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## The Complicated Case of Mali

On January 11, 2013, French President Francois Hollande announced the French military was intervening in Mali at the request of the government. The Mali military was reeling in the face of jihadist rebels from the north who were making rapid inroads toward the south. Although the U.N. Security Council had authorized an African-led military intervention in Mali to contain the rebels, it had been ineffective. Thus, France “piggybacked” off that resolution to justify its intervention.

The French decision to intervene is geopolitically interesting on its own and will be examined in this report. However, to fully grasp the dangers of this action for France and the West, some background on the country and the region is necessary. The current crisis in Mali has its roots in geography, religion, colonial history and geopolitics. All these issues frame what outcomes we can expect from France’s decision.

In this report, we offer a short history of Mali and examine its particular geography and how it affects the governance of the country. From there, we will discuss the current crisis and why France felt compelled to intervene and what can be expected from the rebels. The discussion will conclude with a reflection on America’s role in this situation and conclude with potential market effects of this evolving crisis.

## Background on Mali

Mali is a landlocked nation in West Africa.



The key geographic factor is that it is part of the Sahel, the biogeographic border region between the Savannas of the south and the Sahara Desert.



As the map indicates, the Niger River acts as a major boundary between these two biogeographic regions. Although the Sahel tends to have a mostly temperate climate, overgrazing and climate shifts have led to periods of desertification. Still, the Sahel is less forbidding than the Sahara Desert.

The area of modern Mali was part of several African and Arab kingdoms; these began to emerge in the 12<sup>th</sup> century and various powers controlled the region into the late 19<sup>th</sup> century. The Sahel was traversed by trading routes, and the people in the region made their living by either supplying services to travelers or by threatening the caravans. As part of servicing the caravans, animal herders provided meat, milk and hides.

By 1892, Mali began to fall under French control. By 1905, nearly all of what is today's Mali was ruled by France. The French established their colonial government in southern Mali because it was more populated than the northern regions and more geographically hospitable.

After WWII, as European powers began to give up sovereignty over their colonies, French West Africa slowly gave way to new nations. Mali was established as a state in March 1960.

Since independence, a couple of broad trends have emerged. First, the governments, who mostly control the south, have vacillated between weak democracies and military governments. This is not uncommon in Africa. Second, the north was, at best, lightly governed due to its distinct geography and low population density.

Northern Mali is dominated by the Tuareg, an ethnic subset of Berbers. They have

lived in the Sahara for centuries. Mostly nomadic and pastoral, they live distinctly different lives than the citizens of southern Mali. In general, Mali governments have attempted to control them through a combination of government "goodies" and military repression. Neither has been very effective. Interestingly enough, during democratic governments, the Tuareg tend to receive harsher treatment from the central government simply because they don't represent a large block of votes.

The Tuareg have called for autonomy since Mali independence but have not had much success. The interests of the Tuareg mostly appear to be the creation and defense of a homeland. Tuareg resistance groups do not want to overthrow the Mali government in Bambara but would like to gain autonomy.

During Tuareg uprisings, Algeria has often mediated between the rebels and the Mali government. Algeria wants a stable Mali; it has faced jihadist terrorist groups for over two decades and is not comfortable with a failed state on its border that could become a sanctuary for Islamic terror groups.

### **Recent History**

A series of events have conspired to prompt the French intervention. First, Qaddafi's fall in Libya caused Tuareg who had been living in Libya to return to Mali. Qaddafi strongly opposed jihadist groups, such as al Qaeda, who operated in the region. In addition, he tried to create a sort of foreign legion by bringing various tribal groups to Libya to create special units to defend his regime. He brought Tuareg to Libya and gave them military training and arms; in return, they were to defend the regime against threats. In the face of NATO airstrikes, these Tuareg thought better of their situation and returned home. Unfortunately for the Mali

government, these fighters were now well trained and armed.

The second factor that developed was the instability of the Mali government. In March of last year, junior officers staged a coup against the democratically elected government of President Amadou Toumani Toure. In January, Tuareg rebels had pushed the Mali Army from the north. The coup leaders, believing the government had not supported the military against the rebels, decided the president needed to be removed in order to create conditions that would restore order in the north. However, the coup leaders did not have a plan in place to replace the government it had removed. In the power vacuum, the National Movement for the Liberation of Azawad (MNLA), an umbrella group for Tuareg rebels, declared an autonomous region in northern Mali. Meanwhile, the head of the National Assembly, Diocounda Traore, took advantage of the coup leaders' indecisiveness and gained control of the government.

The third factor that occurred came from jihadist groups in the region. There are three main groups, al Qaeda of the Islamic Maghreb (AQIM), the Movement for Unity and Jihad in West Africa (MUJWA) and Ansar Dine. Total manpower is probably around 3,000 fighters. Shortly after the MNLA declared an autonomous region last spring, the jihadist groups removed the MNLA from power. This occurred, in part, because the jihadists were superior fighters; in addition, there are reports that some of the Tuareg were more sympathetic with the jihadists and changed sides. By autumn of 2012, the jihadists were in control of the area north of the Niger River.

However, these developments sparked a reaction. The Economic Union of West

African States (ECOWAS), supported logistically by France, began to send troops to Mali to bolster the Mali Army to prevent further southward movement by the jihadists. As conditions failed to improve, signs that the French may become directly involved began to accumulate.

In response, the jihadists, who tend to be less than unified most of the time, decided that they needed to act before France became involved. Earlier this month, the jihadists breached the Niger River and began taking control of towns south of this barrier. They routed the Mali military and were threatening to march to the capital. It was at this point that Traore requested military assistance from France. François Hollande responded by sending French troops to Mali.

#### **What to Expect**

Although the jihadist rebels appeared to be on a march to the capital, in reality, it appears they were simply trying to create a larger buffer for the French and other troops to traverse. In other words, they want the intervening militaries to have more territory to retake. It is doubtful that the jihadists will stand and fight. In fact, Ansar Dine has recently made overtures to the Mali government to change sides and support efforts to remove the jihadist threat. Most likely, the jihadists will engineer a tactical retreat and harass the allied military as it moves deeper into the desert.

For the French, the first goal is to halt the advance. The combination of French air power and ECOWAS troops has pretty much ended the rebels' southern penetration. The second goal is to build and train the assorted militaries to prepare for the northern advance. The final stage will be moving into northern Mali, securing the major cities and eventually securing territory

so that the Mali military can maintain control.

Stages one and two will be rather easy to achieve. However, stage three will be quite difficult as seen by the American experience in Iraq and Afghanistan. The allied troops will face opposition from Tuareg forces and the jihadists. Of course, operating in the desert will make it hard to conduct an open insurgency but controlling large, empty spaces requires air power. The French are not well equipped with drones which are perfect for such operations.

Overall, Western militaries have done very well in securing territory and ousting governments. However, they have struggled with nation building. We suspect France, unless it is willing to leave once the first two stages are met, will find itself facing strategic drift, where goals continue to change to justify keeping the commitment in place.

### **Reflections**

As we noted in our year-end outlook, the steady change of U.S. foreign policy, which appears to be shifting from superpower dominance to offshore rebalancing and burden shifting, is a major change in policy and could have unexpected effects on global stability. In the Cold War period, it was unthinkable that the U.S. would “lead from behind” as we did in Libya or that we would allow the French to essentially act unilaterally in Mali. In the post-Cold War period, the U.S. has tended to play the role of the “indispensable nation,” leading in the Balkans and the Middle East on numerous occasions.

However, the Obama administration is making a major change in foreign policy that, so far, has mostly not attracted the attention of the media. This change is

epochal. America, which has mostly managed the post-war world, is now allowing others to take the lead. This move could cause enormous changes in how the world works. Nations could invade other nations without the U.S. intervening; it isn't unthinkable that if Saddam Hussein invaded Kuwait today all it might trigger would be a diplomatic protest and sanctions.

Of course, it remains to be seen if France can execute. The performance of Britain and France in Libya left much to be desired; without U.S. help, these nations probably could not have defeated Qaddafi, who was running a third rate military primarily designed to suppress its own citizens.

The real danger of the Mali situation is that it may suggest to other nations that the U.S. won't intervene anymore. This could encourage China to be aggressive in its island dispute with Japan, thinking it can use force to retake the islands without fear of U.S. retaliation. Or, it may cause Japan to fear the lack of U.S. support and act more aggressively before China can strike first. Or Russia may decide it would like the return of the Baltics and the U.S. may conclude it's a European affair.

This isn't to say the administration is wrong. The U.S. faces serious fiscal issues and may simply be unable to afford to maintain its superpower role. However, such major policy changes deserve a public airing. Thus far, this has not occurred.

### **Ramifications**

The direct market ramifications of the Mali campaign are scant. Although Mali is a gold producer and exports cotton, both markets are not facing serious shortages and any lost output would be covered by other producers.

Although space did not permit an analysis of the recent hostage crisis in Algeria, it was related to the situation in Mali. A former leader of AQIM, Mokhtar Belmokhtar, led the assault on the Tigantourine natural gas plant in Algeria. A failed state in the region that became a sanctuary for jihadists groups could destabilize the region and threaten oil production in Libya and Algeria. These two countries represent 3.2 mbpd of oil production capacity, about 4% of the world's production.

oil prices, primarily Brent. For now, we expect the French to be successful as the rebels will likely retreat and engage in asymmetric attacks on the allied military groups. The bigger story, however, is the change in U.S. policy. If this becomes the new trend, it tends to favor hard assets as nations will no longer feel confident that the U.S. will protect sea lanes and champion free trade. Hoarding of strategic commodities would likely result.

Thus, if the French fail to secure Mali, the most likely market reaction will be a rise in

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*This report was prepared by Bill O'Grady of Confluence Investment Management LLC and reflects the current opinion of the author. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.*

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