

country. The two estimates rarely agree, and this is especially true for Canada-Chile trade. The reasons are fairly well understood by trade analysts.

The reader should be aware of these statistical issues, and should not be distracted by any apparent discrepancies between different estimates. Such differences are a natural and understandable consequence of well-known measurement problems.

Customs officials are much more rigorous in the collection of import data because it is used to collect duties. Neither Canada nor Chile levy export duties. Both Canada and Chile impose value added taxes, in addition to duties, creating additional incentives for more careful data collection on the import side.

Export data is collected by both countries. In Canada, this is done by collecting "B13" reports from exporters. In the case of the United States, Canada uses American import data to replace its own export data. Other major trading partners have been the subject of special reconciliation projects at Statistics Canada. Chile, however, is not a historically important trading partner, and so far no significant effort has been directed to correcting the measurement problems.

A large proportion of Canada-Chile trade is trans-shipped, mainly through the United States. This is most likely the largest source of statistical error. The errors are probably more important for Chilean statistics than for the corresponding Canadian estimates. The reason is that shipments arriving from the United States require North American Free Trade Agreement (NAFTA) certificates of origin, which must comply with stringent rules of origin. Imports into Chile face the same 11 percent duty and 18 percent VAT regardless of whether they come from Canada or the United States. Therefore, there is little reason for the customs officials to be rigorous about the specific source of a shipment.

Canada values both imports and exports on a free-on-board (FOB) basis. Chile levies imports on a cost-insurance-and-freight (CIF) basis, but measures exports by FOB value. This will tend to over-value Chilean imports, relative to Canadian export estimates. This error, however, is probably swamped by the effect of the trans-shipment problem.

For all of these reasons, no estimate of Canada-Chile trade should be taken as definitive. In this publication, Statistics Canada estimates of two-way trade are used to describe the overall trade relationship. But analysis of Chilean markets is based almost entirely on Chilean customs data. The underlying reason for these choices is that Statistics Canada's estimates are consistent and of a high quality. But they describe only a tiny part of Chile's overall imports. Particularly because Canada is one of Chile's smaller suppliers, Chilean imports from other countries provide a better indication of market potential; as well, evaluating competitive positions is critical.