



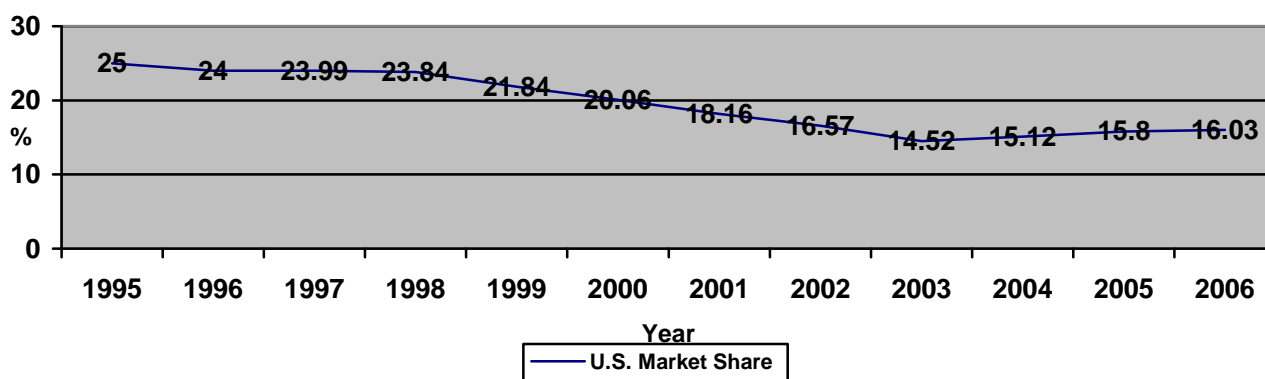
U.S.-Chile Trade Officially Doubles as FTA Completes Third Year in Force Bilateral Trade Analysis: January-December 2006¹

In 2006, bilateral trade between the United States and Chile officially doubled for the first time since the U.S.-Chile Free Trade Agreement (FTA) took effect on January 1, 2004. U.S.-Chile trade totaled \$16.36 billion in 2006, a remarkable increase of 154 percent over pre-FTA bilateral trade in 2003, which totaled \$6.43 billion. Trade in 2006 represented a 38 percent increase over the \$11.88 billion in bilateral trade in 2005, which at the time marked an 85 percent increase over trade in 2003. Reflecting the growing trade relationship, Chile's ranking as a top U.S. export market continues to improve; in 2006, Chile was positioned as the 28th largest export market for the United States, climbing from 29th place in 2005, 30th place in 2004, and 35th place in 2003. The United States remained Chile's top source of imports and the main destination for Chile's exports in 2006.

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

U.S. exporters gained market share in Chile for a third year in a row in 2006. 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, in 2005 that share increased to 15.8 percent, and in 2006 U.S. market share reached 16.0 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 2006 to trade in 2003, before the FTA took effect. U.S. exports to Chile in 2006 increased by more than \$4 billion over exports in 2003, growing from \$2.72 billion in 2003 to \$6.79 billion in 2006, or by 150 percent. This compares favorably to an increase of 43 percent in U.S. exports to the world and an increase of

¹ 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.

71 percent in U.S. exports to Central and South America and the Caribbean in 2006 over 2003. Chile has also benefited tremendously from the FTA; U.S. imports from Chile grew from \$3.71 billion in 2003 to \$9.57 billion in 2006, an increase of 158 percent.²

U.S. construction equipment³ exports rose 145 percent in 2006 compared to 2003, increasing from \$234.6 million to \$573.8 million. Medical equipment exports grew from \$68.5 million to \$134.3 million (96 percent increase), agricultural equipment exports increased from \$13.3 million to \$32.8 million (147 percent increase) and paper exports rose from \$48.1 million to \$106 million (120 percent increase) when comparing January-December 2003 trade to the same period in 2006.

Top U.S. Exports to Chile:

A majority of the top categories of goods 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 was gradually phased out and became completely duty-free in 2006.

- **Automatic data processing machines:** Exports reached \$328.8 million in 2006, a 79 percent increase or an increase of \$145.3 million over exports in 2003.
- **Motor vehicles for the transport of goods:** Exports reached \$314.1 million in 2006, a 453 percent increase or an increase of \$257.3 million over exports in 2003.
- **Petroleum oils and oils obtained from bituminous minerals, other than crude:** Exports reached \$1.05 billion in 2006, a 1,866 percent increase or an increase of \$996.6 million over exports in 2003.
- **Self-propelled bulldozers, angledozers, graders, levelers, scrapers:** Exports reached \$111.5 million in 2006, a 120 percent increase or an increase of \$60.8 million over 2003.
- **Motor cars and vehicles for transporting persons:** Exports reached \$128.6 million in 2006, a 144 percent increase or an increase of \$75.8 million over exports in 2003.
- **Tractors:** Exports reached \$50 million in 2006, a 257 percent increase or an increase of \$36 million over exports in 2003.
- **Fertilizers:** Exports reached \$88.4 million in 2006, a 94 percent increase or an increase of \$42.8 million over 2003.
- **Other moving, grading, leveling, scraping, excavating, tamping, compacting, extracting or boring machinery:** Exports reached \$45.7 million in 2006, a 275 percent increase or an increase of \$33.5 million over 2003.

American farmers are also achieving increased export success thanks to tariff reductions under the FTA. Certain corn products, such as yellow dent corn, became duty-free in 2006, and since the tariff reduction, sales of yellow dent corn have increased dramatically. Exports of yellow dent corn totaled \$48.0 million in 2006, an impressive increase of 3,100 percent over the \$1.5 million exported in 2005. This increase is especially significant considering no yellow dent corn was exported in 2004 and exports totaled only \$1.9 million in 2003, before the FTA took effect. Thanks to this remarkable increase in exports, corn made the list of the top twenty U.S. exports to Chile in 2006 – a first since the FTA took effect.

² This report does not factor out inflation or the high prices of Chilean copper or U.S. oil.

³ Construction equipment, medical equipment, agricultural equipment and paper product groupings are based on definitions determined during the Uruguay Round.

U.S.-Chile FTA Success Stories⁴

Endress & Hauser Inc.

The implementation of the U.S.-Chile Free Trade Agreement (FTA) was one factor that contributed to Endress & Hauser's decision to shift production of its exports to Chile from its European plant to its plant in Greenwood, Indiana. By exporting American-made products from the United States, Endress & Hauser is now able to take advantage of the duty-free benefits afforded by the FTA. Endress & Hauser is a global leader in the provision of measurement instrumentation, services and solutions for industrial process engineering. It produces instruments that measure level, flow, pressure and temperature, as well as a range of analytical instrumentation measuring variables in water quality such as pH/ORP, conductivity and dissolved oxygen. These instruments are now used in some of Chile's water treatment plants to analyze the amount of total organic carbon present in the water. Since it began exporting to Chile in February 2006, the company has achieved sales of over \$2 million. Endress & Hauser is now considering increasing the line of products it exports from the United States to Chile.

ProMark Associates, Inc.

The U.S.-Chile Free Trade Agreement (FTA) opened the Chilean market to ProMark Associates, Inc., a small, family-owned business located in Skokie, Illinois. ProMark manufactures air purification products, including gas phase filtration media and equipment, designed to improve the indoor air quality of industrial manufacturers. Under the FTA, environmental technology products such as those sold by ProMark became duty-free immediately upon implementation. ProMark began selling its products to the Chilean mining sector in November 2005, and it hopes to begin selling its products to the Chilean produce sector shortly. Both of these sectors are experiencing their own tremendous growth in exports to the United States due in part to duty-free benefits under the FTA. In the mining sector, ProMark's equipment treats and removes toxic and corrosive gases generated during the mining process. In the produce sector, ProMark's gas filtration equipment removes gases from the chambers where fruit is stored to retard spoilage before packaging. Exports have helped put the company on track to nearly double the roughly \$800,000 in revenues it generated in 2006. ProMark expects that its sales to Chile alone will reach roughly \$250,000 in 2007.

Occidental Chemical (OxyChile)

One supplier of U.S. products that has seen its sales figures positively impacted by the implementation of the U.S.-Chile Free Trade Agreement (FTA) is Occidental Chemical Chile (OxyChile), a firm that imports caustic soda from its Dallas-based parent company. Sales of imported caustic soda increased by 35 percent when comparing 2005-2006 figures to the 4-year average from 2001-2004. According to general manager Artie Lynnworth, this growth reflects the expansion of OxyChile's major clients, Chile's leading forestry companies. Caustic soda is a basic chemical used by the cellulose industry to "digest" the wood from trees as a first step in making pulp for the paper industry. Under the FTA, caustic soda became duty-free immediately upon implementation. OxyChile attributes an important part of its sales growth to the FTA. The gain for OxyChile, says Lynnworth, is that, at least regarding import duties, the FTA has put the company on a more level playing field with potential competing suppliers from Argentina and Peru.

⁴ Additional US-Chile FTA success stories can be found at www.export.gov/fta

American Screw and Barrel, Inc. (AS&B)

American Screw and Barrel, Inc. (AS&B), located in Gardner, Massachusetts, was not present in the Chilean market before the U.S.-Chile Free Trade Agreement (FTA) came into effect. AS&B is a supplier of elements for plastics extrusion machinery, which is used to manufacture items such as tubing, weather stripping, window frames and adhesive tape. AS&B developed a relationship with the Chilean company Parodi Hermanos y Cia. in 2003, but the two companies did not begin transactions until 2005, after the FTA took effect and AS&B products became duty-free. In November 2005, AS&B sold a shipment of metal screws to Parodi Hermanos, and, thanks to the FTA, Parodi Hermanos did not have to pay import tariffs on the shipment. The FTA ensured AS&B's competitiveness in Chile, and to date, AS&B remains successful in the Chilean market.