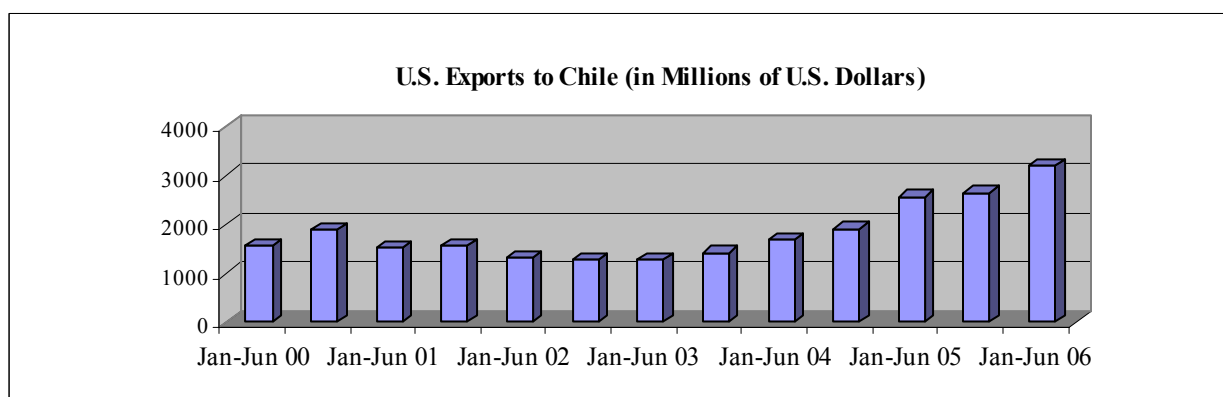


United States Maintains Position as Principle Source of Chile's Trade U.S.-Chile Trade Analysis: First Semester 2006¹

In the middle of its second year in force, the United States-Chile Free Trade Agreement (FTA) continues to demonstrate that it has been a valuable tool for significantly increasing trade relations between the United States and Chile since it was implemented on January 1, 2004. U.S. exports to Chile in the first six months of 2006 totaled \$3.22 billion, compared to \$1.28 billion exported to Chile in the first half of 2003, before the FTA took effect. In the first half of 2006, U.S. exports to Chile have already experienced a 26 percent increase in comparison to the \$2.56 billion in the first six months of last year and a 152 percent increase over the same period in 2003. The year promises to be strong for Chile as well as the country continues to thrive under the FTA. U.S. imports from Chile grew 59 percent from \$3.24 billion during the first six months of 2005 to \$4.79 billion this year; however, more impressive is the increase of 135 percent from \$2.04 billion in the first semester of 2003.



U.S. Exporters Strengthen Market Share in Chile

In June 2006, the United States strengthened its position as the top source of Chile's imports, according to Chilean Customs data. Imports from the United States in June totaled \$583.9 million, accounting for 20 percent of Chile's total imports, while imports from Argentina, the second highest import source, totaled \$350.7 million and accounted for only 12 percent. While June imports from the United States increased by 45 percent from last year, imports from Argentina decreased by 1.59 percent during that same period. Under the FTA, the United States continues to gain market share in Chile, reversing a downward trend of the United States losing market share to the European Union, Mexico, and Canada, all of which negotiated free trade agreements with Chile prior to the United States.

A clear indicator that the FTA is benefiting U.S. exporters can be seen in analyzing specific products exported to Chile. U.S. Medical equipment² exports rose 81 percent in the first half of 2006 compared to that of 2003, increasing from \$32.4 million to \$58.5 million. Construction equipment exports grew from \$113.9 to \$273.3 million (140 percent increase), agricultural equipment exports grew from \$4.4 million to \$13.4 million (205 percent increase), and paper exports grew from \$20.3 million to \$47.8 million (135 percent increase) when comparing the first six months of 2003 to the same time period of 2006.

¹ All data in this report, except what is specified as Chilean Customs data, was obtained from the World Trade Atlas Database, which pulls information from the U.S. Department of Commerce, Bureau of Census.

² Construction equipment, medical equipment, agricultural equipment and paper product groupings are based on definitions determined during the Uruguay Round.

Top U.S. Exports to Chile:

A majority of the top categories of goods at the HS four-digit level exported from the United States to Chile showed impressive increases during the first half of 2006. It is not a coincidence that the top goods highlighted below also became duty free immediately under the FTA, with the exception of petroleum oils, for which the tariff rate in 2005 was 0.6 percent under the Agreement.

- **Petroleum oils and oils obtained from bituminous minerals, other than crude:** Exports reached \$577.5 million in the first half of 2006, a 3,883 percent increase or an increase of \$563 million over the first six months of 2003.
- **Automatic data processing machines:** Exports reached \$153.5 million in the first half of 2006, a 74 percent increase or an increase of \$65.3 million over the first half of 2003.
- **Motor vehicles for the transport of goods:** Exports reached \$140.6 million in the first six months of 2006, a 784 percent increase or an increase of \$124.7 million over the same period in 2003.
- **Motor vehicles for the transport of persons:** Exports reached \$58 million in the first six months of 2006, a 60 percent increase or an increase of \$21.8 million over the first half of 2003.
- **Self-propelled bulldozers, angledozers, graders, levelers:** Exports reached \$53.9 million in the first half of 2006, a 74 percent increase or an increase of \$23 million over the same period in 2003.
- **Fertilizers:** Exports reached \$40.3 million in the first six months of 2006, a 174 percent increase or an increase of \$25.6 million over the same period in 2003.
- **Tractors:** Exports reached \$17.4 million in the first half of 2006, a 314 percent increase or an increase of \$13.2 million over same period in 2003.

U.S.-Chile FTA Success Stories³

Karsten Manufacturing Company

The US-Chile Free Trade Agreement has helped Karsten Manufacturing Company increase sales in what was already a good market for the company. Karsten Manufacturing, located in Phoenix, Arizona, is a leading golf club maker better known by its brand name of PING. Under the FTA, Chilean duties on PING golf clubs were immediately reduced from six percent to zero in 2004. By attending an FTA seminar at the Phoenix Export Assistance Center, Karsten Manufacturing was able to confirm that it was filling out documentation correctly in order to maximize the benefits offered by the FTA. Thanks to the agreement, the PING distributor in Chile now pays less to bring PING equipment into Chile, which in turn reduced the end price to consumers and increased sales. Karsten Manufacturing Company now sends a substantial shipment of PING golf clubs to Chile on a bimonthly basis.

³ Additional US-Chile FTA success stories can be found at www.export.gov/fta