

THE “RESOURCE CURSE” IN THE DEVELOPING COUNTRIES. CASE STUDY OF AFRICAN STATES (“CAPCANA RESURSELOR” ÎN ȚĂRILE ÎN CURS DE DEZVOLTARE. STUDIU DE CAZ: STATELE AFRICANE)

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Rezumat. Tradițional se consideră, că dotarea cu resurse naturale, contribuie la dezvoltarea economică a oricărui stat. Totuși, cercetările empirice dovedesc, că uneori, bogăția naturală stagnează creșterea economică. Termenul “Blestemul Resurselor” este îndeosebi aplicabil în cazul statelor africane, care se confruntă cu dificultăți de nivel social și economic, inclusiv corupția, transferurile ilicite de bani, precum și punerea în pericol a vieții și a sănătății oamenilor. Soluțiile acestor probleme sunt complexe, necesită implicarea conducerii statelor africane afectate și vizează atât modul de gestionare a industriilor extractive, cât și reformarea regulilor de joc din societate și economie în vederea obținerii unui mediu instituțional propice dezvoltării economice a acestor state.

Cuvinte-cheie: state africane, dotare cu resurse, capcana resurselor, paradoxul abundenței, industrii extractive, sărăcie, corupție, transferuri ilicite de bani

JEL CLASSIFICATION: F15, F43, I14, I18, I24, I32, O43, O55

INTRODUCTION

The endowment with resources is a key factor in the developing of any country’s economy. If used wisely, in an appropriate manner, resources can greatly boost the economic development. Normally, countries wealthy in resources are more prosperous than the others. Yet, in order to obtain great benefit from factor endowment, the equitable distribution and management of these resources is necessary. There are some countries that possess enormous natural wealth, yet they manifest a comparatively stagnant economic growth: Resource Curse refers to the paradoxical situation in which countries with a myriad of resources have the tendency to register a more stagnant economic growth, less democracy, and worse development outcomes than countries with fewer natural resources. This phenomenon is also known as the Paradox of Plenty or Resource Trap. Either way, this is a serious problem which affects mainly low and middle-income countries, amongst which are many African ones.

MAIN CONTENT

1. The affected countries and their background. There are various countries in the world that are resource-wealthy (in oil, gas, mining, etc.). However, their economic growth is stagnant, making them vulnerable, notwithstanding their resource abundance. Some of these countries are: Angola, Kenya, Gabon, Equatorial Guinea, Sudan, Tanzania. According to the World Bank, Gabon, Equatorial Guinea, the Republic of Congo and Angola are in the Top 30 most resource-rich countries. Compared to the wealth of the rest of the world, which has tripled over the last decades, the African wealth has only increased by approximately 20%. So, we can see that resource-rich does not necessarily mean economically prosperous. Therefore, we come to the conclusion that the resource-wealthy African countries depend much more on natural resources than the advanced economies, similarly rich in resources.

2. The relative growth of resource-rich and resource-poor countries. In the World Bank’s recent research, “Africa’s Pulse”, there was made a comparison between African countries that are rich and poor in resources. It has come to the deduction that there was a noteworthy difference between these two categories of countries. The resource-wealthy ones showed a much weaker growth than what was anticipated, regardless of the fact that they are the region’s largest economies (South Africa, Angola, Nigeria). Meanwhile, in the countries that are poor in resources, the growth was stronger. Supported by public infrastructure investment, the fixed investment grew at a fast rate.

Resource-rich Countries	GDP Growth, 2007-2011 (%)
South Africa	2.7
Gabon	3.6
Nigeria	6.8
Kenya	4.2
Non-resource-rich Countries	
Rwanda	7.3
Ethiopia	9.7

Figure 1. GDP growth in the resource-rich and non-resource-rich countries in Africa in the period 2007-2011.

Source: Elaborated by the author, based on World Bank Development Indicators, GDP Growth (annual %) [13]

Figure 1 shows the GDP growth in some of Africa's resource-rich and non-resource-rich countries. It is clearly visible that the GDP growth in the non-resource-rich countries is higher compared to those rich in resources.

3. The impact of wealth in resources on poverty and inequality. According to "Poverty and Shared prosperity: Piecing Together the Poverty Puzzle", a World Bank study, the global poverty declined significantly in the last three decades. Thus, 36% of people were living in poverty in 1990, while in 2015, this number has decreased to 10% worldwide. With all this, in sub-Saharan Africa, from 1990 till 2015, the number of people living in such conditions grew from 278 million to 413 million. This happens due to the slow growth rates, alongside with conflicts, corruption and other problems.

Africa is the home of about 30% of the world's mineral resources. This is why mining is so common there. People put their lives at enormous risk, which is an example of Nigeria. In a reportage made by the Guardian, the real life of the African people is shown. For example, a woman had been extracting mercury her whole life, without even knowing that it is extremely dangerous for her health. Here is part of the dialogue between the reporter and her: [Did you know that mercury is bad for the health?], [Mercury? I didn't know that.], [Nobody ever told you it's bad for you?], [No, nobody ever told us.]. In the same reportage, another Nigerian citizen said: [We continue to beg each time, despite the wealth of our country in uranium, gold, and now, oil. If we benefited from our resources, if the money was spent as it should be, we would no longer need to do that.]. This brings me to mentioning the illegal movements of money from one country to another, also known as "illicit financial flows", along with corruption. This way, the resource wealth is rather benefiting the society's elite rather than the regular citizens. Another example of struggling people is in Angola: Luanda, its capital, is a place of luxury for elite only. There are various clubs and exclusive stores aimed to serve the high society. However, regular residents of Angola live in ghettos and hovels, which are lacking means of hygiene and where children are obliged to work instead of studying.

In "Africa's Pulse", the World Bank states that [The decline in poverty rates in resource-rich countries has generally lagged that of the region's non-resource rich countries... Income distribution remains highly unequal in most countries in the region ... To a large extent, the benefits of growth have not reached the poorest segments of society.]

According to the "Africa Progress Report 2013", "Africa loses twice as much in illicit financial outflows as it receives in international aid". It also states that some establishments are encouraged by dishonest executives in avoiding taxes and owning companies anonymously, in order to gain more profit, which also has an enormous impact on the life of a regular citizen.

4. Corruption and Illicit Flows related to extractive industries

Corruption has obstructed the capability of the government to deal with poverty. It has contributed, however, to centralize income in the hands of the elite, thus deepening the inequality in people's wealth. Examples of states where corruption has been and is a serious issue are: Democratic Republic of Congo, Nigeria, Ghana [6]. There, the military have had power over governmental structures for quite some time, especially in the 1990s. An "attempt" that was supposed to end corruption in Nigeria was called "Operation Purge the Nation", launched by General Murtala R. Muhammed. This forced 11,000 people to quit the national civil service. However, it was only a cover for the government in order to calm the civils, without actually putting an end to corruption.

Illicit flows are money or capital earned illegally and moved for use in another country. They are typically generated by criminal activities, corruption, avoidance of taxes and incentives. Between 1980 and 2018, the money lost in illicit flows constitutes about \$1.3 trillion [10]. This, obviously, hampers Africa's economic growth. A report by the African Development Bank and Global Financial Integrity(US) states that the illicit flows are about four times Africa's current external debt [1]. Even these massive numbers do not reflect the actuality, the report "Illicit Financial Flows and the Problem of Net Resource Transfers from Africa" says. Money lost through smuggling and drug trafficking is not included in the sum above.

5. Companies from Republic of Moldova dealing with extractive industries in Africa. ASCOM Group is the largest oil company of Republic of Moldova, which has commercial operations with Sudan, a country in Northeast Africa. It produces about 500000 tons of oil in a year and 1.3 billion m³ of gas. The company signed a contract with South Sudan in 2005. Only in 2006, the company invested more than 150 million USD into the Sudanese economy [9].

However, the company is known for its involvement in shady business and illicit money flows. Reportedly, officials of ASCOM Group had received proposals regarding tax evasion from Kenyan authorities. Various documents also prove the owners of the company openly talk about bribing African officials.

6. Case study. How Africa's citizens can benefit from endowment with resources. Theoretical approaches to the problem of underdevelopment in African countries. There are various recommendations made by experts who work on the yearly "Africa Progress Report" [11]. Some of them include:

- The revenue from natural resources shares for Africans who work with natural resources has to be more equitable. People face serious material difficulties, when the companies they work for gain profits. For example, many workers of the mining sector are paying taxes at a much higher rate than the companies that they work for.
- Transparency is an important point, because it minimizes corruption. As stated, corruption is a significant issue faced by the African economy. The countries have to be more transparent when dealing with enterprises, along with proper tax payment. Some progress has been already made, with the help of the Extractive Industries Transparency Initiative, for example.
- People have to deal with unemployment. The resource endowment creates the opportunity to give people jobs. Also, creating safe workplaces would be great, but it is easier said than done.
- The revenues generated by natural resources have to be used in poverty reduction. An example of a prosperous economy is Equatorial Guinea. However, about 75% of its population lives in severe poverty, with one of the highest child mortality rates worldwide.

Furthermore, we can identify some approaches that could support economic growth in the African states.

Theory of Productive Powers elaborated by Friedrich List states that the power to produce of a community is not a matter of self-seeking, but the existence within a community of favourable conditions of production, both cultural and natural. These are the productive powers, including a desirable variety of natural resources, along with science, art, laws, high intelligence level, the existence of harmony and a balance within industries, etc. [5].

Comprador Groups concept. According to Oxford Dictionary, the term "comprador" has the meaning of "person who acts as an agent for foreign organizations engaged in investment, trade, or economic or political exploitation" [7]. This was the case of China in the 19th century, where compradors gained enormous profit by hiring local Chinese people to act as their middlemen. A characteristic of these groups is that they created and sustained an exclusive class, a business community.

Accordingly, the comprador phenomenon could explain the relationship between Africa's local IPR (Intellectual Property Rights) elite and the international IPR system. African IPR operators are similar to the Asian compradors of the 19th century. In order to help Africa's economic growth, there are some steps to be taken. Firstly, there is a need to teach IPR courses in Africa's universities,

in order to educate specialists. Secondly, the African States need a transparent, corruption-free industrial policy. It is extremely hard to have a good IPR regime without transparency. Lastly, Africa needs an intelligent, educated and civil society, who will participate in the IPR governance [3].

CONCLUSION. In conclusion, the endowment with resources has a tremendous impact on the economic development of the low and middle-income countries of Africa. There are various countries affected by the „Resource Curse”. There is a slower economic growth in Africa’s resource-rich countries than in the resource-poor ones. Along with that, people living in the affected countries face serious health problems due to the extractive industry work, and are exposed to extreme poverty. Other issues that have a negative effect on economic growth are corruption and illicit flows, through which a vast amount of money is lost. There are also foreign investors, like ASCOM Group, that fall prey to these negative tendencies. However, there are several solutions to the current situation in the African Countries, that could be implemented by the African Governments, with experts’ support. Natural resources could become a blessing instead of being a curse.

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