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Session 2. **The potential for diversification towards and through digitally deliverable services**

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Session 2: The potential for diversification towards and through digitally deliverable services
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Knowledge and Digital Services in Natural Resources Industries
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The role of services in global industries is generally underestimated, but these play a critical and growing role in global value chains (GVCs) from manufacturing to natural resources. Since the turn of the century, services trade has risen steadily as a result of outsourcing, servicification and information and communication technologies. In doing so, services have become a major driver of the global economy. In the natural resources sector, as in other industries, services have become a leading source of value creation, contributing to improvements in productivity, quality and sustainability. In natural resources sectors the value is in how to extract a mineral, how efficient you are going to produce a fruit and vegetable. These knowledge-based services (KBS) directly support production in these GVCs.

We establish an upgrading model for natural resources countries to leverage this expertise for services. Based on these experiences, we offer a conceptual model for country upgrading in KB and digital Services provision in natural resources GVCs, with three key stages of development: (1) KBS Imports, a country that is rich in natural resources, but doesn't have the capabilities to exploit them, need to import that knowledge (2) Local KBS Capability Development, a country creates a rich ecosystem of local providers. AND create backward linkages with the local economy. Once the services providers master these services in house, they are in a position to move to the third stage. (3) KBS Exports. In this stage a country can export their expertise.

We observe Numerous developed countries – from Australia to Norway and the United States - have advanced from natural resources extractors to become global knowledge-based services (KBS) providers. But nowadays, other countries are starting to export these services such as South Africa and Chile. This is a good example on how developing countries can capture greater value from their natural resources industries. However, active government policies are required to support this upgrading.