Import content of exports, evidence from the Chilean Input - Output tables 2008-2012

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It is commonly state that foreign trade represents 60 to 70% of the Chilean economy, a claim that is based on adding exports and imports and dividing by GDP. However, according to the international evidence, with globalization and the development of global value chains, exports are increasingly composed of imported inputs. Depending on the industrialization of the economy and the type of product involved, the intensity of the imported component varies across countries and industries. In 2005 the imported content of exports represented on average 23% of total trade among OECD countries with a range between 13% and 60%, being particularly large in basic industries (e.g. refined petroleum or chemicals) and the technology-intensive industries that produce modular products (e.g. electrical machinery). This paper provides recent empirical evidence on the evolution of the import embodied directly and indirectly within Chilean exports by industry. In the same way, estimates of direct and indirect contribution of exports to the value added are also performed. The methodology used for this purpose is based on the joint OECD-WTO Trade in Value-Added (TiVA) initiative, which uses the input-output framework to compute such indicators. The basic data for the estimates comes from the national accounts series 2008-2012 (reference 2008), specifically the industry-by-industry input-output tables (IOT) with a breakdown of 111 activities available for each year. This allows estimating more accurate indicators of the import content evolution than earlier studies for Chile, where IOTs were only available for reference years.