

The Mining Industry and the Challenge of Economic Development

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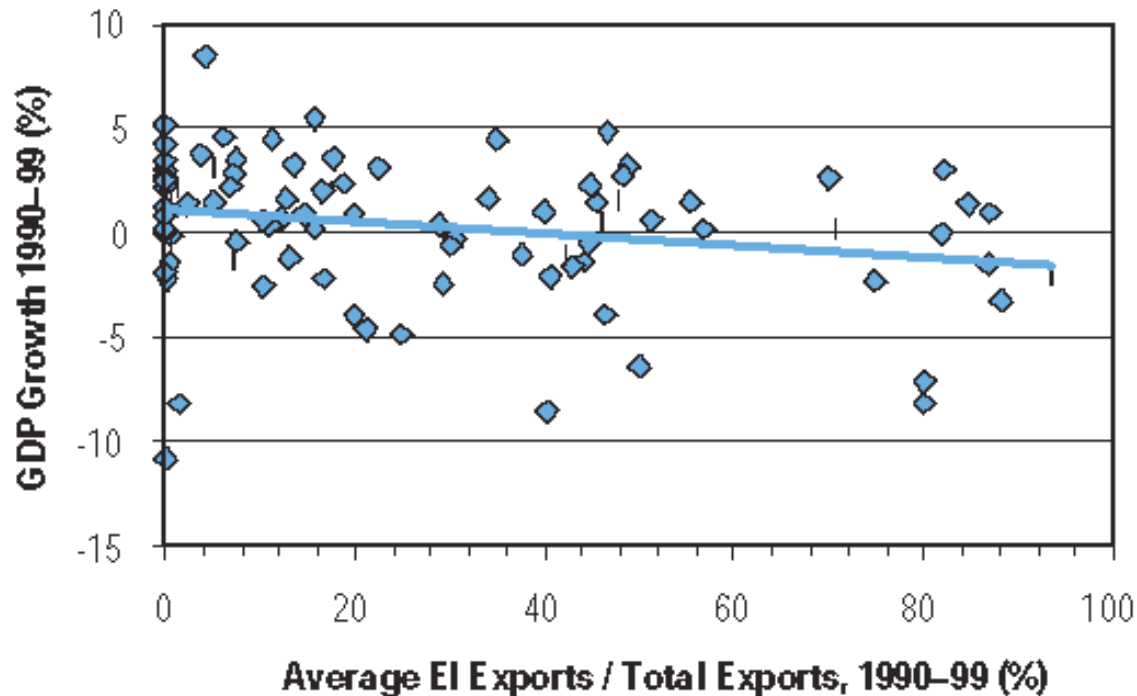
Our case for access to resources:

- Products are essential for society
- Mining provides economic growth, including jobs

If either aspect is weak, our case weakened correspondingly.

The “Resource Curse” is a major challenge.

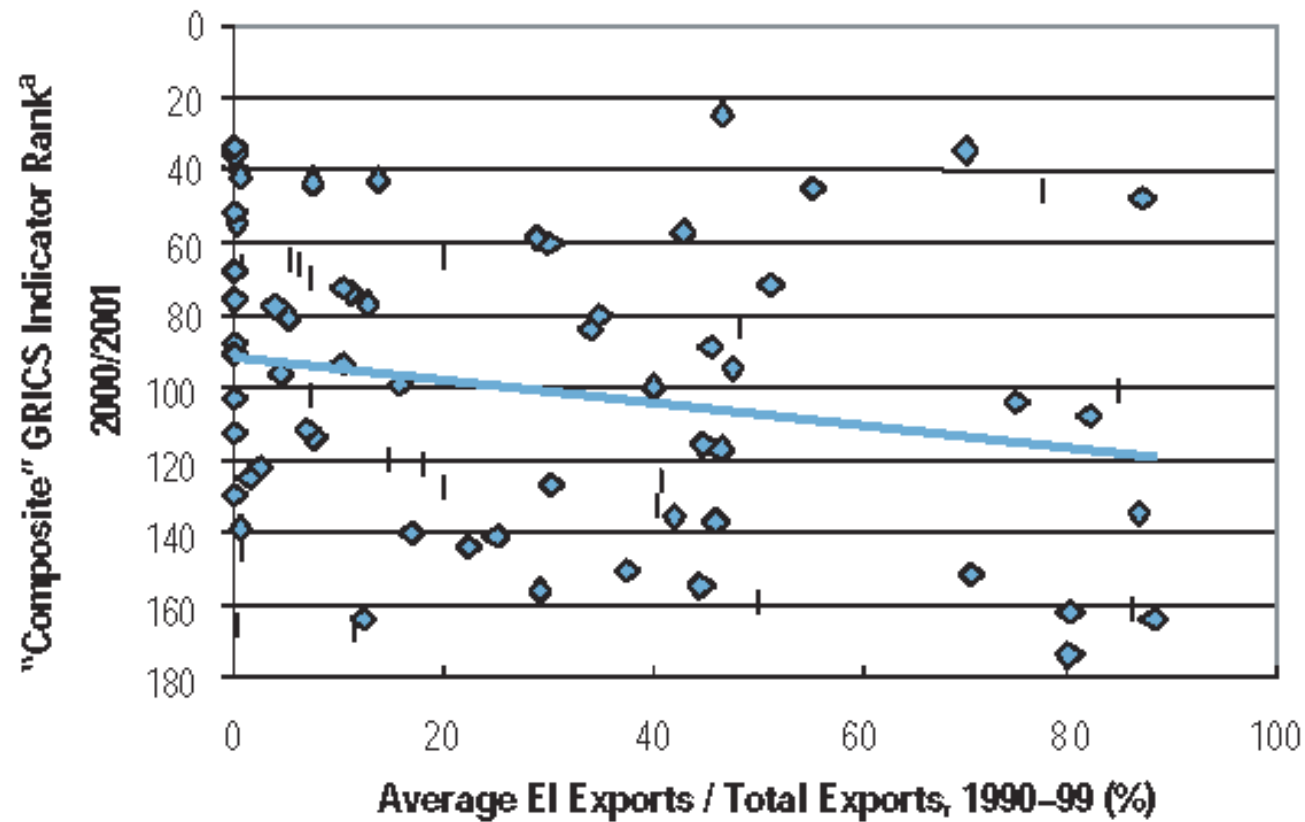
Economic performance of resource economies



- Many nations – USA, South Africa, Australia, Canada, Chile, Botswana and Malaysia – have benefited.
- Many have not.
- A paradox: mining is the key that converts dormant mineral wealth into wages, schools, homes, ports and other capital

Public institutions and governance are also weak

- Mineral dependence and governance



Public institutions and governance are also weak

“Many of the world’s poorest countries possess significant reserves of oil and other natural resources. Yet numerous academic studies show that, controlling for income level, countries that are highly dependant on revenues from oil and other minerals score lower on the UN’s Human Development Index, exhibit greater corruption, have a greater probability of conflict in any five year period, have higher percentages of their populations in poverty, dedicate a greater share of government spending to military spending, and are more authoritarian than those with more diverse sources of wealth.”

[Palley, 2003].

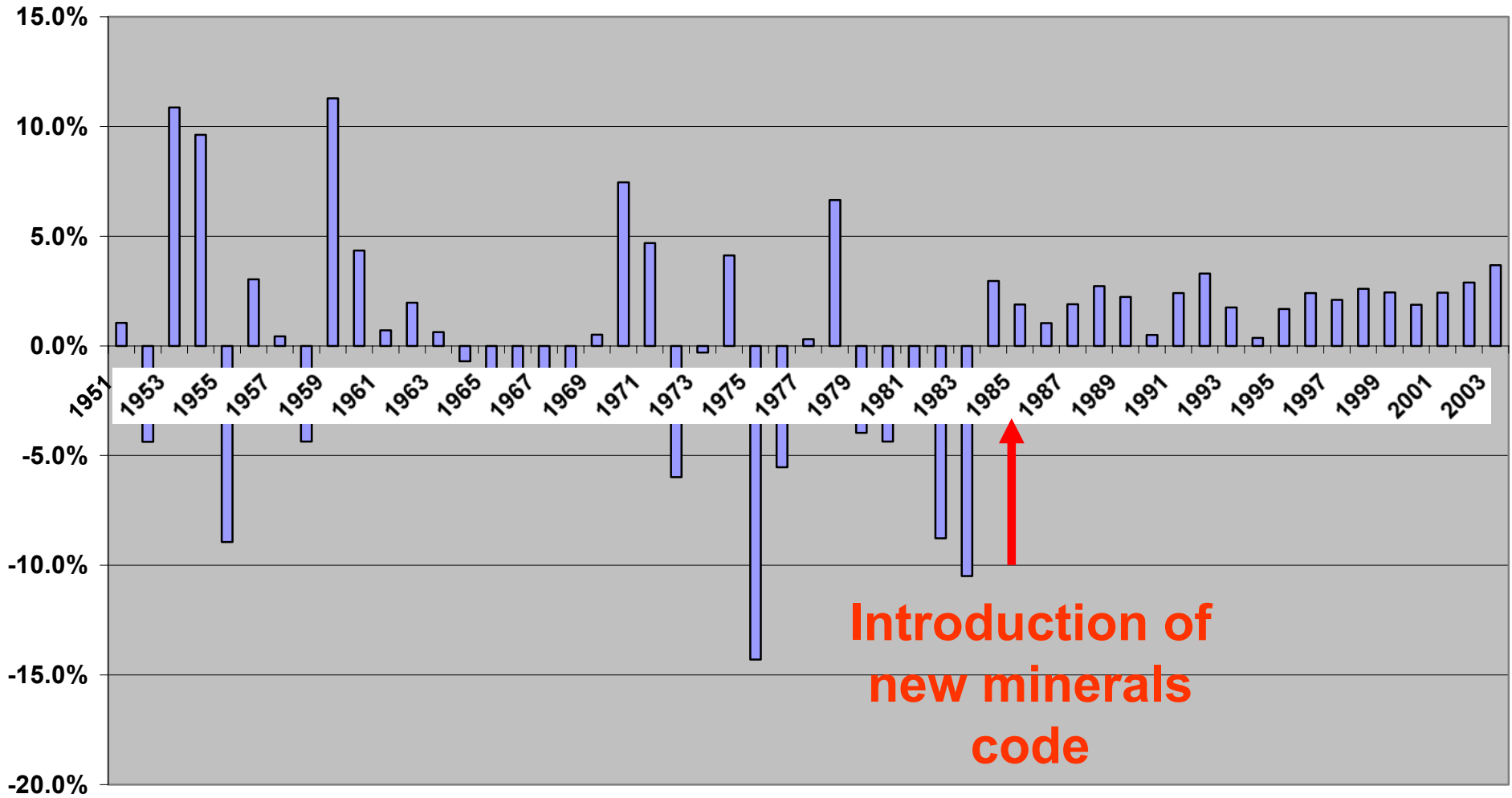
ICMM's Resource Endowment Project



- What can be learned from recent successes?
- How can we maximize the net benefits?
- Examination of four successful countries:
 - Chile, Peru, Ghana and Tanzania
- A “tool box” for better analysis

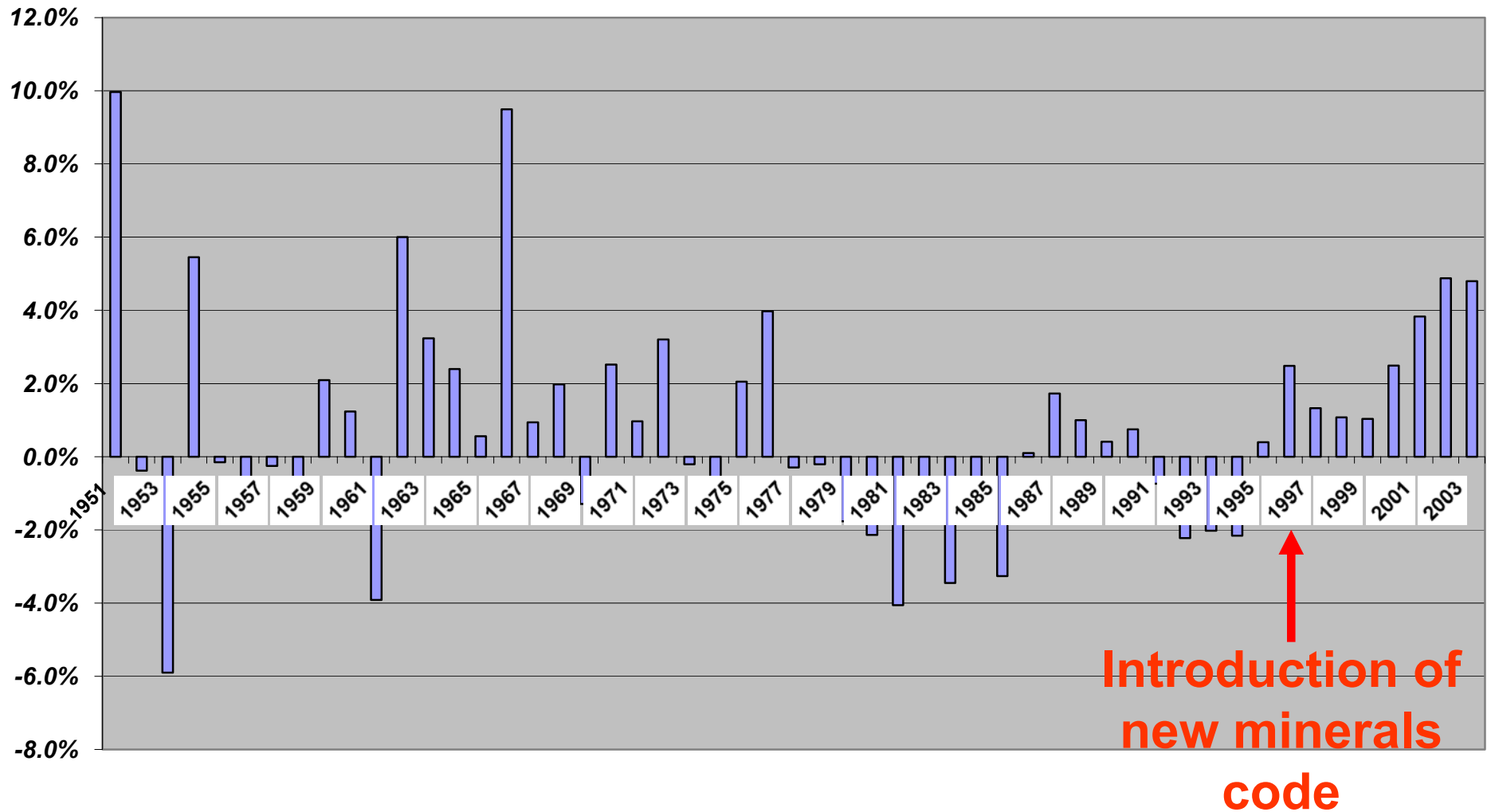
Resource Endowment

Ghana Per Capita Growth Rates: 1950- 2003 (1990 PPP\$)

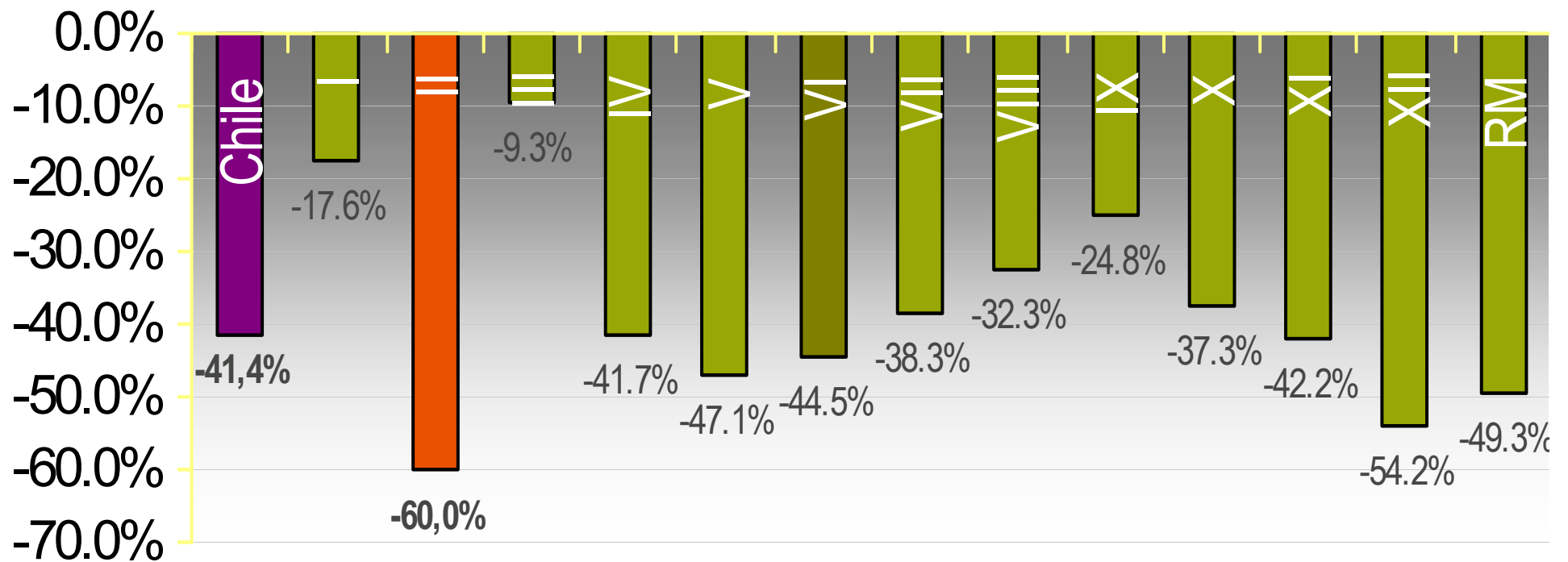


Resource Endowment

Tanzania Per capita Growth: 1950- 2003 (PPP 1990\$)



Changes in Income Poverty in Chile by Region - 1990-2003



- Definite contribution to economic growth
- Poverty reduction sometimes
- Governance has often improved

A more effective approach?

- The challenge:

“Anyone who claims to understand economic development in toto, or to have found the key to the secret of growth, is almost certainly wrong”
Kindleberger, 1958

“Anyone who claims to understand economic development completely, or to have found ‘the’ key to ‘the’ secret of economic growth is likely to be a fool or a charlatan or both”
Kindleberger, 1983

- Hand-wringing about weak governance is futile
- New partnerships: governments, industry and development agencies.

Why industry must take the lead:



“The next world class resource will not be found in North America, South Africa or Australia. It will be in a developing country and operating environments characterised by poverty, social unrest, corruption and political instability do not provide adequate security”

Chip Goodyear, CEO, BHP Billiton

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