

THE CANADA-CHILE TRADE RELATIONSHIP

Canada has a significant and growing trade relationship with Chile. Foreign investment in Chile is regulated by the Comité de Inversiones Extranjeras, Foreign Investment Committee. Canada is the second largest investor in Chile (behind the U.S.), with cumulative actual and planned investment approaching \$8 billion. While the mining sector remains the main destination, Canada also has significant investment in the energy, financial services, equipment manufacturing and telecommunication sectors. According to their estimates at the end of 1997, accumulated materialized Canadian investment in Chile was US \$4.3 billion. In 1997, Canadian investors received approvals for another US \$1 billion, more than any other country. As of year-end 1997, total authorized investment stands at US \$8.6 billion for Canada, (roughly C \$13 billion) compared with US \$19.9 billion for the United States and US \$24.2 billion for the rest of the world.

Estimates of Canada's merchandise trade with Chile vary substantially depending on the source of data. There are always differences between the import and export statistics of trading partners. In the case of the Canada-Chile trade relationship, the differences are especially great because a large proportion of the trade is trans-shipped through other countries, mainly the United States. In general, import statistics are more reliable than export statistics because of the rigour of the customs procedures involved.

According to official statistics from the Central Bank of Chile, 1997 imports from Canada totalled US \$432.5 million, with Chilean exports to Canada reaching US \$235 million. Using only Statistics Canada 1997 data, Chile's exports were estimated at C \$325.0 million and were C \$379.0 million for imports. These numbers are often cited by Canadian officials to indicate the magnitude of the overall trade relationship. On the other hand, Chilean customs data is the only source of detailed information on Chilean markets. Since Chile publishes its official statistics in American dollars, that currency is used extensively in this publication.

The most important import from Chile was fresh fruit, which made up 53 percent of the 1997 total. Wine was next, comprising about 15.8 percent. Machinery and equipment were the most important export, accounting 22.6 percent. Cereals, coal, and oil were 18.5 and 11.9 percent respectively. But the true magnitude of this trade relationship is seriously understated by these statistics since service exports are not included in the trade data. Canadian service exports to Chile are substantial, especially in such areas as consulting and engineering. However, there are no reliable estimates of the size of this trade.

THE POLITICAL ENVIRONMENT

Political risk in Chile is considered the lowest in Latin America. In January 1996, the Economist Intelligence Unit Country Risk Service raised Chile's risk rating from a B to an A, the only Latin American country to achieve this. Some problems linger from 17 years of