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Trends of investment and managerial expertise toward the copper industry of Katanga Region in DR Congo

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1. Introduction

This study aims to explain the historical changes of capital, managers and production over time due to pivotal events in the development of the copper industry in Katanga. Four field works were conducted in Zambia and DR Congo from 2010 to 2012. The study combines both qualitative and quantitative methods. The qualitative method focused on in-depth interviews with managers and miners of mining companies. The quantitative method was used to analyze the trends of production.

The Democratic Republic of Congo (DR Congo) is a wide country located on the heart of the central African region. It has an area of 2,345,410 square kilometers and it is having an outlet to the Atlantic Ocean through the Congo River. The central African copper belt is spread over a great arc of folded Katanga sediments more than 804 kilometers long. On global scale, the central African copper belt forms one of the largest metallogenic provinces of the world. This area contains in excess of 10% of the world‘s known copper resources and about 34% of global cobalt deposits which are exploited by the DR Congo and Zambia.

On 23 February 1885, the Berlin conference recognized the creation of the Congo Free State as a private property of Leopold II but the basin of Congo remained open to free trade to all nations. The colonial officials of Belgian Congo applied the “Open door” policy to attract investment into the colony. The existence of huge mineral deposits in Katanga motivated Leopold II to invest his personal fund and then the Belgian capital in order to develop the copper industry.

2. The Union Minière du Haut Katanga

On 28 October 1906, Leopold II created the Union Minière du Haut Katanga (UMHK). The capital of the company was composed of 100,000 shares of 100 Francs each. The Société Générale de Belgique and the Tanganyika Concessions Limited subscribed to the capital as shareholders. In addition, Leopold II obtained 100,000 shares in nature for the participation in capital of the UMHK by providing the mining concession.

(a) Flow of capital to copper industry in Katanga

Foreign investment has played an important role in the transformation of the production process and the industrialization of mining activities in Katanga. After the First World War, Belgian investors focused their FDI toward the Belgian Congo. Table 1 shows the flow of foreign investment in copper mines of Katanga from 1885-1953 in Belgian Francs.

Table 1: Inflow of capital to Belgian Congo 1885-1953

Country of origin	Amount of capital in Francs	Percentage
Belgium	28,969,746,450	46.50%
Belgian Congo/RU	30,651,860,760	49.20%
United Kingdom	1,308,311,130	2.10%
France	249,202,120	0.40%
The Netherlands	218,051,855	0.35%
Switzerland	87,220,742	0.14%
USA	80,990,689	0.13%
Portugal	74,760,636	0.12%
Canada	31,150,265	0.05%
South Africa	6,230,053	0.01%
Others	623,005,300	1%
Total	62,300,530,000	100.00%

Source: Ministry of colonies, Brussels, 1955, pp. 24-28.

From 1959 to 1966 the country risk became a reality that encouraged the outward flow of FDI from the colony to mother country.

(b) Labor force and managers in copper mines of Katanga

During the colonial period, the UMHK was administrated by two personal divisions: the skilled employees including European managers and unskilled workers constituted by Africans. The labor force was very scare in Katanga at the early stage of establishing mining companies in the region. Therefore, the UMHK had no choice than to practice a long distance recruitment of miners from Kasai province, North Katanga, and beyond the border in African countries such as Rwanda, Burundi, Malawi and Zambia. These recruited miners were brought under short term contracts to Katanga where they worked with the promise to return to their homeland after the employment period. The Great Depression of 1929 forced UMHK to layoff managers and miners because of demand contraction on the global market.

The UMHK raised new funds in order to recover from the crisis. The company recruited again massively the Africans and Europeans to sustain its war efforts output from 1939.

During the Congo Free State, low productivity in extraction of rubber and ivory was severely punished by beating, and cutting hands or legs. Low productivity of African workers was due to poor health conditions, lack of vocational training, malnutrition, and environmental conditions. To improve their productivity, the UMHK built houses, hospitals and schools for housing, medical treatment and basic education of workers 'children. The company paid wages in cash and in nature of food stuffs.

In 1966, the Congolese government revised the colonial mining legislations of 1906 and 1937 that leaders perceived as unfavorable to national economic interests. Thus, the nationalization of UMHK

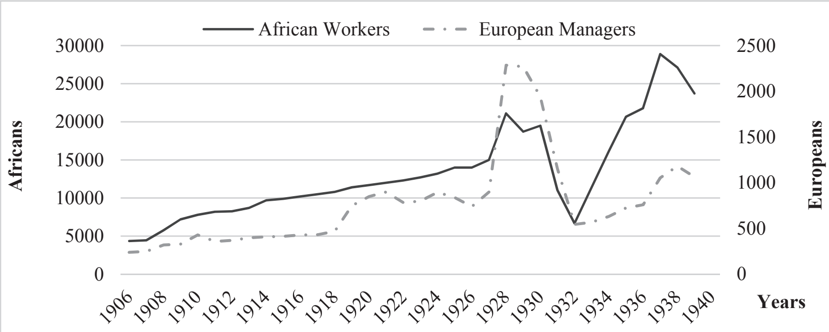

Figure 1　Trends of workers and managers at UMHK 1906-1939

became effective in 1967.

3. The Générale des Carrières et des Mines

The Gecamines was created on 2 January 1967 by expropriating the UMHK's assets estimated for about US$ 800 million. The Gecamines is the Congolese largest state-owned company that produces copper, cobalt and zinc as major products.

(a) Management of Gecamines

The president of the Republic had the authority to appoint and dismiss the managing executives of the Gecamines. President Mobutu Sese Seko appointed two Congolese and two European experts in managing committee to maintain the performance of the newly formed firm and the level of output. Gecamines invested in training of the Congolese managers. The promotion of Congolese in leading positions of Gecamines increased during the 1970s and 80s reaching the peak level in 1990 with 3045 managers. Under the Congolese ownership, managerial training of human resource produced employees with capabilities to manage successfully the company.

4. Conclusion

The study concludes that the inflow of foreign capital and managerial expertise constituted the drivers of socio-economic development of Katanga region. After the independence, the nationalization of the UMHK ended the inflow of Belgian foreign of Belgian foreign capital in Katanga. Although mining companies homogenized their strategies in dealing with productivity of miners, their training policies of local employees diverged. European managers at the UMHK refrained from training the locals who they perceived as potential competitors. Gecamines invested steadily in human resources training to promote Congolese managers in its managing board. The success story of the shift in leadership from Europeans to Congolese shows the need of training for local employees instead of expatriate supervision to reduce the cost.

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