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Niger’s Yellow Cake: Resource Curse or Force for Change?

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Last week, Niger announced it had secured two agreements with a Chinese mining operator to launch uranium exploration in the Agadez region.¹ The government in Niamey said the deal with Zijing Hechuang Science and Technology Development Company would lead to investment to the tune of US$5m over a three-year period. Seven years after its first foray into Niger’s uranium sector, China’s latest mining project will involve exploration research in Tchirozerine, a remote, impoverished region in the north of the country.

The extractives industry is Niger’s engine of growth, especially the export of the uranium product yellowcake. Niger is currently the world’s fourth largest uranium producer, with two significant mines accounting for some 7% of global output.² Once the proposed Orano³-run Imouraren mine comes online, Niger will become the world’s second largest uranium producer.⁴ Yet, despite Niger’s uranium mining industry dating back to the 1960s, vast injections of capital investment have so far failed to benefit the population at large. Poverty in Niger is widespread and enduring, with the country consistently ranking amongst the lowest in the world on the UN’s Human Development Index.⁵ The disparity between Niger’s vast mineral wealth and low levels of human development is often referred to as the ‘resource curse’.

Whilst the concept of the resource curse, or paradox of plenty, is not inevitable and varies widely depending on the cultural context, Niger’s structural weaknesses – including fragile leadership, inadequate institutions and endemic corruption – are exacerbated by its economic dependency on the extractives sector. Historically a hunter-gatherer and agrarian society, the state’s means of production have come to focus predominantly on mining – more recently, to include crude oil – with resulting underinvestment in national infrastructure and other sectors of the economy. Niger’s reliance on the resources sector also leaves it vulnerable to shocks in global commodity prices. Indeed, Niger has suffered enormously over the past four years from the dual downturns in global oil and uranium prices, the latter leading to the shuttering of some mining operations.

¹ ‘Une société chinoise va lancer de nouvelles prospections d’uranium au Niger’, VOA Afrique, 10 October 2018. Available at www.voafrica.com/a/une-soci%C3%A9t%C3%A9-chinoise-va-lancer-de-nouvelles-prospections-d-uranium-au-niger/4607599.html
³ Orano Group, previously Areva. See http://us.areva.com/EN/home-4029/orano-we-are-now-orano.html
⁵ In 2018, Niger was ranked the lowest out of 189 countries. See UN Development Programme, Human Development Reports: http://hdr.undp.org/en/2018-update
Beyond the resource curse paradigm, geopolitical factors contribute to endemic poverty. Straddling the Sahara, Niger’s vast landmass and extreme climatic conditions result in local administration and governance being almost non-existent in some areas. Porous borders also enable insecurity in neighbouring states to spill over into Niger, heightening competition between local nomadic communities over pastoral land, water and other scarce resources. Most notable is the simmering separatist movement of the Tuaregs, a nomadic pastoralist community of 2.5 million people across the Sahel. Meanwhile, the increasing presence of jihadist groups such as al-Qaeda in the Islamic Maghreb (AQIM) has led to security deteriorating in the country’s north where militants control drug smuggling and human trafficking routes. Coordinated suicide bombings in 2013 at the height of the Malian conflict included an attack against the Orano-operated Arlit mine.

In theory, five decades of capital investment in the uranium sector should have seen a meaningful financial return for the Nigerien population. Yet the state only receives a small share of uranium revenue, with foreign companies holding majority stakes in local production companies. The most profitable mines Somair and Cominak are operated by French mining giant Orano. In 2014, Niamey attempted to implement the terms of a mining code passed in 2006, which would increase royalties payable by foreign mining companies from just 5.5% to 12%, as well as end tax breaks on materials and equipment. The negotiations stalled for months, at one stage Orano temporarily shuttering its operations. Whilst the precise terms under which Orano now operates are not publicly available, it is clear that Niamey lacks leverage over its uranium assets.

A perhaps unintended consequence of the 2014 mining code negotiations has been the emergence of a robust national debate over public management of the country’s resources. In particular, civil society groups have attempted to shine light on the uranium sector, raising awareness about lack of transparency, inadequate working conditions, and the harmful effects of radioactive materials. However, the government’s initial response was to shut down the debate with arrests and other arbitrary measures. Indeed, Niamey’s punitive reaction was a contributing factor in its suspension from the Extractives Industries Transparency Initiative (EITI) in 2016.

On the surface, the expansion of Niger’s uranium sector through Chinese investment in Agadez presents a fresh opportunity for the poverty-stricken country, with the benefit of lessons learnt from previous ventures. The EITI has also pledged to engage more closely with Niamey. When the government struck the original deals with Orano, it was emerging from a period of colonial rule with state institutions in their infancy. Even today, geopolitical realities hinder Niamey’s clout in negotiations with the state-owned French multinational which, in effect, represents the French government on which

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8 Ibid.
Niger remains critically dependent for military support, development aid and political backing.9

This latest uranium project is emblematic of a continent-wide wave of Chinese investment and related infrastructure development. Boding well for Niger, China is seeking self-sufficiency in the nuclear fuel cycle by obtaining a third of its uranium needs through foreign equity in overseas mines.10 Nevertheless, Niger’s recalibration towards China remains far from clear. The Chinese-operated Azelik mine is currently shuttered due to the low uranium price and uncertainty in the Chinese economy. Local opposition to Chinese mining practices is another issue. Several protests have broken out at the Azelik mine in relation to land disputes, employment conditions and environmental degradation.11 As such, the arrival of Chinese investment does not necessarily unseat existing French interests in Niger.

The nature of the uranium industry itself poses challenges for weak, impoverished states such as Niger to reap the rewards of its resources. Owing to its radioactive properties and potential for diversion to nuclear weapons programmes, the trade in uranium is strictly controlled and monitored under the safeguards system of the International Atomic Energy Agency (IAEA). As a result, very few companies possess the resources and capabilities to enter the uranium industry, far less that have the risk appetite to mine in remote, unstable states like Niger. Whilst the debate around resource nationalism has fostered greater agency for the Nigerien government and wider public, business interests are likely to resist any change to the status quo in Niger for the foreseeable future.

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11 For a fuller description of these issues, see ‘One uranium mine in Niger says a lot about China’s huge nuclear-power ambitions’, Business Insider, 24 October 2015. Available at http://uk.businessinsider.com/niger-uranium-mine-and-nuclear-china-2015-10