FOREIGN TRADE

Chile's exports increased by 17.6 percent in 1997 to reach US $16.9 billion. Imports grew by 33.5 percent to US $17.6 billion, leaving the country with a trade deficit of -$700m. Copper has traditionally been the leading export. Chile has one-quarter of the world's copper reserves and is the largest single producer. Minerals and ores of all kinds made up 48.5 percent of 1995 exports. Food and agricultural products were the next most important export, accounting for 26.5 percent of the total, followed by forest products with 14.4 percent. Chile is dependent on four commodities for almost 60 percent of its export earnings: copper, pulp, fresh fruit and fish meal. In spite of this dependence on primary commodities, the economy is steadily diversifying. Over the past ten years, manufactured goods have risen from about 6 percent to more than 17 percent of Chile's exports. Wine and smoked salmon are two areas where Chile has aggressively developed value-added products based on its primary sector.

Concern over the nation's over-reliance on a small number of export markets has also spurred efforts towards regional diversification. Between 1991 and 1997, Chile entered into trade agreements with Bolivia, Colombia, Ecuador, Venezuela and Mexico. The Canada-Chile Free Trade Agreement, signed in November 1996 came into force on July 5, 1997. The agreement was modelled after the NAFTA, and should provide easy accession to the NAFTA if desired. In October 1996, Chile gained associate member status with the Mercosur trade bloc (Argentina, Brazil, Paraguay and Uruguay). Chile is a member of the Asia-Pacific Economic Cooperation (APEC), and is holding talks with other Latin American countries and the European Union (EU).

Chile's imports are heavily weighted towards the industrial goods needed to boost its own production and exports. In 1995, capital and intermediate goods accounted for 27.6 percent and 52.6 percent of imports, respectively. Consumption goods were only 18.8 percent of all imports, up 17.6 percent from the previous year. So far, the market for consumer goods has been limited by Chile's small population (about half of Canada's) as well as by its low per capita gross domestic product (GDP), which stood at about US $5,300 in 1997. On a purchasing power equivalency basis, per capita GDP is considerably higher. The government has also implemented a six-year plan to raise per capita income by 50 percent by the turn of the century.

Income is poorly distributed, with the top quintile of the population receiving about 61 percent of all income. On average, this group earns 18 times more than the bottom quintile. The equivalent ratio is 14 for Mexico, 9 for the United States and 7 for Canada. On the other hand, the Chilean economy's 6.5 % rate of expansion in 1997 marked its 18th consecutive year of economic growth and much of the gain has been used to reduce the poverty rate and expand the social security system. Real per capita GDP grew at an average of 5.3 % between 1988-1997, and tTotal real GDP is expected to acheive 5.6% in 1999.