

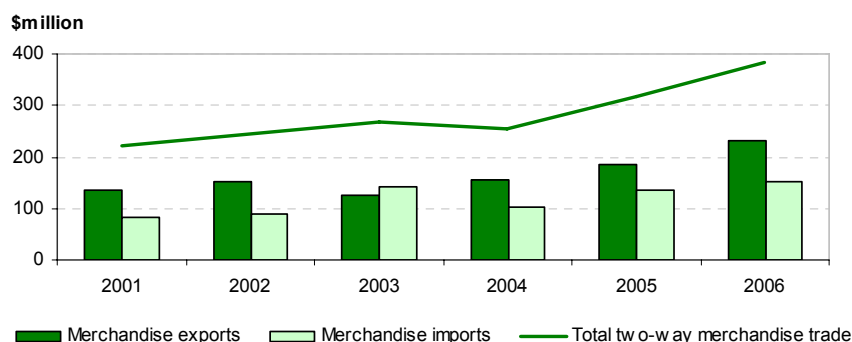


## Trade Topics Winter 2007

### Trade and investment links between Australia and Chile and potential gains from a Free Trade Agreement

- Though from a moderate base, Australia's **two-way trade** with Chile increased 35 per cent in 2006 to \$574 million and has grown on average by 12 per cent per annum over the past 5 years.
- Over the past two years, bilateral **merchandise trade** has increased by 50 per cent.
  - Australia's **merchandise exports** increased 27 per cent in 2006 and have grown at an annual average rate of 10 per cent since 2001.
  - **Merchandise imports** have increased by an average of 12 per cent per year since 2001.

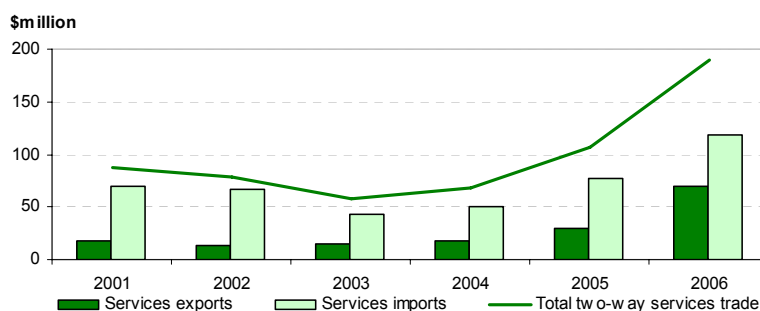
#### Australia's merchandise trade with Chile



Source: ABS trade data on DFAT STARS database.

- Over the past two years, bilateral **trade in services** has risen by 178 per cent to \$189 million in 2006.
  - **Australia's services exports**, which are predominantly travel services, have grown from \$18 million in 2001 to \$70 million in 2006.
  - **Services imports from Chile**, largely from Australian tourists visiting Chile, have risen from \$70 million in 2001 to \$119 million in 2006.

#### Australia's services trade with Chile



Source: ABS catalogue 5368.0.

- Australia's main export to Chile in 2006 was **coal**, accounting for 57 per cent of total exports.
- Australia's imports from Chile are more diversified. The top 5 imports in 2006 (**pig iron, pulp & waste paper, explosives & pyrotechnic products, animal feed and wood, simply worked**) account for 56 per cent of total imports.
- Australia has substantial **investment** interests in Chile.
  - According to Chilean government statistics, total Australian investment in Chile, including funds channelled through third parties, amounted to approximately US\$2.8 billion in 2006.
  - In 2006, there were 70 Australian or Australian-affiliated companies operating in Chile.
  - Australian firms with substantial interests in Chile include:
    - BHP Billiton (57.5 per cent stake in La Escondida – the world's largest copper mine)
    - Orica (mining services)
    - Hoyts (cinemas)
    - AGL (gas distribution)
    - Pacific Hydro (power generation).
- Australian companies stand to gain from the improved market access that an FTA with Chile could deliver.
  - Energy, in particular, may offer significant potential with Chilean energy demand forecast to grow at 6-7 per cent over the coming few years.
    - An FTA that eliminates the current 6 per cent tariff on LNG would benefit Australian exporters.
    - The elimination of the 6 per cent tariff on coal would place Australia on an equal footing with Canada.
  - Australian mining equipment and technology companies are already participating in Chile's buoyant mining and energy sectors.
    - Eliminating the 6 per cent tariff on Australian mining equipment and other technologies would be of significant benefit for Australian business.
  - Chile's growing middle class and booming business sectors in areas of banking, insurance and entertainment provide opportunities for Australian services suppliers.
    - A comprehensive FTA would address a number of barriers and transparency issues in the regulatory environment governing Chile's services sector.
- The Government is consulting key stakeholders and industry as part of the process.
- Australian businesses with an interest in an FTA with Chile want it not only to create opportunities in Chile, but also in the wider Latin American region.