

Extractive industries and structural transformation

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Impact addendum

This dissertation relates to social and economic impacts on different fronts. Using the Sustainable Development Goals framework as a reference, some considerations in this regard are presented. Firstly, this thesis explores how long-term growth is related to extractive resource exploitation in recent decades (Chapter 3). It also provides an assessment of how host countries, i.e., where the extraction of resources takes place, have been able (or not) to take advantage of high commodity prices. Namely, I explore this by measuring the integration of domestic firms along the extractive value chain (Chapters 2), and the export performance of firms in non-extractive sectors (Chapter 4). Developing entrepreneurial efforts within and outside the extractive sector represents an essential step toward securing a stable economic track and generating jobs for educated and non-educated workers. Moreover, domestic mining suppliers can often contribute largely to innovative solutions to increase the sustainability of extractive processes – their impact is, thus, beyond job generation. Likewise, I investigate how the expansion of mining sector activities affects directly employment in the manufacturing sector (Chapter 5). The latter is essential to ensure learning-by-doing opportunities for workers; the loss of such opportunities could mean hindering long-term economic growth. Considering the above, the present thesis has a strong link to SDG 8 (“Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all”), and SDG 9 (“Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation”). Secondly, an important share of the extraction of natural resources takes place in developing countries – mostly in Africa and Latin America – where sustained growth is fundamental to improving the livelihoods of millions and guaranteeing the provision of health and education services as well as social protection. Therefore, this thesis also is linked to SDG 1 (“End poverty in all of its forms everywhere”).

The dissertation concludes that some of the mechanisms that previously linked extractive sectors with low long-term growth and high economic vulnerability are no longer empirically observed. Yet, this does not mean that the expansion of extractive sectors on its own is conducive to reaching any of the SDGs mentioned above. This thesis instead warns that transforming extractive sectors into inclusive economic growth requires specific policy interventions both on the supply and demand side (though, a specific prescription of how to achieve this is not within the scope of the thesis). Moreover, it finds that high commodity prices could still be ‘be a curse in disguise’ as it distorts incentives across the economy to develop domestic suppliers and diversify exports away from commodities.

While oil and gas may be on their way out, demand for minerals and metals will keep growing as the climate change agenda pushes for the adoption of non-fossil-fuel technologies, such as electric vehicles. Therefore, a nuanced, and sober perspective of the risks associated with extractive activities is needed in the formulation of more comprehensive and coherent policies. This dissertation contributes to such perspective and raises further questions aimed at deepening our understanding of this controversial and, nonetheless, essential industry.