

The (Un)intended Consequences of Export Restrictions: Evidence from Indonesia

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Abstract

Several developing countries have restricted non-renewable natural resource exports to encourage domestic processing, move up the global value chain, and spur local development. This paper studies the local labor-market effects of Indonesia's 2014 export ban on unprocessed nickel and bauxite, both of which Indonesia had led in global exports.

Exploiting variation in timing and location, we find that, after an initial dip, major investments in nickel processing increased employment in nickel mining districts. New smelters drove structural change, shifting jobs from agriculture to mining and manufacturing. In contrast, limited bauxite processing developed much later, causing production and employment to stagnate.