

CANADA-CHILE TRADE

Two-way Canadian-Chilean trade has experienced steady and substantive growth over the past eight years, from a total of \$202.4 million in 1983 to a high of \$347.1 million in 1992. During that same period, Canadian exports of motor vehicles & parts as well as wheat, pulp & paper machinery and iron & steel products increased by several hundred percent. Traditionally, Canadian companies shipped primarily resource products to Chile; however, as the 1990 trade figures indicated Canadian forestry and mining equipment have enjoyed a strong market.

Canadian investment in Chile is valued at over \$2 billion. The bulk of these funds are located in the mining sector, where it is estimated that a total of \$1.7 billion has been invested by Canadian firms -- chiefly in mine development. Translating this investment into a discernible trend in mining equipment and services purchases from Canada is as yet not evident, although significant opportunities exist in this area.

The Central Bank of Chile's reserve requirement of 20% for one year for all foreign investment continues to be a mild irritant for investors, as is the stamp tax placed on investments of approximately 0.1% per month to a maximum of 12 months or 1.2%. Nevertheless, Chile's robust economic record of an average of 5% real growth per annum for nine straight years plus stable politics and rich natural resources, means foreign investment will continue to increase.

On investment protection, the substantive holdings of Canadian investment in Chile -- which is unfortunately not listed as Canadian by the Chilean authorities -- has placed a priority on addressing possible bilateral instruments to protect more effectively these investments in the medium to long-term. Currently investment in Chile is eligible for foreign investment insurance from the Export Development Corporation (EDC). EDC also has a number of trade financing lines of credit (two with Chilean banks and one with CODELCO -- Chile's state owned copper producer). An agreement of the avoidance of double taxation has been authorized but not yet signed. High priority has also been given to negotiating with Chile to facilitate better investment and to protect Canadian private sector interests.

Canadian commercial objectives centre on the Chilean mining, forestry, power generation, communications and environmental sectors. Not only do Canada and Chile's resource-based economies have much in common, Canada enjoys an excellent reputation as a sophisticated supplier, which enhances the potential for goods and services sales and technology transfer. Indications are that the Chilean-Canadian commercial relationship will continue to expand. The limitations of Chile's relative small population of 14 million and geographic distance from Canada, can be overcome when one considers the possibilities Chile offers as a base for third country operations as well as the sophisticated industry and rich resource base enjoyed by that country. It is interesting to note that in 1991 and 1992, record breaking numbers of Canadian firms attended Chilean trade fairs focused on forestry, aerospace and mining. CIDA's Industrial Cooperation Division also has a very active program to support technology transfer and Chile-Canada Joint Ventures.