TRADE IN VALUE ADDED: CHILE

The international fragmentation of production in global value chains (GVCs) challenges the way we look at the global economy. Today, “what you do” - the activities a firm or country is involved in - matters more for growth and employment than “what you sell” - the products that make up final sales or exports.

Understanding how GVCs work and how they affect economic performance is essential, as is determining which policies help derive the greatest benefits, and reduce the risks. The OECD-WTO Trade in Value Added (TiVA) database facilitates analysis of GVCs by measuring trade in value-added terms to generate new insights about the commercial relations among economies and the process of value creation. Drawing on the third version of the TiVA database, this note describes Chile’s trade patterns in value-added terms, with a view to informing policy debates in a range of areas, including trade, innovation, and investment.

Accompanying this note is a User Guide designed to assist interpretation and provide context to the indicators presented: http://www.oecd.org/sti/ind/TiVA_2015_Guide_to_Country_Notes.pdf

Key findings

- Just over one-fifth (20.2%) of Chile's exports in 2011 reflected foreign content, significantly up on the 13.8% in 1995 but below the OECD average, partly reflecting the important contribution of exports of mining products (mainly copper) and basic metals with low foreign content.

- The export orientation of Chilean manufacturers has risen significantly in the last two decades, rising from just under 40% in 1995 to just under 60% in 2011.

- Chile’s major import and export markets remain outside of Latin America, with China alone directly importing 30% of all intermediate exports value-added terms in 2011 (almost twice the share in 2008), pointing to an underdeveloped regional value chain.

- At 22.3%, Chile had the lowest services content of manufacturing exports in the OECD in 2011, with the services content of basic metals, Chile's largest exporting industry, over 20 percentage points lower than the OECD average.
The role of foreign and domestic value added in exports

The foreign content of Chile's exports increased to 20.2% in 2011, compared to 18.9% in 2009 and although this remains significantly below the pre-crisis high of 24.7% in 2008, the share is significantly higher (6.4 percentage points) than in 1995.

Of Chile's total exports of domestic value added in 2011, 78.9% reflected exports of intermediates, significantly higher than the OECD average (61.5%) and higher than the equivalent shares in 2009 (72.5%), in part reflecting the rebound in GVCs that were disproportionally affected by the crisis, and higher than in 1995 (72.1%), (Figure 2).
Direct exports by the Basic metals industry (in particular refined copper) generated the greatest source (both direct and upstream) of domestic value added in 2011, accounting for 26.4% of the total value added of exports. The next three most important industries were Mining (13.0%), Wholesale, Retail & Hotels (8.7% reflecting tourism and upstream distribution services to exporters), and Transport & telecoms (6.7%), (Figure 3a).

The foreign content share increased across most industries between 1995 and 2011 but fell in a three industries with only marginal exports. The industries with the highest foreign value added shares in 2011 were Coke & petroleum, Rubber & plastics, and Textiles & apparel, with 50.9%, 32.9%, and 32.4% respectively, compared to figures of 33.1%, 22.2% and 16.2% in 1995 (Figure 3b).

**Figure 3a. Chile’s industry share of domestic and foreign value content of gross exports**

**Figure 3b. Chile’s foreign value added content of gross exports**

1995 and 2011
Of the total value of Chile's imports of intermediate products and services, 42.6% was subsequently embodied in exports, a higher share than the OECD average (39.3%) but slightly below the equivalent figure in 2009 (43.3%) (Figure 4). The products with highest shares were Other manufacturing, Mining and Basic metals, at 64.2%, 57.6% and 54.5% respectively.

The destination of domestic value added produced in Chile

The export orientation of Chile's manufacturers has increased significantly over the last two decades, with the share of domestic value added driven by foreign demand rising from just under 40% in 1995 to 58.3% in 2011 (Figure 5).

At the total economy level, just under one-third (30.5%) of Chile's domestic value added was driven by foreign final demand, but significant differences exist across industries. Other transport (89.9%) and Basic metals (84.4%) had the highest level of export orientation in Chile, with the lowest shares in Non-Metallic Minerals (12.6%) and Finance & Insurance (16.2%), (Figure 6).

Figure 6. Chile's domestic value added in foreign final demand
percent of value added by industry, 2008, 2009, and 2011

In gross terms, China (24.1%), the United States (10.5%) and Japan (10.2%) were the three most important Chilean export market destinations. But in value-added terms the gap between China and the United States closed significantly to near parity, partly reflecting Chilean value-added embodied in Chinese exports to the United States (Figure 7, top). For imports, Chile's top three partners in both value-added and gross terms were the United States, China and Brazil (Figure 7, bottom).

Figure 7. Chile's exports to and imports from main partner countries
percent of total gross and value added exports and imports, 2011
Looking only at exports of intermediates goods and services, China was the most important destination market, importing just under 30% of Chile’s intermediate exports in 2011; nearly double the share in 2008, (Figure 8).

**Figure 8. Chile’s domestic value added embodied in intermediate exports to main partner countries**

percent of total intermediate exports, in value added terms, 2008, 2009, and 2011

The importance of services

The service sector’s share (36.5%) of total Chilean exports of domestic value added was the lowest in the OECD in 2011, significantly below the OECD average of 54.3% (Figure 9).

**Figure 9. Services content of gross exports by country, gross and value-added terms**

percent of total gross exports, 2011

*Note: SNA services export shares include re-exports in the denominator, and include any actual differences in free on board and basic prices (the distribution margin provided by resident distributors to resident exporters) in goods.*
Chile also had the lowest service content of exports in manufacturing (22.3%) in the OECD, significantly below the OECD average (36.9%). Of this share, Business services accounted for 8.4% of total gross exports, with Wholesale, Retail & Hotels and Transport & Telecoms accounting for 7.0% and 3.5% respectively (Figure 10).

The services content of exports at the individual sectoral level was also below the OECD average in nearly all sectors, except Textiles & Apparel (45.6%) and Wood (43.5%); which also had the highest shares. Business services were the most important source of services value added embodied in manufacturing exports.
The origin of domestic consumption

In 2011, 23.9% of Chile's total final domestic consumption reflected foreign content. The largest contribution came from NAFTA (5.8 percentage points) followed by East and Southeast Asia (5.1 pp), Europe (4.9 pp), and South and Central America (3.7 pp) with the rest of the world contributing 4.4 pp (Figure 12).

**Figure 12. Foreign value added content of domestic consumption by country**
by source region, 2011

---

Further Information

The information included in this note is based on the 2015 edition of the Trade in Value Added (TiVA) database.

» Access the data at [http://oe.cd/tiva](http://oe.cd/tiva)

» Please contact us with your questions at tiva.contact@oecd.org