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COMMUNICATION FROM THE COMMISSION
TO THE COUNCIL AND THE EUROPEAN PARLIAMENT

on the strengthening of relations between the European Union and Chile

In June 1994 the Corfu European Council discussed relations between the European Union and Latin America and its regional organizations. It called on the Commission to put proposals to the Council aimed at strengthening relations with Mercosur and Mexico but made no mention of Chile.

Of all the Latin American countries, Chile has always underlined its close links with the European Community because of cultural, political and economic similarities. In July 1994 it presented a non-paper clearly indicating the Chilean government's intention to improve its relations with the EU by stepping outside the cooperation agreement framework and aiming for an association agreement involving the creation of a free-trade area between the European Community and Chile.

In November the Council noted with satisfaction Chile's interest in strengthening its bilateral relations with the Union and its preference for an open form of regionalism. It welcomed its proposals for an association with Mercosur with a view to establishing a free-trade area.

The Council accordingly decided to review the EU's relations with Chile during the first quarter of this year on the basis of a Commission evaluation report.

In this context the EU's response to the non-paper (presented by the troika to the Chilean Foreign Minister in December) signalled the EU's readiness for a more comprehensive dialogue with Chile with scope for further development.

The Essen European Council of December 1994 confirmed its willingness to establish a new and extended partnership between the European Union and the Latin American countries and urged the Commission and the Council "to put ideas on the future form of treaty relations with Mexico and on the extension of relations with Chile into concrete form".

This communication from the Commission to the Council and Parliament has been drawn up in response to the requests of the European Council and the Council: it (a) assesses the current situation and trends in Chile and examines the country's foreign relations and (b) presents strategic options for extending the scope of EU-Chile relations.

I. CHILE: CURRENT SITUATION AND TRENDS

I.1 The Chilean model of economic development

In March 1994 the second CDP (Concertación de los Partidos por la Democracia) government confirmed the success of the democratic transition and the consolidation of the parliamentary system. The parties which make up the political spectrum of the CDP (socialist, Christian Democrats and other centre groups) have a strong majority over the right-wing opposition. Recent political trends point to a future with two main, increasingly similar, electoral coalitions.

The absence of political conflict over the central issue in Chile - management of the economy - encourages national consensus. Chile has a freely operating market economy. The government's role is to oil the system's wheels and correct any adverse economic, social or environmental effects arising from industrial development, market economics and structural under-development. The Chilean economic system and its institutional structure are now comparable to those of OECD countries.

The fact that the Chilean economic system operates on the basis of competitive productive activity and orthodox macroeconomic management is a clear indication of the country's progress along the path of long-term growth.

With a population of 14 million, Chile is a typical small, open economy with exports which absorb about a third of production (in 1993 they absorbed 27.8% at current prices and 36.2% at 1990 prices) and a modest tariff barrier in the form of a single external tariff of 11%.

In this open trade environment, the private sector in Chile has demonstrated its capacity for initiative and the entrepreneurial spirit has flourished.

Savings and investment levels are currently the highest in Latin America (over 26% of GDP, against 18% in Latin America overall), reflecting private capital's response to the market opportunities offered by the Chilean economic system.

Public savings (4.2% of GDP in 1994) outstrip public investment. The Chilean government has thus managed to establish a budget surplus (+1.3% in 1994) enabling it to reduce public debt, which at the end of last year was some 31% of GDP.

Discipline has also been maintained in monetary policy, which is managed independently by the Chilean Central Bank. Although inflation remains quite high, this is due to legally-mandated indexing systems which make wages and pricing somewhat inflexible. Inflation rates have, nevertheless fallen steadily in the last few years, from 25% in 1990 to 8.9% in 1994.

The external debt, excluding reserves, was USD 12 billion in 1990, dropping to USD 8.7 billion in 1994. In 1990 debt servicing costs were equivalent to 17.2% of exports, dropping to 7.8% in 1994.

It is worth noting here that the Chilean economy has been spared the financial and monetary crisis suffered by most European economies in the first quarter of this year. The Chilean currency has held its international parity and there has not been any "tequila effect" on the stock market.

All these economic policy measures have helped to keep Chile's growth rate relatively high (6.3% per year at constant prices between 1990-94) and its unemployment level comparatively low in the current international climate (5.6% in 1994). Chile is now considered to be the country with the most competitive economy and the lowest risk level in Latin America. None the less, with an average per capita income of USD 3 400 Chile's economy still faces serious problems of under-development. Poverty remains a major issue and is one of the government's top priorities.

Per capita, Chile has one of the highest levels in the world of exploitable natural economic resources. It must inevitably diversify its production system and move into manufactures and services, at the cost of some painful restructuring. Environmental and information technologies for advanced services are now considered to be prime vehicles of the country's economic diversification.

The government is constantly on the look-out for new ways of involving the private sector - companies and civil society in general - more fully in developing infrastructure and social facilities.

I.2 Chile's economy on the world stage: open regionalism

One of Chile's main objectives on the international relations front is to continue the process of making the Chilean economy more international.

The main source of inspiration for this policy is "open regionalism", namely the negotiation of regional agreements to encourage trade and investment expansion with a view to the general liberalization of world trade.

Chile adopts a completely open position to the world, maintaining very close investment, trade and cooperation relations with the OECD countries, the rest of Latin America and many countries in Asia.

*** Export/trade**

Exports are the main driving force behind Chile's economic development and natural resources account for over 90% of these exports. There is a particularly high concentration of primary exports to the OECD countries, while the main markets for Chilean exports of manufactures and services are in Latin America, absorbing over 40% of Chilean exports of manufactures.

Between 1980 and 1994 Chilean exports more than doubled in value (x 2.3) to reach USD 11 billion. During the same period exports to Asia increased sevenfold, totalling USD 3.5 billion, while exports to the USA increased threefold to reach USD 1.9 billion. European markets have not grown as much (they saw a 50% increase between 1980 and 1994) but are still very important for Chile. The decline in the

relative importance of exports to Europe was particularly marked from 1990, in part owing to the deterioration in Chilean terms of trade and the recession in Europe. According to Eurostat data, imports to the EU from Chile accounted for 0.56% of total imports in 1990 (excluding intra-European trade) and only 0.40% in 1993, although certain products (see Annex III) remain sensitive.

European producers, however, realised the potential of the Chilean market and hence Chile's share in the EU's total non-Community exports rose regularly from 0.28% in 1990 to 0.35% in 1993. The USA, however, continues to be Chile's main supplier, accounting for 23% of total imports in 1994.

Overall, the breakdown by zones is very balanced: 26% of total trade in 1993 was with the EU, 18% with the USA, 23% with Latin America and 22% with Asia.

The European Union remains Chile's principal trading partner.

This balanced opening-up to the world is the main factor behind recent developments in Chilean trade policy, the main features of which are a modest level of domestic market protection and a systematic search for preferential treatment throughout the world.

Chile did not hesitate to lower its external tariff unilaterally (from 30% in 1984 to 11% in 1990) and adopt a position in favour of maximum liberalization of trade in goods and services during the GATT negotiations. Similarly in the Latin American Integration Association (LAIA) context it was Chile which did the most to promote the economic complementarity agreements, in some cases opting for more general free-trade systems, particularly in its agreements with Mexico (1991), Colombia and Venezuela (1993), Argentina (1991), Bolivia (1993) and most recently with Ecuador (1994). Negotiations are under way with Peru.

These trade agreements with Latin America have undoubtedly contributed to the substantial increase in trade in the last few months, above all in manufactures.

Last year the new Chilean government decided to focus on a policy of closer relations with major trading blocs. It continued negotiations with Mercosur, considered membership of Nafta, became a member of APEC (Asian and Pacific Economic Cooperation Forum) and called for a new form of association with the EU.

* **Mercosur**

Membership of Mercosur's customs union would be very difficult for Chile as things stand because the union's common external tariff will vary between 0% and 30% to begin with and will on average be higher than Chile's (the idea of raising tariffs is currently unthinkable for the country's government and economic operators). Chile therefore intends to negotiate an association formula which would ultimately allow for a free-trade situation with Mercosur but maintaining the difference in the external tariff.

Chile is planning to conclude an association treaty with Mercosur this year with a view to consolidating the current concessions in trade with Argentina and preferential openings in trade with other member countries, and to establishing a firm timetable for moves to free trade. Recently, however, various obstacles have held up the negotiations.

* **Nafta**

The agreement with Nafta (Chile, which has a free-trade treaty with Mexico, could have negotiated individually with the USA but opted simply for Nafta membership) mainly depends on the North American position. The negotiations have been held back by the Mexican economic crisis and domestic-policy factors such as the new composition of the US House of Representatives.

The most optimistic forecasts, if agreement is reached, are for a USD 115 million increase in Chilean exports as a result of US trade openings under Nafta. According to other analysts the main effects will be felt on Chilean imports because of the deflection of trade to the USA.

* **APEC**

Trade relations with the Pacific should also become stronger as a result of APEC's progressive development, the aim being a free-trade area among its members by 2015. Chile has begun negotiations with New Zealand with a view to concluding a free-trade treaty.

* **European Union**

Another facet of Chile's burgeoning trade relations is its application to the EU to conclude an association agreement providing for trade liberalization between the two partners.

Currently 82% of Community imports from Chile consist of commodities which have duty-free access to the European market without any restrictions on quantity. The main constraints on Chilean exports to Europe are quotas on a few agricultural products. The average rate of duty on Chilean imports to the EU is 2.4% (15% of these imports have until now come under the Generalized System of Preferences). It is clear from recent trade disputes that Chilean exports have come up against more obstacles in the USA and Japan than on Community markets.

* **Foreign investment**

Chile's progress towards a free-market economy has been bolstered by an increase in direct foreign investment. Between 1974 and 1994 nearly USD 12 billion has been directly invested in Chile, over half of this in the mining sector. Of these investments 48.8% are from Canada and the USA, 25.4% from Europe, 14.6% from the Pacific

region and 8.2% from the rest of Latin America. In the manufacturing and services sectors alone, European capital accounts for 44% of all foreign investment, giving European firms a firm foothold in the Chilean industries of the future.

I.3 EC-Chile cooperation

Cooperation ties between Chile and the EC are excellent. The scale of the Community's contribution (grants) between 1990 and 1994 can be seen from the following figures:

- European Community	65.7%
- International organizations	5.1%
- USA	6.1%
- Japan	15.6%

As a result of the 1973 coup d'état and the ensuing spate of human rights violations the Community and its Member States distanced themselves from the Pinochet regime. Relations with Chile, however, continued despite its political vicissitudes. The EC first came to the support of civil society in Chile by providing food aid via humanitarian organizations (some ECU 20 million between 1988 and 1992). The European Parliament then spearheaded the Community's efforts to encourage the restoration of democracy with the inclusion from 1988 of a special budget heading for NGOs working in Chile and the creation of a new budget item to "contribute to the process of democratization in Chile and Latin America", which was increased in 1993.

These two measures helped to support activities targeted at the Chilean people, primarily the most disadvantaged groups, and the "support for democratization" budget heading first helped Chile back on the road to democracy and then to political stability.

The framework cooperation agreement was signed on 20 December 1990. It is a third-generation agreement which bases EC-Chile relations on respect for democratic principles and human rights and contains several new elements. These include more detailed provisions on cooperation in the field of science and technology, training and the environment. New clauses open the way for social and cultural cooperation and for cooperation on public administration, information and communications.

Cooperation with Chile was stepped up in 1991, amounting to a total of some ECU 18 million (ECU 13.2 million in 1990). In 1991 one of the main achievements in the field of economic cooperation of mutual interest was the setting-up of the "Fundación Empresarial CE-Chile", a centre for economic cooperation and technology transfer. Its main task is to provide small and medium-sized enterprises with services such as technical, economic and financial information, disseminate know-how and technology from the EC and in general promote contacts between EU economic operators and their Chilean counterparts.

In 1992, EC-Chile cooperation totalled some ECU 25.5 million. As a result of new EU cooperation guidelines, the sectoral and geographical scope of financial and technical assistance was extended and for the first time Chile became eligible for an integrated financial and technical assistance programme in its northern regions (ECU 10 million).

From 1993 cooperation (which that year totalled some ECU 24 million) was mainly focused on economic cooperation projects aimed at the diversification of agricultural exports, investment promotion, industrial and energy cooperation and technology transfer.

In 1994 a budget of some ECU 15 million remained focused on economic and technological cooperation. At the same time three major strategic areas were established:

- poverty alleviation,
- continuing government reform,
- the internationalization of the production system.

II. FUTURE EU-CHILE RELATIONS: STRATEGIC OPTIONS

II.1 Economic and institutional trends

The overall evaluation of recent EU-Chile relations is clearly a satisfactory one. The Union enjoys a special position in Chile's trade, investment and cooperation relations. Cultural and economic ties are close and despite geographical distances, Chile has many political, economic and cultural affinities with Europe.

However, the relative decline in Chilean exports to the Community, coupled with the impression in Chile that major European firms are not investing enough in the country, has led many Chilean decision-makers to believe that the Community is less interested in Chile than it used to be now that democracy has returned.

If current trends are not corrected they could militate against the harmonious development of relations with Europe. An immediate effect of Chile's joining Nafta would be a deflection of trade that would affect European exports of capital and consumer goods, even though the 11% tariff barrier is not very high. Furthermore, the development of closer ties with other Latin American countries, especially a link with Mercosur, will tend to attract Chile's non-traditional exports to the area and so reduce the relative importance of the Community market for Chile's product diversification drive.

These trends should not be overestimated, however. European economic operators *are* making their presence felt by investing in expanding sectors of the Chilean economy. Furthermore, the decline in the relative share of Chilean exports in Community trade also stems from the increase in Chile's exports to Latin America and Asia, which is indicative of the dynamic nature of the country's economy.

Mercosur and Nafta, by triggering two simultaneous processes to establish customs unions and free-trade areas on the American continent at a historic moment when market-economy systems are being widely adopted, are offering new prospects for integration, not only within North and South America but between the two. Both the United States and Brazil have separately named 2005 as the year when a vast free-trade area will cover the whole continent. This scenario is made realistic and will be facilitated by recent integration developments: Nafta with Canada, the US and Mexico; the G3 with Mexico, Colombia and Venezuela; the Andean Pact with Bolivia, Ecuador, Peru and Colombia; Mercosur with Brazil, Argentina, Paraguay and Uruguay; plus bilateral free-trade agreements (such as those linking Chile and individual G3, Mercosur and Andean Pact members). If we add to this picture the multilateral system under the aegis of the World Trade Organization, everything points to an end to most trade protection problems by the end of the century, on the American continent at least.

In this context the main obstacle to Chile's full membership of Mercosur (the differing levels of protection) will gradually disappear and within the next ten years Chile is likely to accede formally to the group, which forms a natural market for its more advanced productive activities.

APEC envisages a slower process in the Pacific (2015 being the target date for free trade) but, here too, bilateral agreements are expected to proliferate (possible agreements

between Chile and New Zealand, for instance). But since the Asian countries have political and economic structures that are very different from Chile's, the integration process will probably take much longer than the one it is engaged in on the American continent.

Chile's international economic integration is taking place in the context of clearly definable regional developments but the role of relations with Europe, despite undeniably important economic, political and cultural ties, is less clear today.

If the present trend continues, there will be a loosening of both commercial and economic ties between Chile and the EU. It is desirable that the future development of the institutional framework for those ties should help correct this trend. This is what both parties want.

The Community's plan to enter into negotiations with Mercosur, mainly with the aim of concluding an interregional agreement on trade and economic cooperation, leading in time to an interregional association, could reverse the trend and open up new perspectives for EU-Chile relations.

II.2 The EU's strategic options

The meetings of the Rio Group have highlighted the Community's support for the integration process in Latin America, which the Community is ready to further by drawing on its own experience of integration to provide institutional support and by promoting the reciprocal opening of markets.

On the trade front, the EU intends to comply fully with the liberalization measures laid down in the GATT agreements and with its obligations to the World Trade Organization, and will avoid any treatment that may create discriminatory situations or trade deflections. Future relations between the EU and Chile must develop in this context and we have to examine the strategic options open to the EU at both interregional level (in connection with the negotiations with Mercosur) and in direct bilateral relations with Chile.

A. Interregional options: EU-Mercosur-Chile

Since it is likely that there will soon be an association agreement and a large degree of trade liberalization between Chile and Mercosur, leading to Chile's full membership of the group in the medium term, the EU's negotiations with Mercosur should be seen as decisive for EU-Chile relations as well.

The fact that Chile and Mercosur are envisaging only an association arrangement rather than simple accession at present means that a specific agreement between them is needed to ensure coordination of the negotiations with the Community or to enable Chile to take part in the negotiations directly.

Further points:

- Since relations with the EU are of great importance for Chile, closer relations between the EU and Mercosur may well facilitate in turn the regional integration of Chile and Mercosur.
- Taking on board specific Chilean interests in the EU-Mercosur negotiations would not complicate these negotiations since Chilean exports to the Community are less sensitive than those of Mercosur and Community exports to Chile meet with fewer barriers than in Mercosur.
- Non-commercial areas of the EU-Mercosur negotiation (i.e. investments and services) would also be of direct interest to, and easily applicable by Chile, which on the whole has a more liberal regulatory framework than the Mercosur countries.

From the EU's point of view, the options that would over time be most in tune with the region's geopolitical developments are:

Option A1 - multiple-speed convergence

Chile would take part in the negotiations with Mercosur but each area of negotiation (political matters, trade, cooperation, investment, etc.) would be conducted independently. Political cooperation would, however, be full and immediate (Chile taking part in the political meetings between the EU and Mercosur from the outset). As for trade, the timetable for negotiations with Chile would be aligned on the agreements reached between Chile and Mercosur.

This option would fit in with the EU's overall policy to support regional integration efforts.

Implementing it would entail stepping up the triangular EU-Mercosur-Chile consultations. If this option were taken up, the Commission would put forward proposals to develop such a strategy after a thoroughgoing examination of the economic repercussions.

Option A2 - joint negotiations

If Chile and Mercosur bring forward the timetable for integration, the negotiating directives for Mercosur could be extended to Chile as a full partner in this regional integration project.

B. BILATERAL EU-CHILE OPTIONS

Since both parties are politically in favour of reviewing the 1990 framework agreement, it is worth seizing the opportunity to revise its provisions with a view to closer political and economic relations. The future developments clause in this agreement would allow us to extend significantly the areas of cooperation. Thus, taking as an example the provisions made for other partners at a level of economic development similar to Chile's, we could envisage the following operations using available budget funds:

- **Economic cooperation:** programmes to consolidate direct-investment promotion efforts, agreements between firms, technology transfers, a stepping-up of scientific and technical cooperation, especially in the fields of postgraduate education and research (possible Chilean participation in Community cooperation programmes).
- **Institutional support:** programmes designed to modernize government and ease Chile's integration within Latin America, which could be extended to cover an alignment of legal systems and technical standards on the basis of mutual recognition.

EU-Chile bilateral relations could also be stepped up in the political and trade arenas.

Political cooperation: Chile and the EU share values such as democracy, human rights, the maintenance of peace and the role of the state in a market economy. Political cooperation within the Rio Group could thus be stepped up bilaterally and, if Mercosur so agreed, Chile could also take part in the EU-Mercosur dialogue. To this end, a joint political declaration could be issued by Chile and the EU, or by Chile, Mercosur and the EU, on the lines of what is being done to strengthen relations between the EU and other Latin American partners.

On trade, other strategic options can be envisaged.

The options set out above represent a deepening of current bilateral relations. This bilateral approach can be maintained or it can represent a stage along the road to developing the interregional framework described under A.

Option B1 - active trade cooperation

This strategy would entail use of the future developments clause of the framework agreement to introduce trade-related forms of cooperation.

Bilateral measures could thus usefully make economic regulations less stringent, to the benefit of trade. (For instance, deregulation of investment, standards, certification, sectoral dialogue and administrative practices.)

Two concrete examples might be:

- a conflict prevention procedure (along the lines of the WTO's proposed new procedure); this would involve an early warning system which was compatible with and complemented the WTO's disputes settlement arrangements,
- a formal procedural framework for reciprocal information concerning the respective Chile-Mercosur and EU-Mercosur negotiations (should the interregional options A1 and A2 not be taken up).

Option B2 - agreement on political consultation and economic partnership

The above considerations concerning the extension of technical and economic cooperation and the stepping-up of political dialogue are key elements of any agreement on political consultation and economic partnership.

This option is the one that for the moment would seem to satisfy Chile's wishes.

The trade provisions of an EU-Chile partnership agreement could include the progressive and reciprocal liberalization of trade, taking account of the sensitivity of certain products and ensuring the compatibility of any measures with the Community's international obligations, including its obligations to the WTO.

The actual scope of such an agreement would probably not be so great in the long run, especially as large regional blocs are formed and with agreements tending to bring more and more trading partners under one umbrella.

If this option were adopted, the scope of, and arrangements for, trade liberalization would be set out in the negotiating directives for an agreement to replace the 1990 framework agreement.

III. OPERATIONAL CONCLUSIONS

In light of the above, and in accordance with the conclusions of the Essen European Council, the Commission asks the Council to take a decision on the strategic options set out in this communication.

The Commission will wait for the outcome of the discussions within the Council and Parliament so that they can be taken into account in the proposals that it will then put forward as soon as possible.

ANNEX I

THE EUROPEAN UNION IS CHILE'S MAIN TRADING PARTNER

1. Intensive trade relations

Percentage of Chile's total trade in 1993:

- with EU : 26%
- with USA : 18%
- with Latin America : 23%
- with Asia : 22%

2. Direct investment in up-and-coming sectors

Percentages of total foreign direct investment in Chile's non-mining sectors, 1974 to 1994

- from EU : 44.3%
- from USA : 24.7%
- from Latin America : 17.1%
- from Japan : 2.6%

3. Non-reciprocal aid support to improve living conditions

Percentage of the total of non-refundable contributions received by Chile, 1990 to 1994

- from EU : 65.7%
- from USA : 6.1 %
- from Japan : 15.6%

Chile's Trade in 1993

(US\$ million)

	<u>Exports</u> FOB	<u>Imports</u> CIF	<u>Balance</u>
EU	2444 (26%)	2085 (19%)	359
MERCOSUR	1860 (20%)	2457 (23%)	-597
	1089 (12%)	1761 (16%)	-672
JSA	1655 (18%)	2477 (23%)	-822
Japan	1502 (16%)	883 (8%)	619
Total	9416	10771	-1355

Chilean Exports: Destination
(US\$ Million FOB)

	Total Exports	EU	USA	Japan	Latin America
1984	3657,2	1060,7	951,2	407,7	550,0
1985	3822,8	1226,0	870,7	392,5	554,9
1986	4222,4	1441,3	915,2	420,1	717,3
1987	5101,9	1668,8	1140,5	561,3	866,5
1988	7048,7	2591,4	1393,2	881,2	925,0
1989	8192,7	2945,4	1456,0	1120,5	996,1
1990	8580,3	3203,1	1469,2	1388,2	1074,8
1991	9048,4	2881,3	1596,3	1644,0	1303,0
1992	10125,5	2931,7	1649,4	1707,3	1701,7
1993	9416,2	2443,9	1655,2	1502,3	1859,9

Chilean Exports: Destination
(% of total exports)

	EU	USA	Japan	Latin America
1984	29,0	26,0	11,1	15,0
1985	32,1	22,8	10,3	14,5
1986	34,1	21,7	9,9	17,0
1987	32,7	22,4	11,0	17,0
1988	36,8	19,8	12,5	13,1
1989	36,0	17,8	13,7	12,2
1990	37,3	17,1	16,2	12,5
1991	31,8	17,6	18,2	14,4
1992	29,0	16,3	16,9	16,8
1993	26,0	17,6	16,0	19,8

Chilean Imports: Origin
(US\$ Million CIF)

	Total Imports	EU	USA	Japan	Latin America
1984	3480,5	626,7	747,8	312,7	902,7
1985	3006,4	439,9	654,6	188,5	787,6
1986	3156,7	588,7	641,5	296,4	737,4
1987	4023,3	912,8	773,1	387,2	955,7
1988	4924,0	989,4	1002,1	391,8	1364,4
1989	6734,2	1327,9	1347,9	737,0	1764,2
1990	7272,1	1518,4	1373,4	568,4	1704,6
1991	7685,8	1407,8	1581,9	645,7	2051,3
1992	9670,2	1847,4	1984,9	964,7	2423,0
1993	10771,4	2085,0	2477,4	882,6	2457,1

Chilean Imports: Origin
(% of total imports)

	EU	USA	Japan	Latin America
1984	18,0	21,5	9,0	25,9
1985	14,6	21,8	6,3	26,2
1986	18,6	20,3	9,4	23,4
1987	22,7	19,2	9,6	23,8
1988	20,1	20,4	8,0	27,7
1989	19,7	20,0	10,9	26,2
1990	20,9	18,9	7,8	23,4
1991	18,3	20,6	8,4	26,7
1992	19,1	20,5	10,0	25,1
1993	19,4	23,0	8,2	22,8

Trade Balance: Chile
 (Exports US\$ Million FOB)
 (Imports US\$ Million CIF)

	Trade Balance	EU	USA	Japan	Latin America
1984	177	434	203	95	-353
1985	816	786	-216	204	-233
1986	1066	853	274	124	-20
1987	1079	756	367	174	-89
1988	2125	1602	391	489	-439
1989	1459	1618	108	384	-768
1990	1308	1685	96	820	-630
1991	1363	1474	14	998	-748
1992	455	1084	-336	743	-721
1993	-1355	359	-822	620	-597

List of first 50 products imported into the EC from Chile
1993

(ECU '000)

Total imports: 2 057 222

Annex III

	CN-heading	Value	Share of total imports	Tariff treatment	
1	7403 11 00	676.646	32,89%	zero duty	Cathodes and sections of cathodes
2	2603 00 00	147.843	7,19%	zero duty	Copper ores and concentrates
3	4703 21 00	115.934	5,64%	zero duty	Chemical wood pulp, soda or sulphate, (other than dissolving grades), semi-bleached or bleached, of conifers
4	7403 19 00	104.315	5,07%	zero duty	Refined copper (not coming under 7403.11.00 to 7403.13.00), unwrought
5	0806 10 15	100.045	4,86%	18 %	Table grapes, fresh, from 1 November to 14 July (except for the variety Emperor (<i>Vitis vinifera</i> cv.) from 1 December to 31 January
6	7112 90 00	61.869	3,01%	zero duty	Waste and scrap of precious metal or of metal clad with precious metal (not coming under 7112 10 00 and 7112 20 00)
7	2301 20 00	61.371	2,98%	5 %	Flours, meals and pellets, of fish or of crustaceans, molluscs or other aquatic invertebrates, unfit for human consumption
8	7108 12 00	52.813	2,57%	zero duty	Gold (including gold plated with platinum), unwrought forms, non-monetary
9	0303 78 10	31.791	1,55%	15 %	Hake of the genus <i>Merluccius</i> , frozen
10	2601 12 00	30.234	1,47%	zero duty	Iron ores and concentrates, except for roasted iron pyrites, pyrites cinder Agglomerated
11	0808 10 89	30.108	1,46%	6 %	Apples, fresh, from 1 April to 31 July (excluding the varieties Golden Delicious and Granny Smith)
12	4703 29 00	24.984	1,21%	zero duty	Chemical wood pulp, soda or sulphate, (other than dissolving grades), semi-bleached or bleached, other than from conifers
13	0808 20 33	23.632	1,15%	5 %	Pears from 1 April to 31 July, fresh(*)
14	0808 10 83	21.512	1,05%	6 %	Apples of the variety Granny Smith, fresh, from 1 April to 31 July (*)
15	0302 69 65	20.390	0,99%	15 %	Hake, fresh or chilled
16	0810 90 10	20.253	0,98%	11 %	Kiwifruit, fresh (*)
17	2613 10 00	18.511	0,90%	zero duty	Molybdenum ores and concentrates, roasted
18	0811 20 31	16.461	0,80%	18 %	Raspberries, unsweetened, including boiled or steamed, frozen (*)
19	2905 11 00	15.528	0,75%	13 %	Methanol (methyl alcohol)
20	7402 00 00	15.485	0,75%	zero duty	Unrefined copper: copper anodes for electrolytic refining
21	1605 90 10	13.200	0,64%	20 %	Molluscs, prepared or preserved
22	7106 91 90	12.942	0,63%	zero duty	Silver, including silver plated with gold or platinum, unwrought, of a fineness of not less than 999 parts per 1 000
23	0303 22 00	12.618	0,61%	2 %	Atlantic salmon (<i>Salmo salar</i>) and Danube salmon (<i>Hucho hucho</i>), frozen (*)
24	0304 20 57	12.239	0,59%	15 %	Fillets of hake of the genus <i>Merluccius</i> , frozen
25	2204 21 29	10.995	0,53%	4,5 %	Wine, other than white wine, grape must with fermentation prevented or arrested by the addition of alcohol, with an alcohol content of 13 % vol or less in containers with a content of 2 l or less (excluding those of headings 2204 10 11 to 2204 1 10),
26	1504 20 90	10.380	0,50%	zero duty	Fats and oils and their fractions of fish (except for fish-liver oils) not chemically modified
27	0809 40 19	10.161	0,49%	8 %	Plums from 1 October to 30 June, fresh (*)
28	2801 20 00	8.668	0,42%	zero duty	Iodine
29	0808 20 31	8.577	0,42%	10 %	Pears, from 1 January to 31 March, fresh(*)
30	2836 91 00	8.528	0,41%	6,2 %	Lithium carbonates
31	0303 79 97	7.872	0,38%	zero duty	Freshwater fish, fit for consumption, frozen

(*) Products likely to be considered sensitive

	CN-heading	Value	Share of total imports	Tariff treatment
32	3102 50 10	7.822	0,38%	zero duty
33	2608 00 00	7.335	0,36%	zero duty
34	1005 10 15	7.111	0,35%	zero duty
35	2616 90 00	7.055	0,34%	zero duty
36	2834 21 00	6.869	0,33%	8 %
37	1605 10 00	6.855	0,33%	16 %
38	0304 20 13	6.645	0,32%	2 %
39	0811 20 59	6.351	0,31%	15 %
40	9990 99 00	6.333	0,31%	4,9 %
41	8708 40 90	5.958	0,29%	6,9 %
42	5101 11 00	5.811	0,28%	zero duty
43	0813 30 00	5.370	0,26%	8 %
44	7112 10 00	5.198	0,25%	zero duty
45	7409 19 00	5.111	0,25%	6 %
46	2303 20 11	5.110	0,25%	zero duty
47	0813 40 80	5.028	0,24%	6 %
48	1605 20 00	4.771	0,23%	20 %
49	0710 80 90	4.761	0,23%	18 %
50	7403 12 00	4.619	0,22%	zero duty
		1.820.018	88,47%	

(*) Products likely to be considered sensitive

CHILI / EU TRADE (CLASSIFIED BY SECTION OF THE CUSTOMS TARIFF)

	1989			1990			1991			1992			1993		
	VALUE MIO ECU	% OF TOTAL	1989 100	VALUE MIO ECU	% OF TOTAL	1989 100	VALUE MIO ECU	% OF TOTAL	1989 100	VALUE MIO ECU	% OF TOTAL	1989 100	VALUE MIO ECU	% OF TOTAL	1989 100
* CCT I	127,38	4,6	100,0	136,54	5,2	107,2	168,06	6,6	131,9	145,83	6,0	114,5	124,53	6,1	97,7
* CCT II	276,84	10,1	100,0	357,13	13,7	129,0	457,75	18,1	165,3	531,71	21,8	192,0	341,79	16,6	123,4
* CCT III	19,28	7	100,0	10,13	4	52,6	18,04	7	93,6	11,22	5	58,2	10,70	5	55,5
* CCT IV	254,15	9,2	100,0	206,92	7,9	81,4	187,33	7,4	73,7	193,90	8,0	76,3	121,18	5,9	47,6
* CCT V	213,85	7,8	100,0	187,16	7,2	87,5	248,25	9,8	116,0	294,55	12,1	137,7	216,67	10,5	101,3
* CCT VI	87,64	3,2	100,0	74,09	2,8	84,5	73,83	2,9	84,2	83,77	3,4	95,5	61,09	3,0	69,7
* CCT VII	53		100,0	18		34,1	76		142,2	80		150,8	24		44,4
* CCT VIII	3,24	1	100,0	5,53	2	170,6	2,19	1	67,5	2,22	1	68,4	1,25	1	38,6
* CCT IX	58,67	2,1	100,0	71,93	2,8	122,5	62,82	2,5	107,0	40,16	1,6	68,4	19,42	9	33,1
* CCT X	103,40	3,8	100,0	106,40	4,1	102,9	89,18	3,5	86,2	137,66	5,7	133,1	147,71	7,2	142,8
* CCT XI	24,71	9	100,0	26,43	1,0	106,9	22,76	9	92,1	18,62	8	75,3	17,57	9	71,1
* CCT XII	1,73	1	100,0	4,69	2	271,3	8,43	3	488,0	4,54	2	262,9	4,47	2	258,7
* CCT XIII	57		100,0	73		128,7	87		152,3	1,82	1	319,2	93		163,5
* CCT XIV	114,90	4,2	100,0	122,74	4,7	106,8	102,44	4,1	89,1	98,49	4,0	85,7	133,82	6,5	116,4
* CCT XV	1444,39	52,5	100,0	1258,92	48,3	87,1	1054,76	41,7	73,0	833,26	34,2	57,6	820,82	39,9	56,8
* CCT XVI	2,59	1	100,0	6,87	3	264,9	3,39	1	130,6	4,57	2	176,4	5,74	3	221,3
* CCT XVII	1,15		100,0	3,78	1	327,3	10,48	4	908,5	6,26	3	542,6	7,41	4	642,0
* CCT XVIII	1,79	1	100,0	3,44	1	192,1	1,41	1	78,7	3,10	1	173,4	2,81	1	157,0
* CCT XIX	08		100,0	01		16,4	01		17,7	11		135,4	00		6,3
* CCT XX	1,29		100,0	2,25	1	174,9	3,14	1	244,2	5,40	2	419,8	4,90	2	380,5
* CCT XXI	3,42	1	100,0	3,64	1	106,3	3,44	1	100,5	6,88	3	200,9	6,53	3	190,8
*IMPORTS.TOT	2751,61	100,0	100,0	2808,12	100,0	94,7	2528,35	100,0	91,8	2434,73	100,0	88,4	2057,22	100,0	74,7

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- CCT Section I Live animals; animal products
 - CCT Section II Vegetable products
 - CCT Section III Fats and oils
 - CCT Section IV Prepared foodstuffs; beverages, spirits tobacco
 - CCT Section V Mineral products
 - CCT Section VI Products of the chemical or allied industries
 - CCT Section VII Plastics and articles thereof; rubber and articles thereof
 - CCT Section VIII Raw hides and skins, leather, furs
 - CCT Section IX Wood and articles of wood; charcoal; cork and articles of cork; manufactures of straw
 - CCT Section X Substances used for the manufacture of paper and articles thereof
 - CCT Section XI Textiles and textile articles
 - CCT Section XII Footwear, headgear, umbrellas, parasols, feathers, artificial flowers; fans
 - CCT Section XIII Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware
 - CCT Section XIV Natural or cultured pearls, precious or semi-precious stones, precious metals, imitation jewellery; coins
 - CCT Section XV Base metals and articles of base metal
 - CCT Section XVI Machinery and mechanical appliances; and electrical appliances
 - CCT Section XVII Means of transport
 - CCT Section XVIII Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; clocks and watches; musical inst parts and accessories thereof
 - CCT Section XIX Arms and ammunition; parts and accessories thereof
 - CCT Section XX Miscellaneous manufactured articles
 - CCT Section XXI Works of art, collectors' pieces and antiques

COOPERATION WITH CHILE

ANNEX IV

Budget Heading	1990		1991		1992		1993		1994	
B7-3010 Financial and technical cooperation	-	-	-	-	10.000.000	1	5.600.000	1	98.180	1
B7-3011 Economic Cooperation	618.814	3	1.259.000	4	1.000.000	2	560.700	4	1.741.227	7
B7-3020 Refugees	600.000	1	1.900.000	1	-	-	-	-	-	-
B7-5000 ECIP	-	-	211.619	2	632.357	9	630.622	9	478.263	6
B7-5020 Cooperation Agreements	-	-	-	-	50.750	2	594.000	3	38.900	1
B7-5230 Democratization	-	-	-	-	-	-	2.530.000	4	1.525.278	6
B7-5040 Environmental protection	-	-	-	-	-	-	1.073.016	4	435.000	2
B7-5041 Tropical forests	-	-	-	-	-	-	-	-	-	-
B7-5073 NGO Chile	4.996.689	69	4.954.338	42	4.499.668	34	4.846.303	43	3.841.873	52
B7-5080 Campaign against drug abuse	-	-	-	-	1.074.380	2	111.809	1	81.000	1
B7-20 Food aid	4.201.211	-	4.452.430	-	2.332.344	-	1.730.000	-	-	-
B7-510 Emergency aid	-	-	130.000	1	-	-	500.000	1	-	-
B7-5046 Fight against Aids	-	-	89.100	1	-	-	423.000	2	-	-
B7-5010 NGOs	2.610.886	52	3.264.209	69	3.999.781	83	2.806.558	15	4.596.871	45
B6-6224 Life sciences and technologies	181.357	-	381.103	-	173.114	-	183.681	-	649.770	8
B6-8371 International cooperation on science and technology	-	-	1.317.875	8	1.800.681	11	2.379.000	22	1.774.000	11
B4-1041 Cooperation in the energy field	-	-	-	-	-	-	129.675	1	-	-
TOTAL GLOBAL	13.208.957	125	17.959.674	128	25.563.075	144	24.098.364	110	15.260.362	140

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