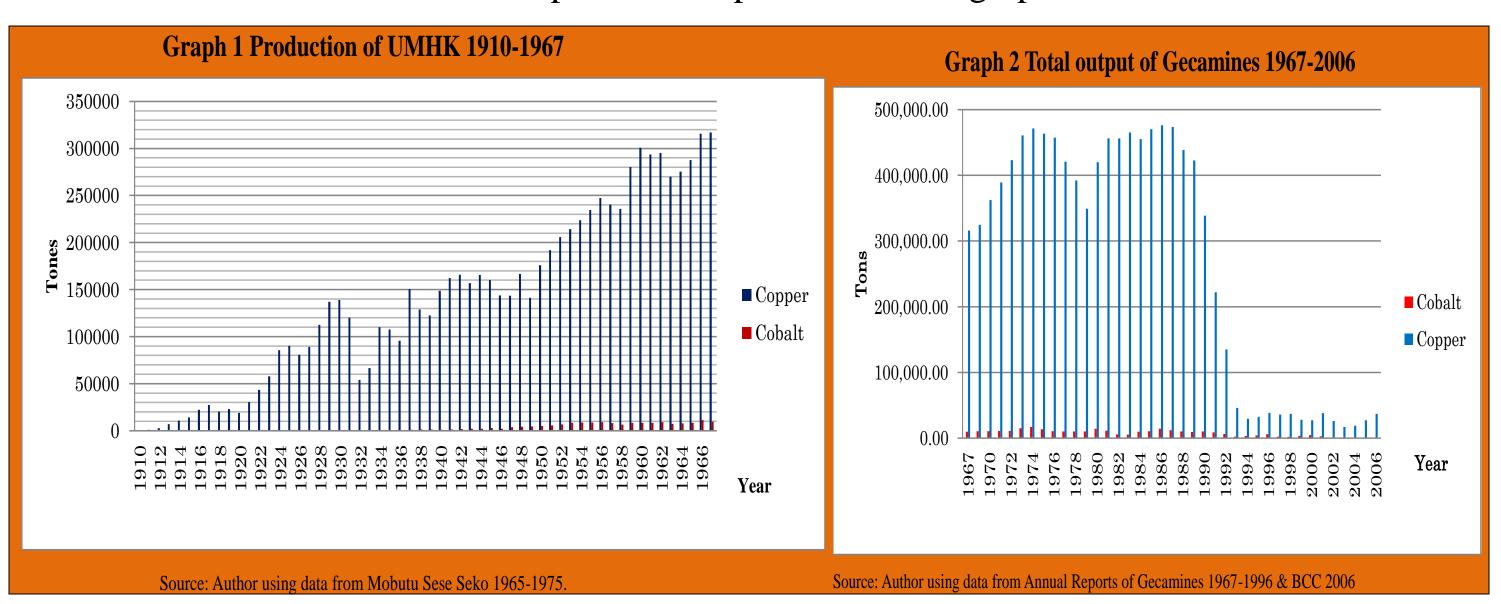


## Materials and methods

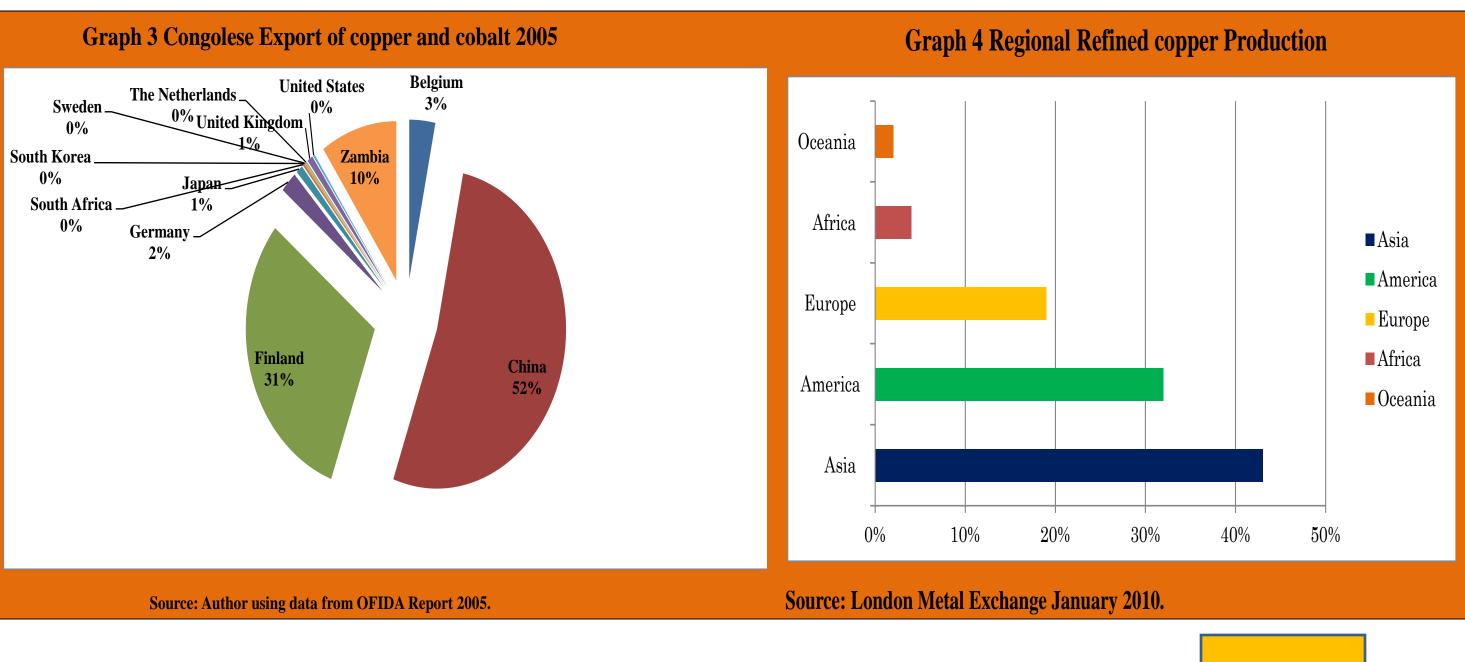
We use interviews conducted in March 2010 and February 2011with managers of Sodimico and Gecamines. The Annual Reports of these two companies and Archives are primary sources collected for this study. We use qualitative method to explain the impact of copper industry on economic growth and environment protection. The study integrates Interdisciplinary Approach including History, Economics, Politics, and Business.

# **Production of Copper**

The output of Congolese copper industry is depicted in the following graphs. The graph 1 depicts the first phase of output of Union Miniere du Haut Katanga nationalized in 1967 and renamed as Gecamines. The second phase of output is shown in graph 2.

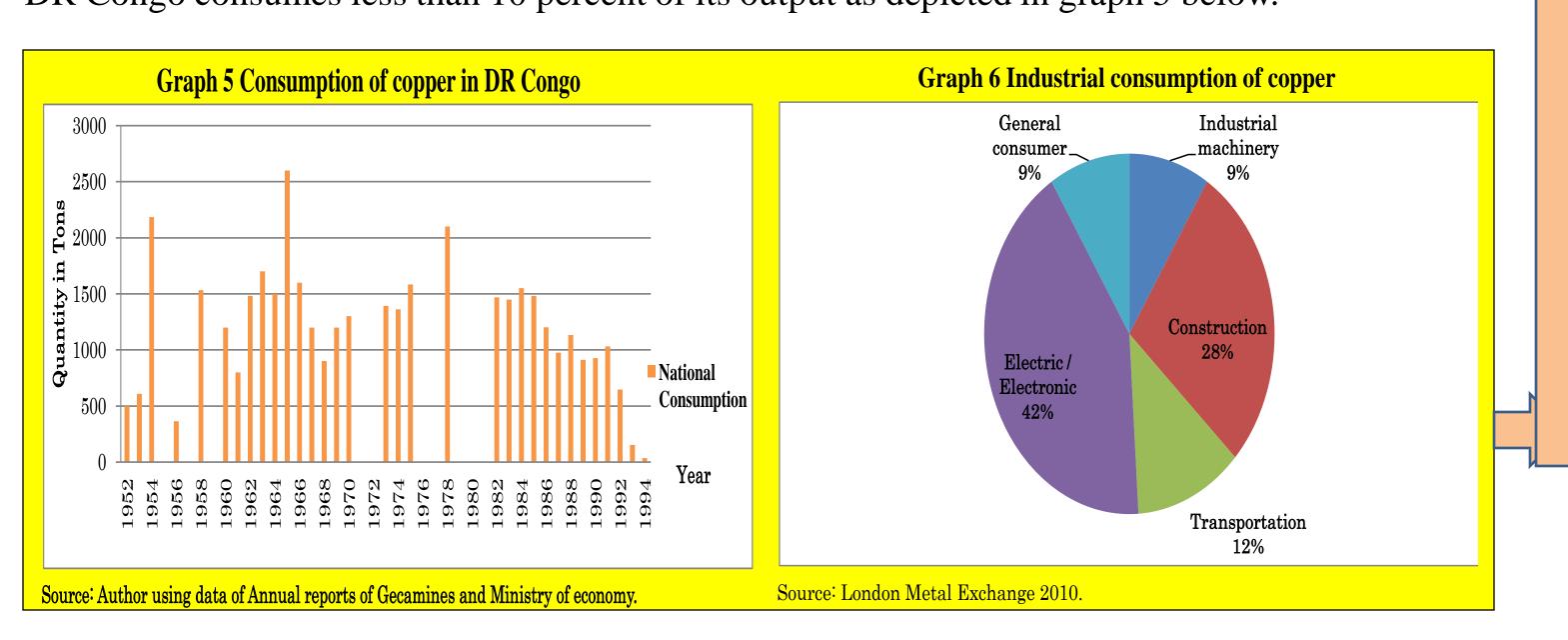


The production collapsed in the 1990s. The ores reserves are estimated to last about fifty years. The output is exported to industrial countries as depicted in graphs below.



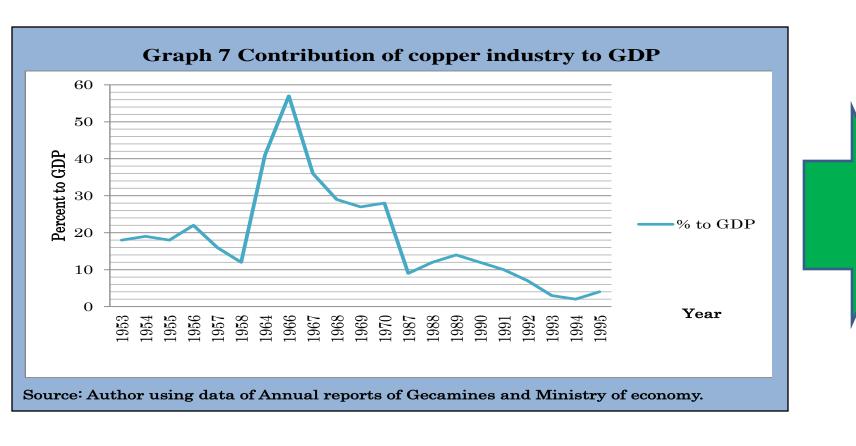
# Consumption of copper

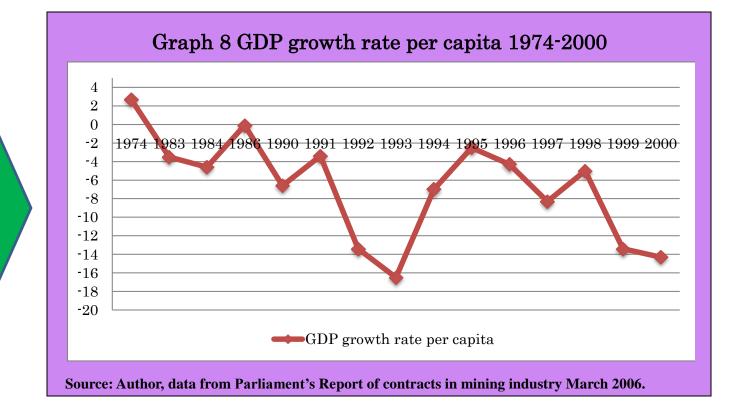
The quantity of metals consumed determines the stage of economic development of the country. DR Congo consumes less than 10 percent of its output as depicted in graph 5 below.



# **Analysis and Results**

The contribution of copper industry to GDP and the evolution of Per capita GDP are depicted in the following graphs.





The contribution capacity of copper industry to GDP declined significantly after the collapse of industry in 1990s. What happened?



### industry: - Production oriented to exportation..

Unexploited demand from local and African markets

**Economic Analysis of copper** 

- Supply of raw material instead of adding value by further processing of copper

- Price fluctuation changes the shape of

- demand and supply curves. - Need of new investment in research,
- technology and further refining - Economic wars of resources in region.

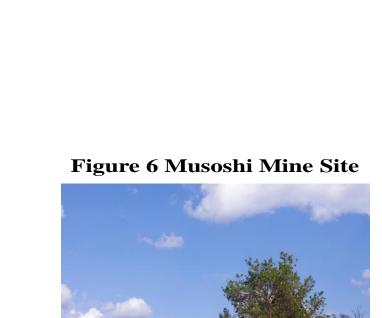


Figure 5 Musoshi Mine





### **Political factors:**

- Bad institutions lead to corruption and plundering of mineral resources.
- Colonial legacy of the country.
- Lack of internal pressures on officials
- on foreign dependency multinational from investments companies
- Lack of patriotism to ensure that benefit to all resources copper population.

# **Management:**

- Efficient management of scarce copper resources should generate income for economic development.
- Lack of expertise of managers
- Historical analysis revealed that past and current scenarios of production and consumption of minerals is not sustainable.
- Local populations are not involved in copper projects and decision-making.

# Suggestions

The study has identified corruption and bad institutions with dependency on multinationals in copper industry as causes of bad performance. In order to change the trend, new policies that focus on clean deals should be implemented in DR Congo. In addition, clean practices fairness, win-win deals, transparency, in production, consumption mining contracts are required. All actors should emphasize clean deals that promote environmental protection to achieve sustainable development.



# **Conclusions**

The copper industry in DR Congo has high potential capacity to contribute to economic growth. The interactions of economic, political and managerial factors had negative impacts on the industry for the last century of exploitation. The data of production, consumption and GDP give evidence that the past and current scenarios of management are not sustainable. In order change the trends:

☐ The Congolese government should stop the patterns of illicit exports and corruption, as well as interference of political and military officials in mining deals.

☐ The study suggest new concept of "clean deals" in minerals at every stage as solution to improve the management of mineral resources in order to achieve sustainable development.

☐ There is hope that copper industry can afford sustainable development with concerted efforts of public officials and local people by better use of natural resources.

## Literature cited

## 1 **Primary Sources**

Annual Reports of Gecamines 1967-1996

Annual Statistics of Production of Sodimico 2002

Annual Reports of Sodimico 1974-2010 DR Congo Mining Code 2002

**Interviews conducted in March 2010 and February 2011 with:** 

Mr Musafiri, Director of Production Sodimico,

Mr Kalay, Director of Human Resource Sodimico,

Mr. Nyembo, Research Department Director of Gecamines

## 2 Secondary sources

Fischer, F.M., et al., An econometric model of the world copper industry, The Bell Journal of Econometrics and Management Science, Vol. 3, No. 2 (Autumn, 1972), pp.574-575 Humphreys, D., Sustainable development: can the mining industry afford it? Journal of Resources Policy 27 (2001), pp.1-7

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