

Boosting export performance in Chile

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Chile's export growth has disappointed over the past two decades. In particular, exports of goods and services – in volume – have only grown at 1.1% annually over 2009-17 and at around 2.0% for non-copper products and services, compared to 4.2% in the average Latin American country (Panels A and B).

Chile's weak export performance reveals structural weaknesses. Beyond copper and copper-related products that are highly dependent on external demand, export growth has been weak in manufacturing and services sectors. At the same time, with low investment in innovation and skills, productivity gains have stalled (Panel C). Exports remain mostly natural-resource based (Panel D) and highly concentrated across products, firms and destinations, with SMEs participating little in international trade.

To enhance inclusive growth potential decisive policy efforts are needed to improve productivity and competitiveness, and broaden the export base. The 2018 OECD Economic Survey shows that while the implementation of the 2014-18 Productivity Agenda and measures to raise the efficiency of electricity markets have been positive steps, more efforts are needed to raise productivity in four key areas:

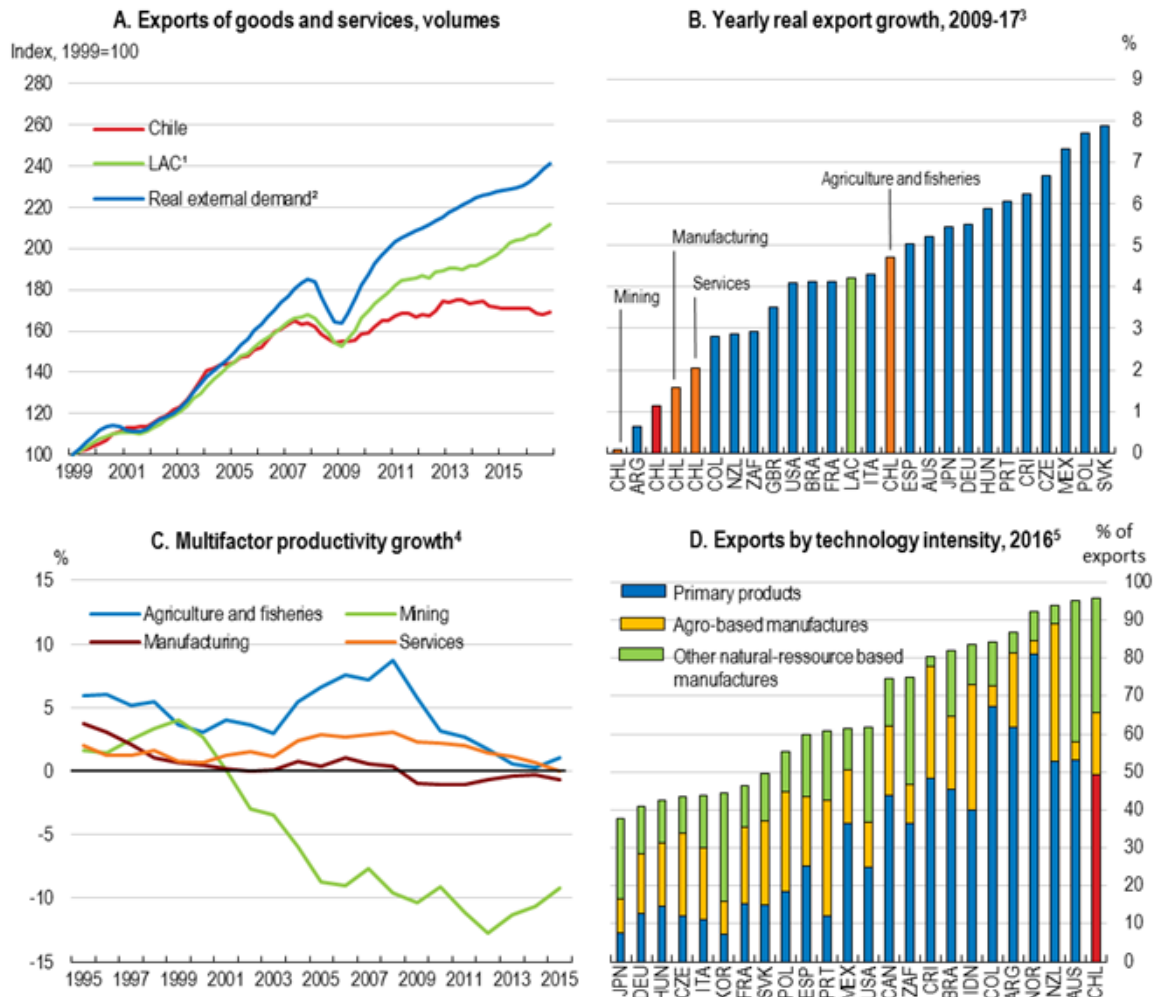
1. **Strengthening competition.** Perceived market dominance that tends to reduce efficiency and raise rents, is among the worst in the OECD. Competition is limited in key sectors, such as telecommunications, maritime services and railways. The recent strengthening of the competition framework is welcome, but systematic reviews of competitive pressures are needed. Moreover, the

guidelines issued by the OECD (2016b) should be used to review existing regulations from a competition perspective according to a set schedule, and pro-competitive and streamlining measures should be implemented rapidly.

2. **Simplifying the business environment.** Administrative procedures, such as licenses and permits, are burdensome, notably for smaller and younger firms complicating entry of new businesses. Streamlining unnecessary and complex regulations would allow substantial productivity gains. Improving the digital procedures for firms (*Escritorio Empresa*), and focusing on ex-post controls for businesses that have low associated sanitary and environmental risks, would ease firm creation and growth. On the trade side, simplifying regulations of preferential trade agreements would help SMEs to go global. Going forward, the regulatory process should build on all stakeholders and strengthened ex-ante and ex post evaluations such as the new productivity assessments (OECD, 2016a).
3. **Increasing innovation and skills.** Business investment in R&D and innovation is particularly weak, while entrepreneurial and managing skills are low and unequal. Increasing public support for R&D and innovation, and strengthening its evaluation, would help develop public-private links and ease R&D financing for SMEs. Additional technical assistance and mentoring for young and smaller firms, building on the recent *Centros de Desarrollo de Negocios*, would also support firm growth, innovation and access to export markets.
4. **Improving logistic and digital infrastructure.** Investment in intermodal connections, railways and digital networks is needed to bridge connectedness gaps (OECD, 2017b). Developing national and local infrastructure strategies, integrating the regulation of public and private ports and better accounting for environmental damages in transport taxes and road

pricing would ensure money is well spent. Fully integrating the single window mechanism for exports and imports (SICEX) with the domestic logistic infrastructure and with regional partners would deliver significant synergies and gains for exports.

Chile's export performance has broadly disappointed



1. LAC is the unweighted average of Argentina, Brazil, Colombia, Costa Rica and Mexico.
2. Export markets' growth for goods and services, in volume terms (unweighted average of Argentina, Brazil, Chile, Colombia, Costa Rica and Mexico with export market shares as of 2010).
3. Annualised growth between 2009 and the last four available quarters.
4. Five-year moving average. Multi-factor Productivity is adjusted for human capital and hours of work (CNP, 2017).
5. According to Lall (2000)'s classification.

Source: OECD (2017), Economic Outlook 102 Database; Central Bank of Chile (2017), Statistical Database; CNP (2017), *Informe de Productividad Anual 2016*, Comisión Nacional de Productividad and OECD calculations. OECD calculations based on CEPII (2017), BACI Database and World Bank (2017), World Development Indicators; Comtrade Database and Lall, S. (2000), "The technological structure and performance of

Find out more:

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