



**Asia-Pacific
Economic Cooperation**

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Session 3

Turning Adversity into Opportunity During the COVID-19 Pandemic and Post-Pandemic Economic Recovery

Submitted by: Chile



**Workshop on Opportunities and Challenges
for Global Value Chains During the COVID-19
Pandemic and Post-Pandemic Economic
Recovery**

13-14 October 2022

Turning Adversity into Opportunity During COVID-19 Pandemic And Post-Pandemic Economic Recovery

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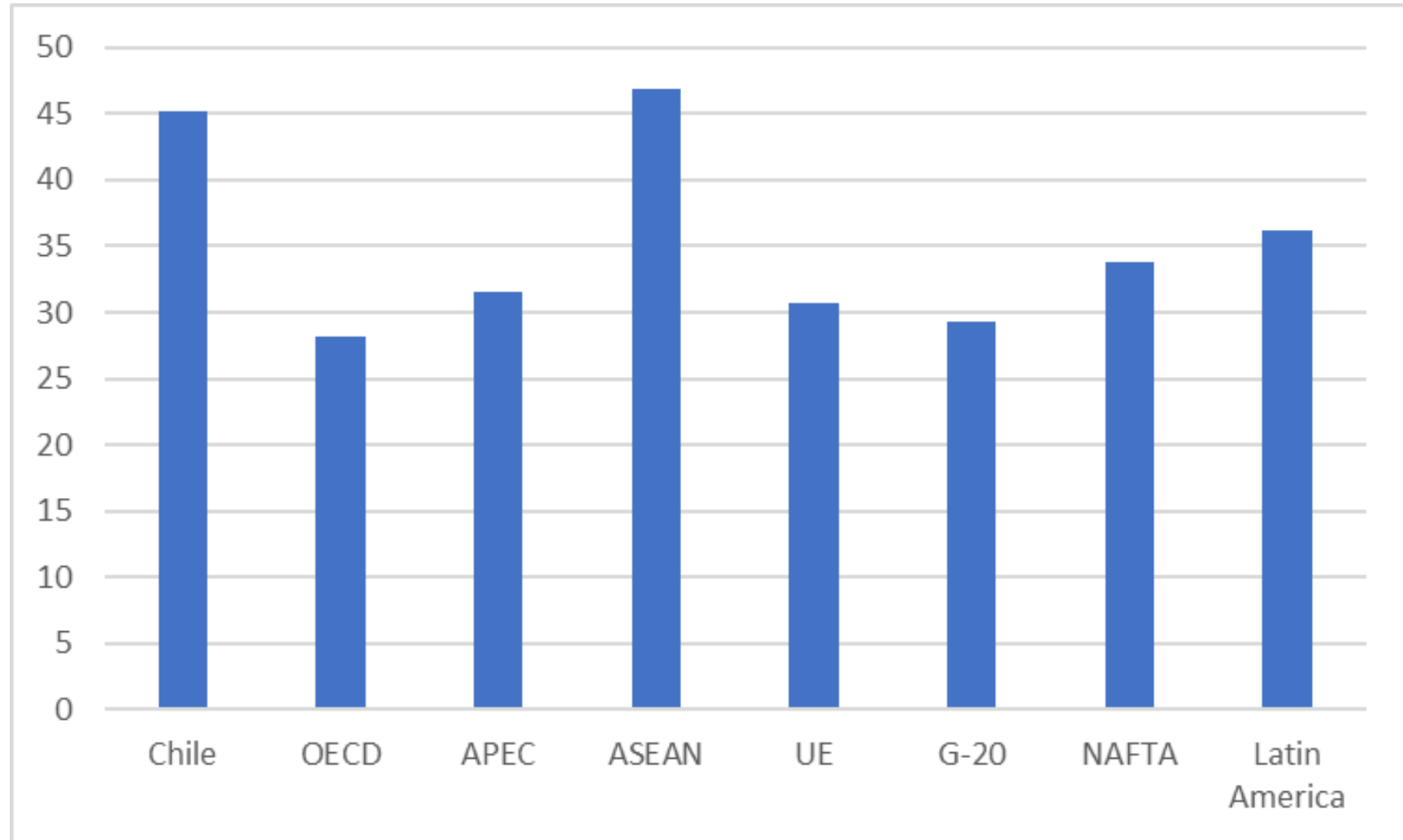
SENIOR ECONOMIST

GLOBAL VALUE CHAINS DIVISION

UNDERSECRETARIAT OF INTERNATIONAL ECONOMIC AFFAIRS

CHILE

Chile's Participation in GVCs (According to OECD TiVA Data)



Source: OECD TiVA Database 2021 edition

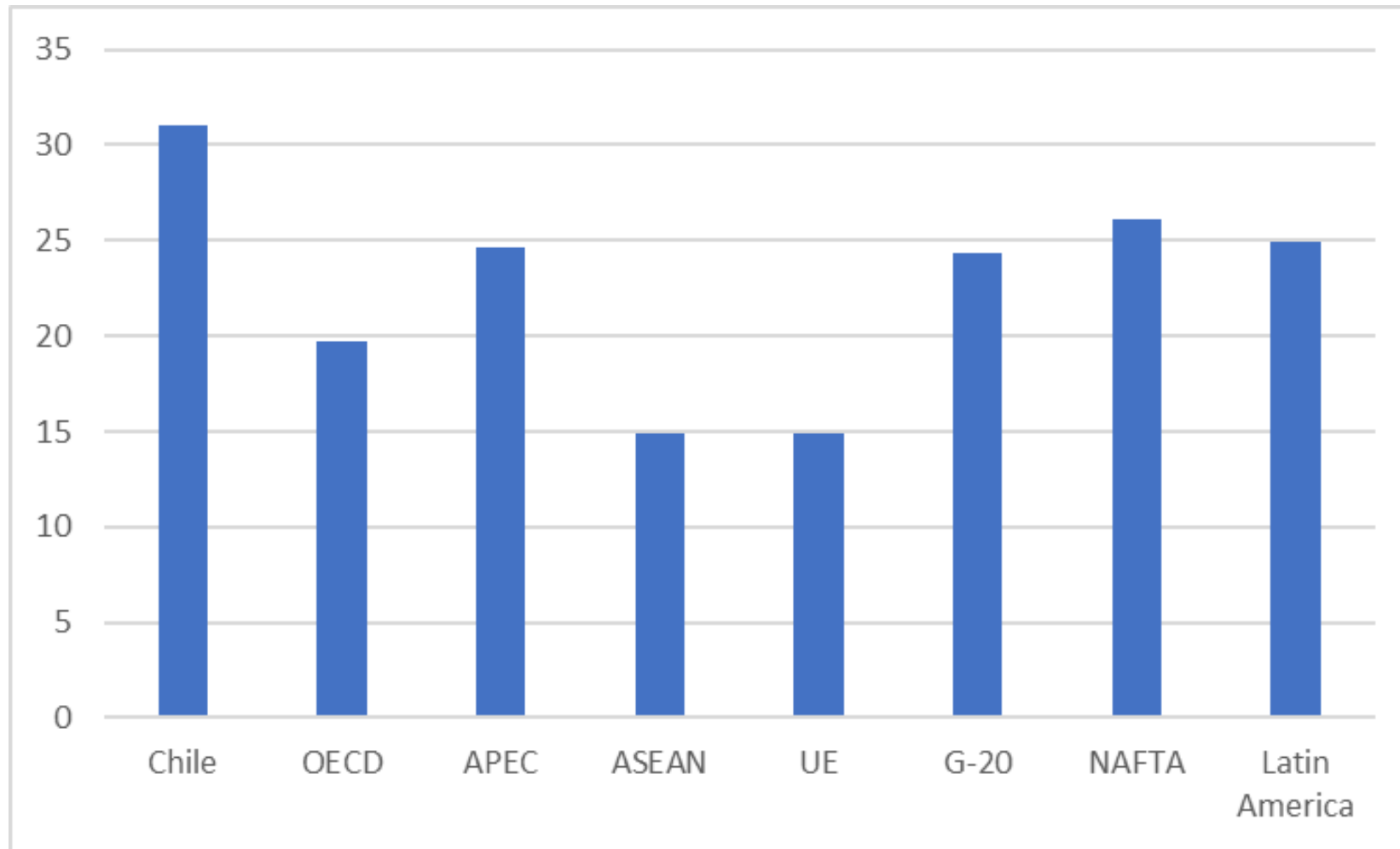
What does Participation in GVCs mean?

- Backward participation: Foreign value-added content of gross exports captured in the value of imported intermediate goods and services that are embodied in an economy's exports.
- Forwards participation: Foreign value-added embodied in exports, as % of total gross exports of the exporting economy.
- Total Participation: Backwards Participation + Forward Participation

Does the Total Participation in GVCs imply the quality of an economy involvement in terms of creation of value and thus the economic return for that economy? :

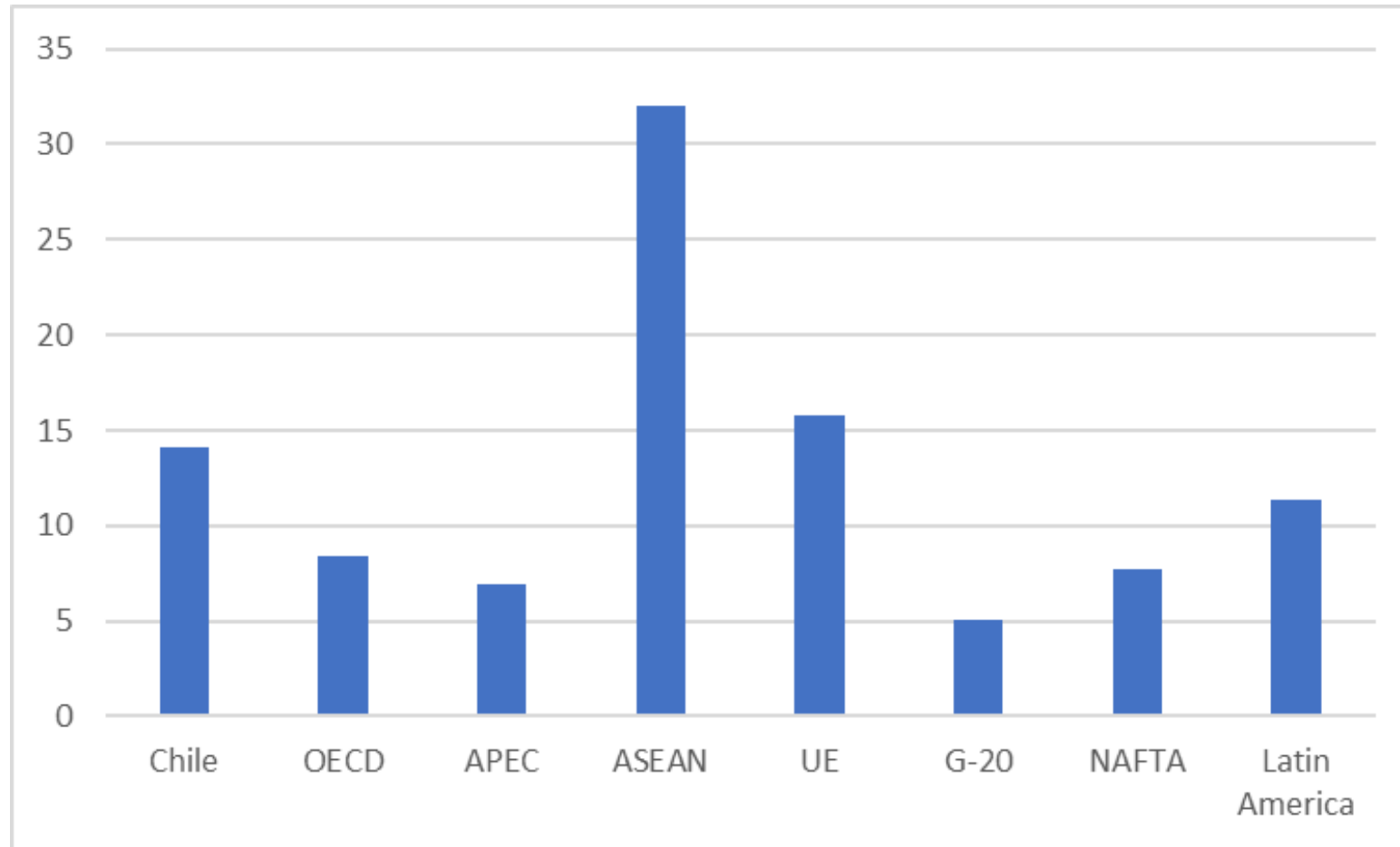
Not Necessarily!

Forward Participation in GVCs



Source: OECD TiVA Database 2021 edition

Backward Participation



Source: OECD TiVA Database 2021 edition

Current situation

- Trade Frictions
- Reshoring?
- COVID-19
- Economic recession

What has been Chile's Strategy

- Enhancing Regional Value Chains
- Looking towards our natural partners:
 - Pacific Alliance
 - GVC Chapters
 - MOUs
- Production complementarity
- Productive Linkages

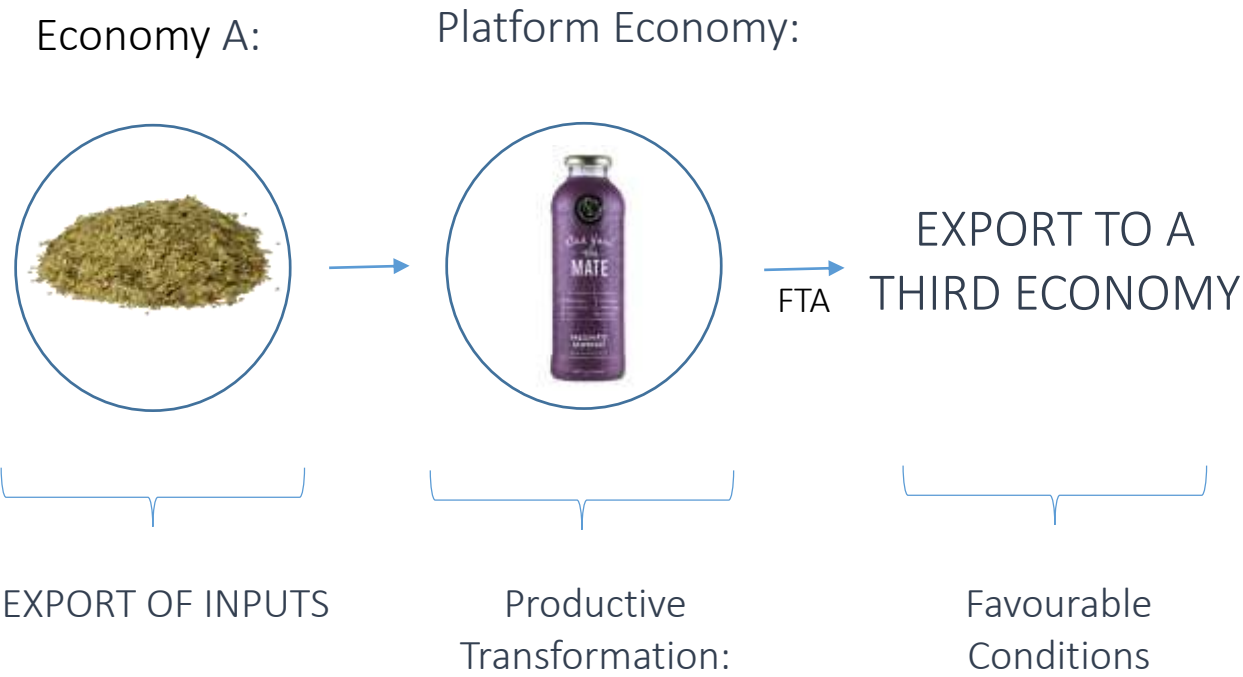
WHAT ARE PRODUCTIVE LINKAGES

- Global Value Chains aren't simple, on the contrary they are complex and count on different levels that are at the same time entrenched within others.
- The latter is a reality that impose barriers for developing countries to be able to take full advantage to them, and even more so, for SMEs.
- In this context Chile, has taken note of the above-mentioned problem, and has been focusing on a subunit within GVCs and Regional Value Chains, specifically that of productive linkages (productive arbitrage)

BACKGROUND

- This is a business model that is based on that an economy, who has competitive advantages can transform itself into a export platform through the import of intermediate goods and undertake a transformation process and then export the final product to a third market, where it has favorable market access conditions.
- Chile has developed a methodology by which it seeks to identify potential productive linkages with its trade partners. The latter based on the wide network of free trade agreements, as well as its privileged geographical location and infrastructure within the region.

Productive Linkages



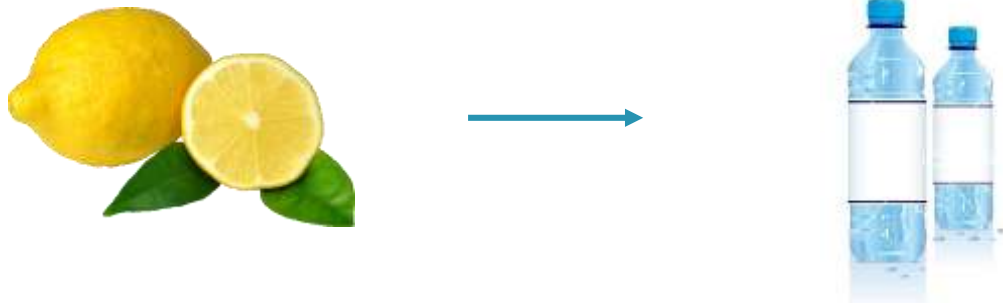
PRODUCTIVE LINKAGES

EXAMPLES OF POTENTIAL PRODUCTIVE LINKAGES BETWEEN CHILE AND GUATEMALA

- China

Business Model:

Export of fruit (citric) or concentrates from Guatemala to Chile to be transformed to be transformed into flavored mineral waters, generating a change in chapter (from chapter 08 or 20 to 22), complying with the rule of origin



HS code of flavored mineral waters : 22029090

HS code of fresh fruit or concentrates: 08 or 20

MFN China: 35%

Tariff Chile: 0%

Rule of Origin: Change in chapter

PRODUCTIVE LINKAGES

EXAMPLES OF POTENTIAL PRODUCTIVE LINKAGES BETWEEN CHILE AND COSTA RICA

- Korea

Business model:

Export of active substance from Costa Rica for the elaboration of medicines in Chile, generating a change in heading (from 3003 a la 3004) thus complying with the rule of origin



HS code of active substances: 03003

HS code medicines: 0805

MFN tariff: 24%

MFN Chile: 0%

Rule of origin: Change of heading

PRODUCTIVE LINKAGES

EXAMPLES OF POTENTIAL PRODUCTIVE LINKAGES BETWEEN CHILE AND Argentina

- China

Business moles:

Export of cereal s from Argentina, to be transformed into cereal based products in Chile, generating a change of chapter (10 to 19), thus complying with the rule of origin.



- Hs cereals : chapter 10
- HS cereal based products: 190410
- MFN tariff China: 25%
- Tariff Chile: 0%
- Rules of origin: Change of heading

QUESTIONNAIRE FOR THE DISSEMINATION OF PRODUCTIVE LINKAGE PROJECTS

PRODUCTIVE LINKAGES PROJECTS

A productive linkage relates to a business model in which a company located in a platform country (in this case, Chile) imports an input or intermediate good from another country to produce a good that can be exported as a Chilean good to a third market, accessing tariff benefits derived from a commercial agreement between the platform country and the third market. For this, the product is required to comply with specific rules of origin established in the preferential agreement; depending on the product, the latter also may have to comply with sanitary regulations. Strategic associations and direct investments are the engines for the development of productive linkages. We invite companies (Chilean and foreign) interested in participating in productive linkage projects to complete the following form.



CONTACT

- Contact
- Position
- Telephone
- E-mail



BRIEF DESCRIPTION OF THE COMPANY

Please,

- Company
- Webpage
- Description of the company
- Country of origin
- Sector



INTEGRATION PROPOSAL

Please,

- Describe the productive integration proposal.
- Brief description of the services and/or goods to consider in the productive integration project with Chile.
- Describe the main characteristics of the potential partner with whom you would wish to develop productive linkages.

Products to be considered in the productive integration proposal with Chile. Please indicate tariff code at a 6-digit level:

Product 1:	Product 4:	Product 7:
Product 2:	Product 5:	Product 8:
Product 3:	Product 6:	Product 9:



EXPORT MARKETS OF INTEREST



CERTIFICATIONS

INTERESTS IN INVESTMENTS

Please,

- Are you interested in or willing to develop direct investment in the country of the potential partner to be identified? / Optional: Add additional comments to the question, are you interested in or willing to develop direct investment in the country of the potential partner to be identified?
- Are you interested in receiving direct investment from a potential partner to be identified? / Optional: Add additional comments to the question, are you interested in receiving direct investment from a potential partner to be identified?













ADDITIONAL INFORMATION

QUESTIONNAIRE FOR THE DISSEMINATION OF INVESTMENT PROJECTS FOR CHILEAN COMPANIES

DIRECT INVESTMENTS

(MODEL FORM)

Project 1:(Add project title).....	
 BRIEF DESCRIPTION OR STATEMENT OF THE PROJECT	
 DETAILED DESCRIPTION OF THE PROJECT	
 MODALITY OF BUSINESS DEVELOPMENT (<i>productive linkages, direct investment, other</i>)	 ESTIMATED AMOUNT OF THE INVESTMENT (US\$)
 PROJECT GEOGRAPHICAL LOCATION	 PERIOD OF VALIDITY OF PROJECTS
 PUBLIC INCENTIVES FOR THIS TYPE OF PROJECTS	
 TARIFF FRAMEWORK LINKED TO THE PROJECT	
 TAX FRAMEWORK LINKED TO THE PROJECT	
 CONTACT FOR MORE INFORMATION	
mбенавенте@subrei.gob.cl dcgv@subrei.gob.cl	

GLOBAL VALUE CHAINS DIVISION

UNDERSECRETARIAT FOR INTERNATIONAL ECONOMIC AFFAIRS

MONITORING OF CHILEAN DIRECT INVESTMENTS ABROAD

dcgv@subrei.gob.cl – mбенавенте@subrei.gob.cl

Web form for companies interested in productive linkages projects

- Form available at the main web page of the Undersecretariat of International Economic Relations (<https://www.subrei.gob.cl/>)



Formulario

PARTICIPA EN ENCADENAMIENTOS PRODUCTIVOS

(Direct link: <https://convocatorias.subrei.cl/formulario/proyectos-de-encadenamientos-productivos-con-chile>)

Thank You Very Much

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