

What is the Potential of Natural Resource based Industrialization in Latin America? An Input-Output Analysis of the Extractive Sectors

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Several case studies have analyzed the potential of natural resource (NR) based industrialization, a process based on diversification towards high value added products, in the Latin American region. However, there is limited evidence on how the development of productive linkages, a key aspect of this strategy, behave at the country level. Resorting to input-output analysis, this paper provides a clearer picture of the extent and evolution of productive linkages of NR sectors across a sample of middle- and high-income countries in Latin America as well as in other developing and developed regions. The paper focuses on the degree to which extractive industries, i.e. oil, gas and mining, are connected to the rest of the economy by studying both backward and forward linkages using OECD IO data. It also makes a distinction between local and foreign inputs to account for the level of integration that these sectors have into global value chains and/or imports dependence. Furthermore, it tries to identify whether the level of extractive sectors' importance in exports and the total economic output is related to the level of intersectoral linkages. Ultimately, it seeks to respond whether extractive industries are still considered enclave as the Dutch disease hypothesis suggest.