

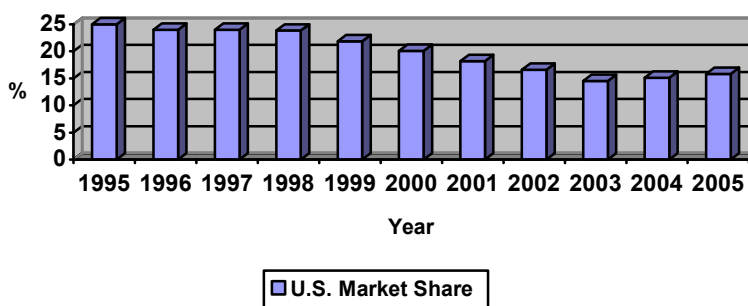
## **U.S.-Chile Trade Ties Strengthen as FTA Completes Second Year in Force Bilateral Trade Analysis: January-December 2005<sup>1</sup>**

With the completion of its second year in force on January 1, 2006, the United States-Chile Free Trade Agreement (FTA) has proven to be a valuable tool for dramatically increasing trade between the United States and Chile. Total bilateral trade between the U.S. and Chile totaled \$11.87 billion in 2005, an increase of 42 percent over bilateral trade in 2004, which totaled \$8.34 billion. More impressive is the 85 percent increase over pre-FTA levels – in 2003, bilateral trade was only \$6.43 billion. Chile ended 2005 ranked as the 29<sup>th</sup> largest export market for the United States, climbing from 30<sup>th</sup> place in 2004 and from 35<sup>th</sup> place in 2003. While the United States was the top source of Chile's imports for the months of March, April, May, June and August 2005, Argentina overtook the United States for the January-December 2005 period. The United States remained the top destination for Chile's exports in 2005.

### **U.S. Exporters Continue to Gain Market Share in Chile**

U.S. exporters gained market share in Chile for a second year in a row in 2005. While U.S. exports to Chile occupied 25 percent of the Chilean import market in 1995, that share consistently dropped in the years following, reaching a low of 14.5 percent in 2003. In 2004, U.S. exports accounted for 15.1 percent of Chile's imports, and in 2005 that share increased to 15.8 percent. With the FTA in effect, U.S. exporters continue to win back market share that was lost in past years to the European Union, Mexico, and Canada, all of which negotiated free trade agreements with Chile before the United States.

**U.S. Gaining Back Market Share in Chile**



### **Trade Before and After the FTA**

Especially telling are export figures comparing trade in 2005 to trade in 2003, before the FTA took effect. U.S. exports to Chile in 2005 increased by \$2.48 billion over exports in 2003, growing from \$2.72 billion in 2003 to \$5.20 billion in 2005, or by 91 percent. This compares favorably to an increase of 25 percent in U.S. exports to the world and an increase of 39 percent in U.S. exports to Central and South America and the Caribbean in 2005 over 2003. Chile has also benefited tremendously from the FTA; U.S. imports from Chile grew from \$3.71 billion in 2003 to \$6.67 billion in 2005, an increase of 80 percent.

U.S. construction equipment<sup>2</sup> exports rose 142 percent in 2005 compared to 2003, increasing from \$234.6 million to \$568.6 million. Medical equipment exports grew from \$68.5 million to

<sup>1</sup> All data in this report was obtained from the World Trade Atlas Database, which pulls information from the U.S. Department of Commerce, Bureau of Census.

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

Drafted by: Sara McDowell, Chile desk officer, U.S. Department of Commerce International Trade Administration, 202-482-4302

\$113.9 million (66 percent increase), agricultural equipment exports grew from \$13.3 million to \$21.7 million (63 percent increase) and paper exports grew from \$48.1 million to \$89.3 million (86 percent increase) when comparing January-December 2003 trade to the same period in 2005.

### **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. Not coincidentally, 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 set at 0.6 percent under the Agreement.

- **Automatic data processing machines:** Exports reached \$267.6 million in 2005, a 46 percent increase or an increase of \$84.1 million over exports in 2003.
- **Motor vehicles for the transport of goods:** Exports reached \$276.6 million in 2005, a 387 percent increase or an increase of \$219.8 million over exports in 2003.
- **Petroleum oils and oils obtained from bituminous minerals, other than crude:** Exports reached \$858.7 million in 2005, a 1,508 percent increase or an increase of \$805.3 million over exports in 2003.
- **Self-propelled bulldozers, angledozers, graders, levelers, scrapers:** Exports reached \$117.7 million in 2005, a 132 percent increase or an increase of \$67 million over 2003.
- **Motor cars and vehicles for transporting persons:** Exports reached \$116.2 million in 2005, a 120 percent increase or an increase of \$63.4 million over exports in 2003.
- **Tractors:** Exports reached \$41.4 million in 2005, a 196 percent increase or an increase of \$27.4 million over exports in 2003.
- **Fertilizers:** Exports reached \$68.6 million in 2005, a 50 percent increase or an increase of \$23 million over 2003.
- **Other moving, grading, leveling, scraping, excavating, tamping, compacting, extracting or boring machinery:** Exports reached \$36.1 million in 2005, a 196 percent increase or an increase of \$23.9 million over 2003.

### **U.S.-Chile FTA Success Stories<sup>3</sup>**

#### **Caterpillar Inc.**

For Caterpillar, the benefits of free trade agreements are very real. The U.S.-Chile Free Trade Agreement immediately eliminated all Chilean tariffs on Caterpillar's U.S.-made products. With Chile's market completely open, Caterpillar was well positioned to fully benefit from increased demand resulting from Chile's current mining boom. As a result, Caterpillar's U.S. exports to Chile nearly doubled, making Chile the company's fifth largest U.S. export market.

#### **Gundlach, Division of J.M.J. Industries Inc.**

Gundlach, Division of J.M.J. Industries Inc., located in Belleville, Illinois, manufactures crushers used for mining and mineral processing, with applications ranging from aluminum dross to zinc sinter. When Gundlach expressed an interest in shipping to Chile, the Peoria U.S. Export Assistance Center provided market research reports on the benefits of the U.S.-Chile Free Trade Agreement, including information on tariffs and trade. This information confirmed that Gundlach's crushers would be duty-free under the FTA, giving the company an added advantage when selling to Chile. Gundlach credits the FTA market research reports with making a positive impact on the company's exports, including a recent \$235,000 sale to Chile.

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<sup>3</sup> Additional US-Chile FTA success stories can be found at [www.export.gov/fta](http://www.export.gov/fta)