The Extractive Industry’s Impact on Economic Growth in SADC Countries

Simeão Nhabinde
nyabinde@gmail.com

ABSTRACT

The countries of the South African Development Community (SADC) are rich in natural resources and, in most of them, their extractive industries extract and export natural resources with little industrial processing. This study analyses the direct and indirect impacts that extractive industries in SADC countries have on their economic growth. The study also analyses the short-term and long-term impacts of extractive industries as well as Solow’s hypothesis of economic convergence. Its empirical results are based on data from the 11 founding countries of SADC between the period 1980-2017. The results show that, despite the integration process, SADC economies do not converge in terms of per capita income. The total extractive industry of natural resources has a positive and significant impact on the economic growth of SADC countries, however, the forest extractive industry has a negative and significant impact. Gross capital formation and economic openness are channels or mechanisms for negative transmission of the impact of the total extractive industry and the forestry extractive industry on economic growth, respectively. Institutions measured in terms of anti-corruption index, government effectiveness, political stability, rule of law, regulatory quality, voice accountability constitute a channel or mechanism of positive transmission of this impact. Dynamically, the results show that the global extractive industry has a negative and significant impact on economic growth in the long run, but in the short term has no impact. The forest extractive industry has a negative and significant impact both in the short and long term on the economic growth of SADC countries. In the Mozambique context, the results show that both the total extractive industry and the forest extractive industry, in the long term, have a negative and significant impact on economic growth, but in the short term it has no impact.