

**U.S DEPARTMENT OF COMMERCE  
EXPORT SERVICE**

**MARKET BRIEF: CHILE**

**INTERVIEW WITH  
MITCH LARSEN,  
SENIOR COMMERCIAL OFFICER**

**BY  
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DIRECTOR OF COMMUNICATIONS**

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MR. BARRY: Hello, and welcome to another U.S. Commercial Service Market brief. Today on the line in Santiago, Chile, is our senior commercial service officer, Mitch Larsen. Hello, Mitch.

MR. LARSEN: Hello, and welcome to the show to everyone.

MR. BARRY: Well, we're glad you're here with us and we wanted to just jump right in by asking you here the Chile free-trade agreement is maybe the – one of the longest lasting ones. We've had it for a number of years now, and what advantages and benefits do you think it's produced there between Chile and the United States?

MR. LARSEN: Sure. Well, just as you said, Doug, it is a long-lasting agreement. It went into effect in January of 2004 when 95 percent of bilateral trade and goods became duty-free. We also saw about 75 percent of U.S. farm goods become duty-free or we will see farm goods be totally duty-free in 75 percent of the cases by 2008. And all tariffs will be phased out within 12 years of the implementation of the agreement. And what we've seen overall is that U.S.-Chile trade has really seen a remarkable increase of about 154 percent, so three times the amount of pre-FTA statistics in 2003 as we've seen a tripling in trade between Chile and the U.S.

And these numbers do not even include services where the U.S. actually has a significant surplus. And also good to note that U.S. exporters have gained market share in Chile for the third year in a row in 2006 after the agreement going into force. While we saw the U.S. losing market share in advance of the trade agreement because Chile has signed free-trade agreements with many other nations, we've now seen the U.S. be able to gain market share which has been really, really wonderful.

MR. BARRY: Who have we bumped aside there?

MR. LARSEN: Well, the European countries would be some and obviously some of the local nations – Argentina, Brazil, and others. So I think our market share was – went down to a low of about 14.5 percent in 2003 and now it's up to about almost 16 percent –

MR. BARRY: Wow, that's –

MR. LARSEN: Or just over 16 percent so it's a good – a real good sign.

MR. BARRY: And what are the U.S. businesses telling you about what the advantage of the free-trade agreement is?

MR. LARSEN: Well, in one of the particular areas of difficulty in Chile actually you might not expect it is IPR, intellectual property right protection. Unfortunately, Chile was listed in the beginning of this year as a – kind of on the black list, so to speak, from USTR for protection of IPR and the trade agreement actually has components where IPR is – needs to be protected so that's one area where it – we're still not there in Chile. But we see growing concern in the government, and companies actually have some teeth to count on. Also in procurement – government procurement – Chile has opened and improved a website called [chilecompras](http://chilecompras.cl) or [chilepurchases.cl](http://chilepurchases.cl) so anybody could check that out at [www.chilecompras.cl](http://www.chilecompras.cl). Other areas, you know, labor rights and environmental protection aren't really things we hear often from companies but we do know that in the agreement those were parts of the agreement.

Chile has more bilateral trade agreements than any country in the world, over 50 – well over 50, which is a reflection of its openness. So what you really see is an opening of the market and we've just seen a dramatic increase in our – one of our key programs which is the Gold Key program which is kind of like a personalized trade mission where companies can come down and we'll arrange one or two or three days of meetings with potential buyers, agents, and distributors of their products.

MR. BARRY: And knowing our listeners reflect a wide variety of products and services that they produce, what would be your message to them about what kinds of things are in greatest demand and are likely to be most competitive in Chile?

MR. LARSEN: Sure. I would say you'd have to mention first anything to do with the burgeoning mining sector. Chile is the world's largest copper producer and one of the largest exporters, and as we all know with commodities and other goods, copper prices are near their record levels. And then, you'd add anything – equipment and machinery to support the growing Chilean agricultural sector, including food processing and packaging equipment and others because Chile's not only a large producer of commodities and copper, but also salmon. I think they have around half of the U.S. market for salmon.

They produce fruit, wood products, a lot of pulp and paper, wine. So anything – and that's one area where the U.S. tends to be very strong is in supplying the implements for all these different sectors in foods and mining and others where they don't produce those things locally, but they need them. In order to be a strong exporting country, they need the implements from the U.S.

The construction sector's booming here so construction equipment and supplies will find a welcome market. We've seen – on the kind of more of the large company side we've seen a dramatic increase in aircraft defense equipment. There have been some very recent orders by the military here for Bell helicopters through the Chilean Air Force. They've purchased F-16s, you know, in the past from Lockheed Martin and I think it was just last

week or the week before there was the announcement that Boeing is going to be selling around 30 of their new Dreamliner airlines to LAN, which is the Santiago-based regional airline, which is the largest order for Latin America for these new airlines.

But, you know, getting back to the smaller companies, some of the best prospects that we've identified here in Chile include electrical power equipment, medical equipment and health care, computer hardware, software and services, financial services, franchises – franchising is a big and growing area – environmental technologies and services – being that Chile is one of the countries in Latin America, one of the few, that really has stringent environmental laws and enforcement – plastics machinery, security and safety equipment, telecom. It pretty much runs the gamut.

I guess if you kind of summed it up, our trade flows, if you looked at our trade flows, we send down a lot of, you know, more technical mechanical items – aviation, autos – and what we receive from Chile tends to be raw materials, foodstuffs, wine, fruit, things like that. So it's a fairly complimentary relationship from that standpoint.

MR. BARRY: Now, you said that our market share has increased by a couple of percent from before the free-trade agreement over the last several years. Do you expect that to continue, and if so, why?

MR. LARSEN: Well, I do. I think – I mean, as you can see, you know, a few percentage points in market share can make a – it seems small on the face of it but it actually, if you translate that out into the millions of dollars of U.S. exports, it actually starts to increase pretty rapidly. I would imagine it would continue to improve as companies take advantage of the agreement. It's still for us in the foreign commercial service, it's a matter of getting out the word that there are great opportunities here and so I think as more and more companies continue to hear – I was just at a conference last week in Florida where I met with over 30 U.S. companies interested in exporting to Chile. It's not only our job but as we get the word out and as others learn about the opportunities here in Chile, I think that the market share will continue to increase. I guess it's got to taper off at some point but we are seeing increases year-to-year at this point.

MR. BARRY: And the relatively weaker dollar worldwide – is that having a positive effect in Chile as well?

MR. LARSEN: Definitely, definitely. We've seen imports, you know, surge as a – to a large degree, but not only reason the dollar weakness. And I was comparing notes with one of my colleagues from Brazil last week and he said the same thing for Brazil, so I think you'd see, throughout the hemisphere, Chile would be no exception and that the dollar-to-peso relationship is definitely helped, and it's also – conversely it's been a concern for Chilean exporters to remain competitive in, you know, their wineries and other exporters.

MR. BARRY: Well, we are getting the word out today, Mitch, about the opportunities there and will you take emails and calls from listeners who would like to see if their products would sell well down there?

MR. LARSEN: Yes, I'd be very happy to. We have a staff of around 12 specialists here in Chile that are ready. Not only myself, but we have a really good amount of expertise and contacts within government, within the private sector and elsewhere, and we're happy to get back with folks within even just a day or two to let them know what types of opportunities there are here. And, you know, just to leave you with a few kind of macro interesting tidbits of information, the U.S. is Chile's largest trading partner and Chile buys as much from the U.S. as India does, and India with a population of a billion people so – and then on a per capita basis Chileans import three times what Brazil imports from the U.S. Again, that's on a per capita basis. So those are just little tidbits of information maybe to leave you with to think about why Chile is such a strong, strong market.

MR. BARRY: Great. And, of course, it's not just establishing yourself in Chile; it is a springboard into some other big markets in the region, isn't it?

MR. LARSEN: Yes, it is, and, you know, one of the reasons – sometimes they have these surveys that come out on security and Chile's always known as either the most or one of the top, say, two most secure countries and stable countries in the region – very conservative, you know, if you look at the banking sector, the legal system. Things are in place here in Chile maybe with the exception of the intellectual property rights that I mentioned earlier that make it a place where people want to do business. They want to maybe have their executives based here for regional work, and one of the – on the flip side the country is fairly isolated with the Andes, as we know, up and down the north and south of the country. Historically, Chile has been very isolated as far as even with its neighbors and obviously a distant country from the U.S.

So they also have a bit of a challenge on the investment side although they do receive the third largest amount of foreign direct investment in the hemisphere after Brazil and Mexico. Because they're dependent; I think they import 95 percent of their oil and essentially all of their natural gas comes from Argentina. So they're working very, very hard to improve their energy resources within the country. But yes, it is a solid platform for depending on the type of business you have especially in the services area – banking and financial and other areas. Chile is a really good platform.

MR. BARRY: Well, we want to thank you very much for your insights into the market. Certainly you've got me excited about going down there. I've been once before and Santiago is an absolutely stunning city surrounded by the mountains. It's a beautiful place.

MR. LARSEN: Yes.

MR. BARRY: And so we'll thank you very much for being with us today and we hope to talk to you again soon.

MR. LARSEN: Thank you, Doug, and we welcome all comers to Chile.

MR. BARRY: Great, and you can reach Mitch through [export.gov](http://export.gov). That's the website for the U.S. Commercial Service and you'll find Mitch's office located under international offices on the left-hand navigation. And we want to thank you very much for being with us today and we hope to see you again on another Commercial Service Market brief. On behalf of colleagues in Santiago, Chile, and around the world from Washington, D.C., I'm Doug Barry.

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