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IMPACT OF WORLDWIDE ECONOMIC INTEGRATION ON THE ECONOMIC DEVELOPMENT OF MALI

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Abstract

The current paper attempts to assess the impact of worldwide economic integration on the economic development of Mali over the period of 1980 to 2016. The study thoroughly highlights the effects of worldwide economic integration in Mali by reviewing the economic performance of Mali since early 1980s. The results of the study indicate both negative and positive effects of world economic integration on the economy of Mali. The study came up with the policy implications that the Mali's development remains hampered by the lack of infrastructure, the insufficient quality of its labor force and the weakness of its institutions. Furthermore, the security situation remains precarious.

Keywords: Integration, Economic Development, GDP, Mali, Liberalization

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1. Introduction

Mali's economic performanceis fragile, described by a vulnerability to climatic conditions, it's fluctuating terms of trade; depend on ports of bordering countries. The Economy of Mali depends to a large extent upon agriculture, with a mostly rural population engaged in subsistence agriculture. Agricultural activities occupy 70% of Mali's labor force and provide 42% of the GDP[1].Although locally produced rice but the country imports Vietnam rice. Liberalization of producer prices and an open cereals market have created incentives to production. These reforms, combined with adequate rainfall, successful integrated rural agriculture programs in the south, and improved management of the Office du Niger, have led to surplus cereal production over the past five years. Mining has long been an important aspect of the Malian economy. Gold is the third largest source of Malian exports. Mali had the third highest gold production in Africa (after South Africa and Ghana)[2].

During the colonial period, private capital investment was virtually nonexistent, and public investment was devoted largely to the Office du Niger irrigation scheme and to administrative expenses. The development of the oil industry is important due to the country's dependence on the importation of all petroleum products from neighboringstates.

[1] IPB Inc,Mali Country Study Guide,strategic information and developments,volume1,international business publication ,Washington dc,USA .Mali 2015

[2]Elisabeth Bradley . Moeletsi Mbeki ,THE SOUTH AFRICAN INSTITUTE OF INTERNATIONAL AFFAIRS ,Business in Africa Report No. 6 Copyright © SAIIA, 2005

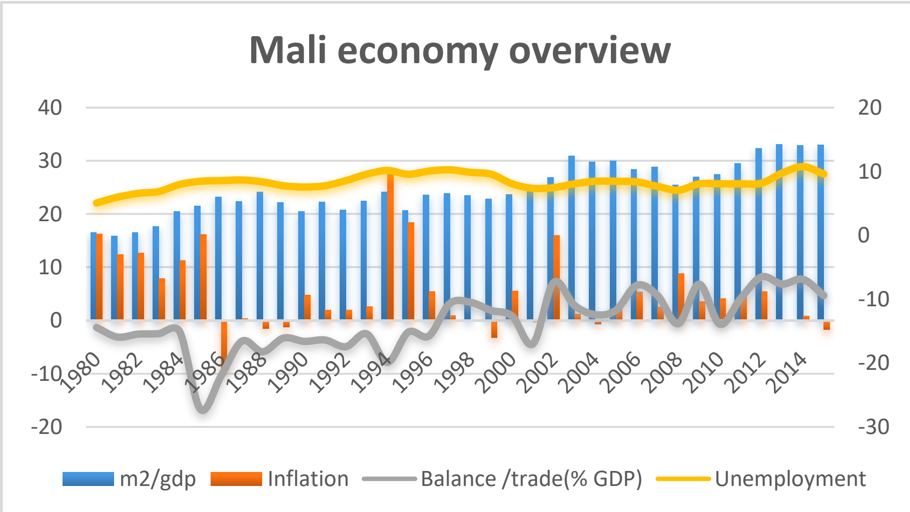

Figure 1 Malim2/GDP, inflation, unemployment and balance of trade Annual 1980-2015

Source: World Bank, DNST 2015

http://data.worldbank.org/country/mali

Legend: The inflation rate in Mali was recorded at -2.50 percent in April of 2016. Inflation Rate in Mali averaged 2.04 percent from 1998 until 2016, reaching an all-time high of 12.80 percent in September of 2008 and a record low of -10.16 percent in December of 2004. Inflation Rate in Mali is reported by the Institute National de la Statuesque, Mali.

Mali recorded a trade deficit of 100.60 CFA Franc Billion in the first quarter of 2015. Balance of Trade in Mali averaged -98.77 CFA Franc Billion from 2001 until 2015, reaching an all-time high of 27.50 CFA Franc Billion bj in the second quarter of 2003 and a record low of -319.40 CFA Franc Billion in the first quarter of 2010. Balance of Trade in Mali is reported by the Institut National de la Statistique, Mali.

2. People’s movement in Mali

Mali is essentially a country of emigration; the net migration rate (per 1,000 persons) was -5.7 between 1995-2000 and -2.4 between 2000-2005 (United Nations Population Division (UNPD), 2008). Immigration plays a secondary rolein 2007; some 98.5 per cent of the population living in

Mali was Malian nationals. Of the 1.5 per cent of non-nationals, 1.2 per cent was from countries of the Economic Community of West African States (ECOWAS) (ANPE/DOEF, 2007).

Since one decade Mali has become an important point of passage in the journey leading irregular migrants to Europe, because of its pivotal position between sub-Saharan Africa and North Africa. Moreover, Mali has concluded bilateral agreements on settlement and free movement with countries of Central and North Africa, making passage through Mali even more attractive as these agreements facilitate the continuation of migrants' journeys towards the North (Daniel, 2009).

Emigration has long existed in Mali and is a central component of Malian society. Its patterns and evolution during modern times are well-known and well-documented. During colonial times, Mali was used as a labor reserve for the development of major industrial and agricultural projects, such as the growing of groundnuts in Senegal, of coffee and cocoa in Ivory Coast.

The majority of Malian migrants are low-skilled workers employed within the informal labor markets of ECOWAS Member States[3]. High-skilled nationals are also found among migrants and represent between11.5% and 15% of the total number of migrants. With regard to the health sector, OECD data has estimated the emigration rate of medical doctors at 13.2% and that of nurses at 3.7%.

[3]Keita, M., La migration de haut niveau au Mali, CARIM AS No. 4 (2010),http://cadmus.eui.eu/handle/1814/13439, 2010c, (accessed 24 February 2014).

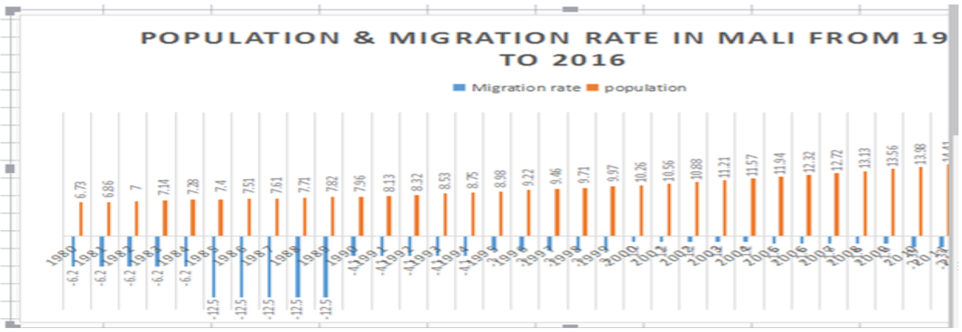

Figure 2 Mali Migration Rate from 1980 to 2015

Source: World Bank, DNST 2015 http://data.worldbank.org/country/mali

Legend: This entry includes the figure for the difference between the number of persons entering and leaving a country during the year per 1,000 persons (based on midyear population). An excess of persons entering the country is referred to as net immigration (e.g., 3.56 migrants/1,000 population); an excess of persons leaving the country as net emigration (e.g., -9.26 migrants/1,000 population). The net migration rate indicates the contribution of migration to the overall level of population change. High levels of migration can cause problems such as increasing unemployment and potential ethnic strife (if people are coming in) or a reduction in the labor force, perhaps in certain key sectors (if people are leaving).

In 2008, Malians based in OECD countries worked primarily in industry, construction, agriculture and fishing (OCED, 2008). Most of them have a low level of education. However, Mali is confronted with a certain brain drain, since 15 per cent of Malian university graduates emigrated during the 1995- 2005 period (Docquier and Marfouk, 2005); in the health sector, 23 per cent of Malian doctors and 15 per cent of nurses moved to 9 developed countries, mainly France (Clemens and Pettersson, 2007). In Mali, the reasons for migrants' departure are thought to be linked to poverty, which is constantly escalating because of demographic growth, increased unemployment and difficult climatic conditions. Rural areas are the key regions of origin of Malian migrants. According to data from the Malian migration and urbanization survey of 2013-2014 close to half of migrants come from rural areas and 62% of these migrants go abroad[4].

Despite the considerable amount of funds transferred by migrants to the region of Kayes compared to other regions of the country, the funds remitted appear not to have significantly contributed to improving the living conditions of beneficiary households or stimulating economic activity in the region; the level of human development in the region of Kayes is close to or lower than the national average

The share of transfers used for social and productive investments is on the increase. In some areas, contributions from migrants, apart from providing food support, helped to build religious, social and productive infrastructure. However, it is still necessary to distinguish between funds sent individually, essentially for the beneficiaries' consumption, and funds sent by community associations for the construction of infrastructure.

World Bank data provides an estimate of USD 530 million for2013, corresponding to 4.6% of total GDP, such estimates should be read with caution given that the majority of remittances, around three-quarters, are sent through informal channels. This situation can be explained by the absence of money transfer services in rural areas and the obligation for money transfer operators to work with local banks, which limits their scope of activity. Remittances are primarily used to buy food and other essential items. An estimated 14% of remittances are invested in business. Community projects financed through collective remittances (as opposed to individual transfers) compensate, to a certain extent, most notably in the case of

water supplies and education, for the limited capacities of the Malian state.[5]

[4]Republic of Mali, Cellule technique du Codéveloppement, Bilan et perspectives du Codéveloppement au Mali.De l'expérience française à l'approche européenne, 2013.

3. Mali's economy during dictatorial regime from 1980 to 1991

After independence from France in 1960, Mali suffered droughts, rebellions, a coup in 1968 and 23 years of military dictatorship until democratic elections in 1992.

At the end of the 1980s, the government introduced a series of small economic

reforms, which led to the liberalization of the country's cereal markets, greater efficiency in its state enterprises, the introduction of new incentives to the private sector, and the conclusion of a structural adjustment agreement with the IMF. This partial opening up of the system made possible the emergence of an independent press and the establishment of various political groups. However, the austerity measures mandated by the structural adjustment program, in tandem with an increase in visible corruption among top officials, led to popular discontent

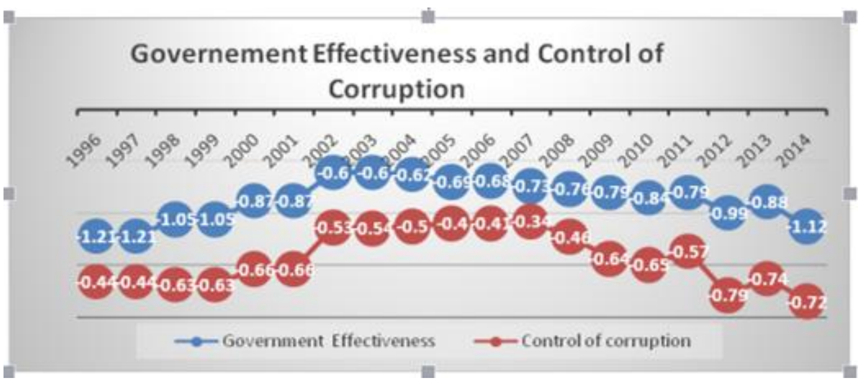

Figure 3 Government effectiveness& Control of corruption

Source: World Bank 2015 http://www.state.gov/e/eb/rls/othr/ics/2013/204688.htm

http://chartsbin.com/view/3412

Legend: The index of Government Effectiveness in Mali captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political

[5] Ballo, M., Diombana, L., La diaspora malienne: un acteur transnational du développement, IOM, 2009, pp. 14-17

pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies in Mali. Mali Government effectiveness index (-2.5 weak; 2.5 strong): For that indicator, The World Bank (govindicators.org) provides data for Mali from 1996 to 2014. The average value for Mali during that period was -0.83 points with a minimum of -1.21 points in 1996 and a maximum of -0.6 points in 2002.

Following independence, Mali built some light industries with the help of various donors. Manufacturing, consisting principally of processed agricultural products, accounted for about 8% of the GDP in 1990[6].

Mali’s growth performance since gaining independence from France rule in the 1960s has been quite disappointing. Mali was, at least in the first decade of independence, growing faster than other developing regions in the world. However, the late 1970s dramatically set back the country and led to stagnation and regression through the 1980s and 1990s.

The Malian government participates in foreign involvement, concerning commerce and privatization. Mali underwent economic reform, beginning in 1988 by signing agreements with the World Bank and the International Monetary Fund .During 1988 to 1996; Mali s’ government largely reformed public enterprises. Since the agreement, from 1988 to 1991 sixteen enterprises were privatized, twelve partially privatized, and twenty liquidated

[6] United States of America embassy in Mali ,Mali country profile, www.state.gov/outofdate/.../mali

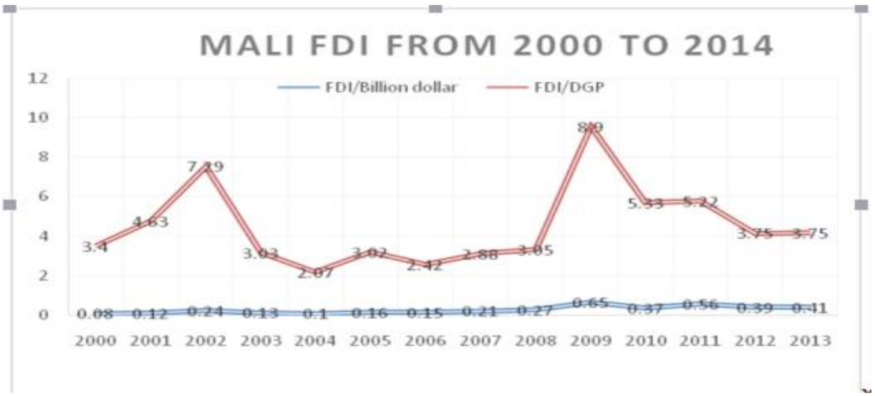

Figure 4 Mali FDI from2000 to 2014

United States of America embassy in Mali , Mali country profile, www.state.gov/outofdate/.../mali

Source: Global Economy 2015

http://www.indexmundi.com/facts/mali/foreign-direct-investment

Legend: Foreign direct investment; net inflows (% of GDP) in Mali was last measured at 1.65 in 2014, according to the World Bank. Foreign direct investment are the net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments.

In 1991, following the lead of the International Development Association, Mali relaxed the enforcement of mining codes which led to greater foreign investment in the mining industry. Mali was self-sufficient in food and was also one of Africa's major cotton producers[7]. A chronic foreign trade deficit makes it nonetheless heavily dependent on foreign aid and remittances from Malians working abroad.

[7]Erik Orsenna , Mali, ô Mali, 2014, Stock

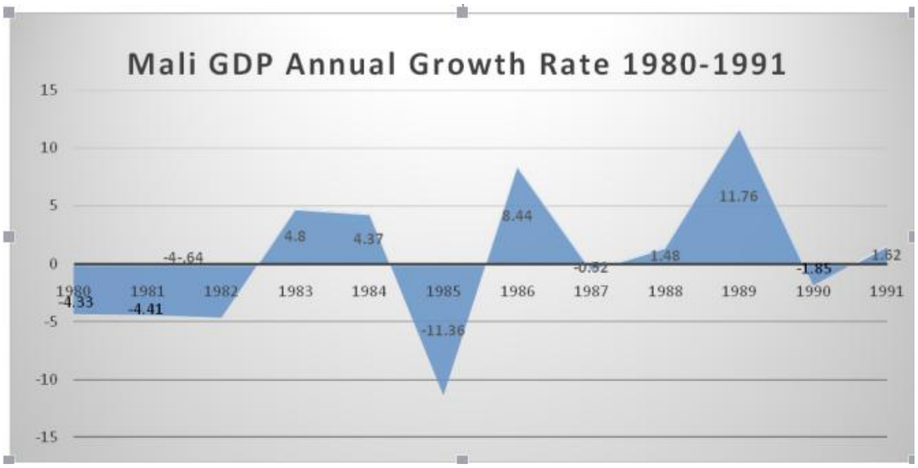

Figure 5 Mali GDP Annual growth rate 1980-1991

Erik Orsenna , Mali, ô Mali, 2014, Stock

Source: world bank 1992 http://data.worldbank.org/country/mali

Legend: GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources

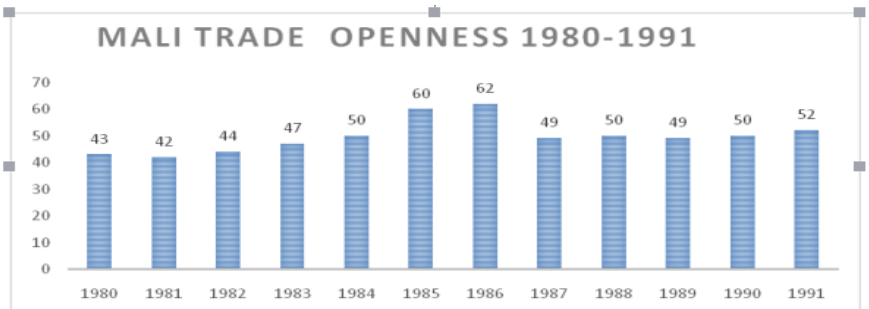

Figure 6 Mali's Trade Openness 1980-1991

Source: UNCTAD

http://www.oecd-ilibrary.org/sites/sti_scoreboard-2011-en/06/06/index.html?itemId=/content/chapter/sti_scoreboard-2011-60-en

Legend: Mali Trade openness: exports plus imports as percent of GDP: For that indicator, The World Bank provides data for Mali from 1967 to 2014. The average value for Mali during that period was 47.73 percent with a minumum of 29.41 percent in 1968 and a maximum of 62.75 percent in 2006Mali s economy during democratic regime from 1992 to 2016

The liberalization of the economy by successive governments since 1991 and the introduction of market based reforms have resulted in a strong economicperformance. Since 1994, the country's annual economic growth has averaged 5%, well above the sub-Saharan African average of 3.2%. Real GDP per capita has risen by 2.5% every year. According to the World Bank, per capita GDP was only $300 in 2004. Mali's economy is small, and the formal economy employs only about 17% of the labor force of 5.3 million. The civil service is the largest employer, with 44,579 employees. Services and manufacturing account for another 36,500 jobs. The informal economy dominates economic activity and accounts for 41% of Gross National Income (GNI) (as compared with the regional average of 42%). In 2014, the informal sector provided an estimated 4 million jobs. In Bamako, 80% of the working population has occupations in the informal sector. Most people are self-employed traders and farmers.

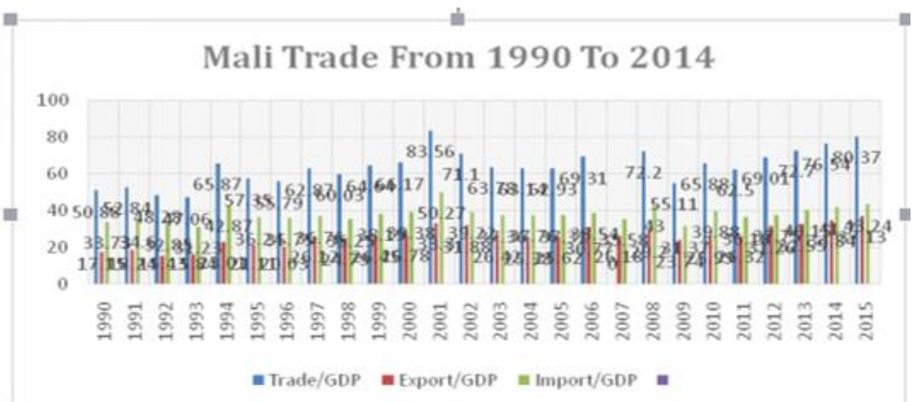

Figure 7 Mali Trade from 1990 to 2015

Source: UNCTAD

http://www.oecd-ilibrary.org/sites/sti_scoreboard-2011-en/06/06/index.html?itemId=/conte

nt/chapter/sti_scoreboard-2011-60-en

Legend: Mali Merchandise trade (% of GDP) in Mali totaled 50 % in 2014, compared with 55 % in 2013. The growth rate was equal to -5.09 % compared to the previous year. Merchandise trade (% of GDP) decreased by 0.254 % from 2003 to 2014, and the average value amounted to 53 %. The average annual growth rate of Merchandise trade (% of GDP) in Mali over that period was at about -0.021%. The maximum growth of Merchandise trade (% of GDP) in Mali from 2003 to 2014 recorded in 2010: 10.0 %, the maximum fall minimum growth was in 2009: -14.7 %. Merchandise trade (% of GDP) in Mali from 2003 to 2014 reaching high of 62 % in 2008.

At a macro-economic level, Mali s' balance of payments (BOP) suffers from its strong dependency on a few export commodities, its minimal industrial base and its complete dependence on imported oil and capital goods such as machinery. This has resulted in a chronic balance of payments deficit. Nevertheless, it is shrinking, as exports of cotton and gold grow steadily. As a result of Mali s' integration with the world economy and an increase in gold sold abroad, its exports have grown by 14% since 1995. Imports grew by only 5%, reducing the trade deficit from 20% of GDP in 1995 to 2% in 2002, when the total value of Mali's exports surpassed its imports for the first time. The reason was a sharp rise in gold production, which generated surplus of 31% (FCFA 131.8 billion, equivalent to 4.2% of GDP).

However, the dependence of the economy on two commodities, gold and cotton, and the small size of the private sector resulted in a far smaller surplus (FCFA 58 billion) in 2003.In 2004 the terms of trade weakened even further because of a 30% fall in the price of cotton and an equivalent rise in oil prices. However, despite the growth in exports, Mali's extreme concentration on a few export commodities makes the country highly vulnerable to external shocks. The economy is heavily dependent on the export of three primary goods, namely gold, cotton and livestock, with very little benefit and/or manufacturing locally. Other exports are fruits (especially mangoes) and vegetables, and cosmetics and creams using Shea nuts, African clothing and artifacts. Spain buys 80% of Mali s' local production of tiger nuts (6,200 tons in 1999). In 2003, Mali exported 90kg of Shea nut oil and 3,732kg of dry nuts to the UK, Denmark, Sweden and Japan.

Cotton production alone provides the livelihoods of one-third of the population and is the second-largest export commodity, accounting for 38% of export earnings in 2002 and contributing 7% of GDP and 6% of total tax revenue. Livestock is the third leading export, and also the main source of income for 30% of the population. In total, 70% of the land is devoted to the rearing of livestock. Mali has large animal herds, estimated at 46.54 million animals in 2014. Bovines represented 22%, sheep 30% and goats 43.03%.

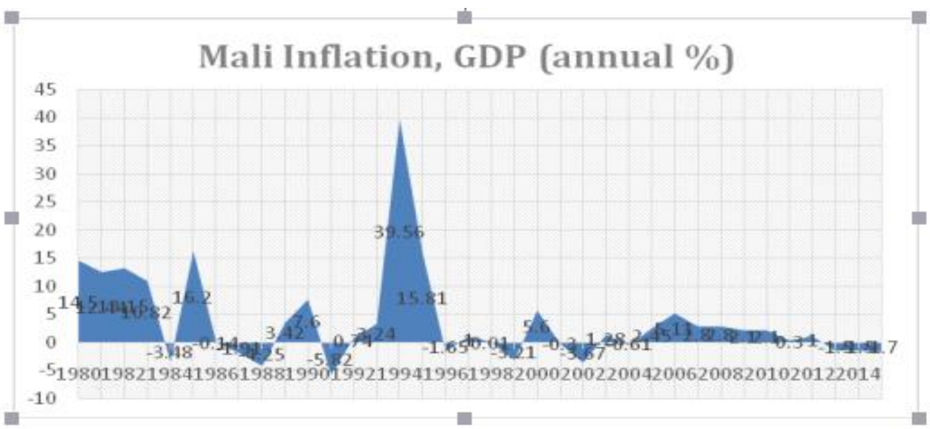

Figure 8 Mali inflation by GDP

Source: World Bank 2015

http://www.imf.org/external/country/MLI/index.htm

Legend:The inflation rate in Mali was recorded at -2.50 percent in April of 2016. Inflation Rate in Mali averaged 2.04 percent from 1998 until 2016, reaching an all time high of 12.80 percent in September of 2008 and a record low of -10.16 percent in December of 2004. Inflation Rate in Mali is reported by the Institut National de la Statistique, Mali.

In the past two decades, the direction of Mali s' trade with the rest of the world has changed dramatically. Europe has become less important, and Asia and Africa more so. A key reason for this development is that the European textile industry, the largest importer of Malian cotton, has outsourced most of its manufacturing operations to Asian countries. Although purchasing decisions are still made in Europe, Mali's cotton is now shipped to Thailand, Vietnam, Malaysia, India and China instead of Europe. A small proportion of its cotton is exported to Italy by sea. In addition, the share of Africa in Mali's trade, particularly with WAEMU countries, has increased steadily. Mali exports food products, clothing and livestock to WAEMU countries. For example, cereals, fruit and vegetables are exported to Senegal and Burkina Faso, and live cattle to Côte d'Ivoire. Mali s' poor terms of trade are accompanied by a weak but improving debt position. After independence, the country amassed large volumes of external debt, equaling 98.6% of GDP in 2002 and 88 % of GDP in 2012 with 2.725 billion dollar. Mali's industrialization is considered to be negligible. Manufacturing remains weak and chiefly concentrated on cotton ginning.

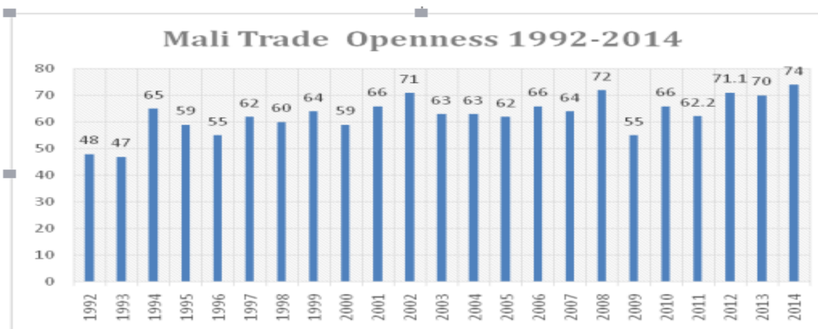

Figure 9 Mali Trade openness

Source: UNCTAD

http://www.oecd-ilibrary.org/sites/sti_scoreboard-2011-en/06/06/index.html?itemId=/content/chapter/sti_scoreboard-2011-60-en

Legend: Mali Trade openness: exports plus imports as percent of GDP: For that indicator, The World Bank provides data for Mali from 1967 to 2014. The average value for Mali during that period was 47.73 percent with a minimum of 29.41 percent in 1968 and a maximum of 62.75 percent in 2006.

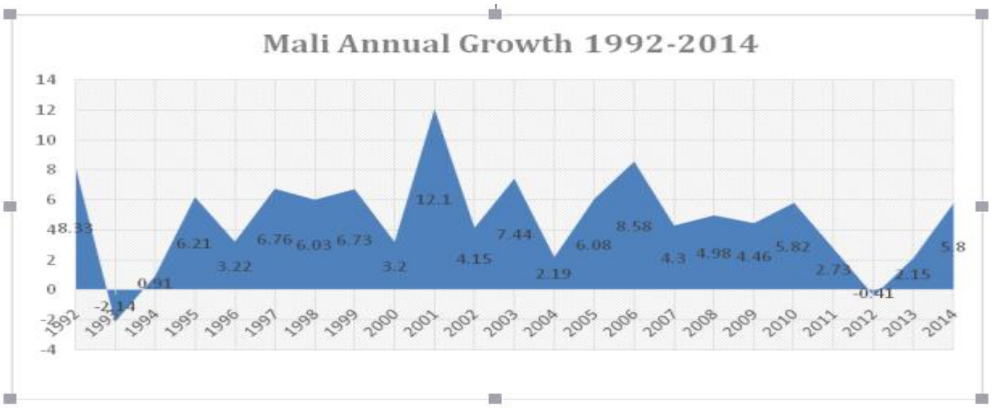

Figure 10 Mali annual growth Trade from1992-2014

Source: World Bank www.tradingeconomics.com/mali/gdp-growth-an..

Legend: the rate of change of real GDP: For that indicator, The World Bank provides data for Mali from 1968 to 2014. The average value for Mali during that period was 3.96 percent with a minimum of -7.38 percent in 1982 and a maximum of 20.29 percent in 1985.

Between 1992 and 1995, Mali implemented an economic adjustment program that resulted in economic growth and a reduction in financial imbalances. This was reflected in the increased GDP growth rates (9.6% in 2002) and decreased inflation. GDP in 2002 amounted to US$3.2 billion, made up of agriculture 37.8%, industry 26.4% and services 35.9%.

Effective implementation of macroeconomic stabilization and economic liberalization policies and the stable political situation resulted in good economic performance and enabled Mali to strengthen the foundations for a market-oriented economy and encourage private sector development, backed up by significant progress in implementing the country's privatization program. Agricultural reform measures were aimed at diversifying and expanding production as well as at reducing costs.

From 1994 to 2007, national and foreign companies were granted around 150 operating licenses along with more than 25 certificates for exploitation and more than 200 research permits[8]. Gold mining in Mali has increased dramatically, with more than 50 tons in 2007 from less than half a tons produced annually at the end of the 1980s. Mining revenue totaled some 300 billion CFA francs in 2007 more than a thirty times increase from the 1995 total national mining revenue of less than 10 billion CFA. Government revenues from mining contracts, less than 1% of the state income in 1989 were almost 18% in 2007.

After a year of zero growth in 2012, due to the political and security crisis and a disappointing recovery in 2013, because of poor harvests, growth is firming up thanks to the recovery in the agricultural sector and aid from international donors, who finance most of the reconstruction and other public investment programs[9].

The presence of Ebola has however, affect air transport and cross-border trade. Disbursements of the financial aid promised by the international community in May 2013 were temporarily frozen during 2014, after the IMF suspended the programs supported by the Extended Credit Facility, because of poor management of the public funds (controversy about the purchase of a presidential jet and a military contract). However, the IMF lifted the suspension at the end of a mission to Mali in September 2014.

6. Policy implication

Every nation must embrace economic integration and tap it s gains of depending on each nation’s

[8] IPB Inc,Mali Country Study Guide,strategic information and developments,volume1,international business publication ,Washington dc,USA .Mali 2015

[9] Maticna Strana, Ekonomska Istrazianjia Ponuda Kompanije Coface,Mali,January 2016

economic structure. The implementation of real institutional and political reforms and especially of true legal means to guarantee their application is essential to build competitive productive capacities. Mali holds huge reserves of raw materials; it is potentially rich and yet it is anomalous that the country is among the least developed. Small and medium businesses need information because they do not know the global markets. It is necessary to create or increase the required level of real structures of information for innovation, which would promote greater entrepreneurship. Mali should invest more on education, in other words, government should increase the financial allocation to education in order to expand knowledge.

Mali must anchor its growth prospects in the development of human capital, physical infrastructure, and strong institutions. It must foster the development of the private sector and the macroeconomic environment needed for the private sector to be viable. It should have good governance that stresses accountability and transparency and the development of institutions, the civil service, a sound banking system, and a trustworthy and independent judiciary.

6. Conclusion

Integration through trade, foreign direct investment (FDI), capital, technology and migration flows can stimulate demand and productivity, resulting in higher incomes and job creation, and hence, a reduction in poverty. Theopening up of economies in Mali from 1980 to 2016 has two consequences, positive winners and negative losers. We can see that the economy of Mali from 1980 to now continues to depend on gold exports (64% of sales abroad) and agricultural production, which makes the country vulnerable to precious metal price movements and meteorological conditions. Accordingly, even though investment flows remain strong and new sites are being exploited, production in the gold mining sector is on a downward trend due to falling gold prices and the exhaustion of certain deposits. The country has no choice but to diversify its revenue, which it hopes to do one day thanks to its oil potential and its iron ore and bauxite reserves. Nevertheless, development remains hampered by the lack of infrastructure, the insufficient quality of its labor force and the weakness of its institutions. Furthermore, the security situation remains precarious.

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