



Natural resources and development: The gold sector in Mali

Claire Mainguy^{a,b,*}

^a Bureau d'économie théorique et appliquée (BETA), Université de Strasbourg, 67085 Strasbourg cedex, France

^b Groupement pour l'étude de la mondialisation et du développement (Gemdev), 75191 Paris cedex 04, France

ARTICLE INFO

Article history:

Received 2 February 2010

Received in revised form

27 September 2010

Accepted 3 October 2010

Available online 28 October 2010

JEL classification:

Q32

Q33

Q38

Keywords:

Resource curse

Natural resources

Gold mining

Mali

Dutch disease

ABSTRACT

Resource-rich countries do not necessarily perform well, especially developing countries. A debate has developed since the 1990s about a “resource curse” hypothesis, which threaten to impede the resource-rich countries in taking advantage of their natural endowments. In Mali, a less-developed country, gold export has substantially increased since the 1990s. In this paper we show that widespread analyses, such as those of the Dutch disease and the quality of institutions, are not sufficient to understand what is at stake in Mali, and that the mining sector has proved to be neither a blessing nor a curse, at least until the present. Gold mining has brought budget revenues but induced few spillovers. As gold mining has now come to maturity, the die is probably cast.

© 2010 Elsevier Ltd. All rights reserved.

Introduction

As was the case for most natural resources, gold prices have experienced an upward trend since 2005 under the pressure of demand in the emerging markets. Due to the economic crisis that followed the financial crisis, the prices of many resources have decreased. Gold has been an exception, since it is considered a safe investment, and in a context of financial instability its price continues to increase, thus providing financial means to Mali, a relative a newcomer on the market.

The resource-rich developing countries might be expected to take advantage of their natural endowments, however, in many cases, resource abundance appears to be a curse. In the resource curse literature, Pegg (2010) identifies five different risks for resource-rich countries: an insufficient level of investment in education, violent conflicts (often civil war), a negative impact on democracy and on the quality of institutions, and lastly the risk of the Dutch disease. This paper will focus on the last two of these analyses. Mali can be classified among the resource-rich countries as a result of gold having become a key sector of its economy, representing 14.3% of its GDP and 72% of its exports in 2007 (IMF, 2008, 2009). Nevertheless Mali does

not seem to be concerned by the resource curse, since gold exploitation has not resulted in violent conflicts or economic deterioration. While the financial resources brought by gold mining are significant, the environmental and social problems in its large-scale gold sector must not, however, be ignored.

In the academic literature, countries like Mali are not taken sufficiently into consideration because their natural resources are neither a curse, as is the case with the petroleum sector in Nigeria, Angola, Chad or Equatorial Guinea, nor a blessing, or at least a benefit, as in the diamond sector in Botswana, the copper sector in Chile or the oil sector in Indonesia. Although they are not major world actors, their mining resources are often crucial for the developing countries in question, and it is important to better understand the conditions of the contribution of their resources to development goals. In this respect, it would be useful to try to understand the reasons why the currently favoured theories do not seem relevant. The case of Mali will highlight some of the challenges which are likely to be relevant for other developing mining countries.

Following this introduction, the second section will present the main features of the Malian gold sector. Third section will focus on two of the arguments of the “resource curse”, theory, namely the Dutch disease approach and the quality of institutions, to explain why these two approaches seem insufficiently relevant to the Malian economy. Last section will consider the main challenges for the gold sector in the coming years.

* Correspondence address: Bureau d'économie théorique et appliquée (BETA), Université de Strasbourg, 61 avenue de la Forêt Noire, 67085 Strasbourg cedex, France. Tel.: +33 (0)3 68 85 85 36; fax: +33 (0)3 68 85 86 12.

E-mail address: Claire.mainguy@unistra.fr

The gold-mining sector in Mali

The history of Mali has been closely linked to that of gold for a long time. From the 4th to the 19th century, the famous empires of Ghana and Mali, along with the Songhay empire, derived their wealth from gold mining. Gold production and exports have recently increased for two reasons: openness to foreign direct investments as part of the liberalization process in the 1990s, and the upward trend of international prices, both of which have made production more profitable (Fig. 1).

In 2007 Mali was the third gold producer on the African continent, after South Africa and Ghana and before Tanzania (Chalmin, 2008; USGS, 2008), and the thirteenth producer in the world, between Brazil and Armenia. AngloGold Ashanti and Randgold, two South-African multinationals among the first on the international markets, are the two main operators in Mali.

Gold production, which amounted to about 4.6 tons in 1991, reached a high of 64 tons in 2002 and amounted to 49.7 tons in 2009 (Table 1). About 3 tons are produced by gold panners. Estimates of their number vary from 100,000 to 200,000 according to different sources and time periods (Keita, 2001). By definition this informal activity is difficult to estimate.

Gold exports overtook cotton exports in 1999 (Fig. 2). Gold has been one of the main sectors generating FDI flows into Mali since the beginning of the 1990s. According to the IMF, during the period from 2000 to 2007, yearly investment in the gold sector amounted to about 120 million dollars (IMF, 2008). The lack of detailed data prevents us from detecting with precision the impact of the gold sector on external accounts. However, an increase in FDI is generally followed at first by higher imports due to purchases of the equipment and machinery essential to starting up production. When FDI are not market-seeking but resource-based as is the case here, this first step is followed by an increase in exports. Since the end of the 1990s external accounts have improved, becoming significantly positive since 2005, concomitantly with the rise in the price of gold (Fig. 3).



Fig. 1. Gold prices—2000–2010.

Source: <http://www.goldprice.org>.

Table 1

Gold production in Mali 1997–2009 (tons).

Source: Direction nationale de la géologie et des mines (DNGM), « Rapports de levées d'or des sociétés d'exploitation minière ».

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
16.4	21.2	23.7	26.7	51.3	63.67	51.6	41.58	49.12	58.4	52.8	48.7	49.7

The share of gold has increased dramatically from 1997 on, due first to production and then to the price increase, and it now exceeds that of cotton in the Malian GDP. Mali is one of the most mining-dependent countries in the world. In the nineties it was already considered to be a country where mining was crucial, with a gold export share of 40% (Weber-Fahr 2002), and this percentage increased to 75% by 2008 (Table 2).

The gold sector also contributes significantly to public revenues: IMF estimates fluctuate between 9% and 13.5% for 2003–2005. In 2007, while the international price was \$790/oz, the gold sector share of the budget revenues rose to 14.3%. Since international prices have been over \$1000/oz in 2009 and 2010, this share is undoubtedly higher still, thus providing opportunities to Mali to finance its development policies. This rise may also have

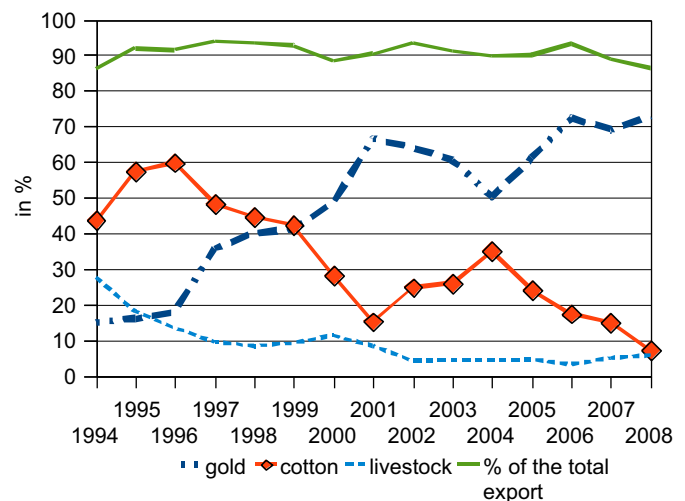


Fig. 2. Malian main exports—1998–2008.

Source: IMF country reports and Banque de France, from 2005.

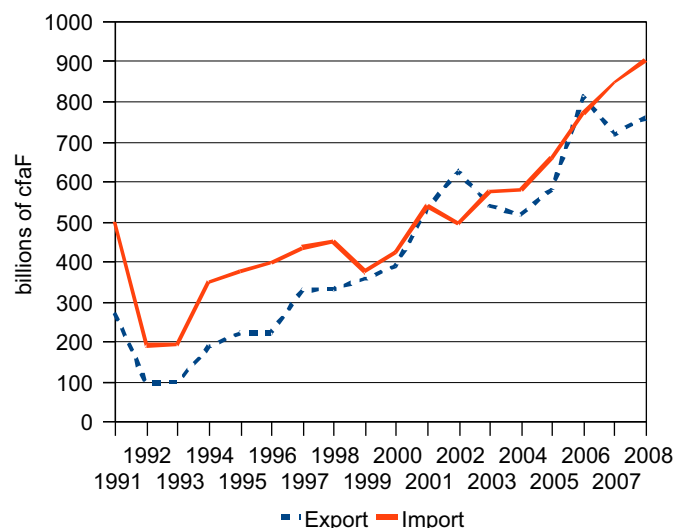


Fig. 3. Mali external accounts—1991–2008. IMF statistical appendices.

Download English Version:

<https://daneshyari.com/en/article/985428>

Download Persian Version:

<https://daneshyari.com/article/985428>

[Daneshyari.com](https://daneshyari.com)