

Revisiting the Natural Resource “Curse” in the context of trade in value added: Enclave or high-development backward linkages?

Topic: Classical IO applications: Trade and GVCs

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The paper puts forward and empirically tests the conjecture that specialisation in Natural Resource Industries (NRI) might not necessarily be a “curse” for (developing) countries, to the extent that it provides opportunities for export diversification in backward linked sectors à la Hirschman. We first revisit the evolution of the debate around the NRI “curse”, including those views that are skeptical of diversification based on beneficiation from NRI. We then empirically test whether NRI might represent a sufficient “domestic representative demand” à la Linder for backward linked sectors such as Knowledge Intensive Business Services (KIBS) or high tech manufacturing that might provide new opportunities for export diversification based on virtuous pathways of domestic structural change. We find empirical support to this conjecture and discuss our results as a contribution to revisiting the NRI curse debate.