

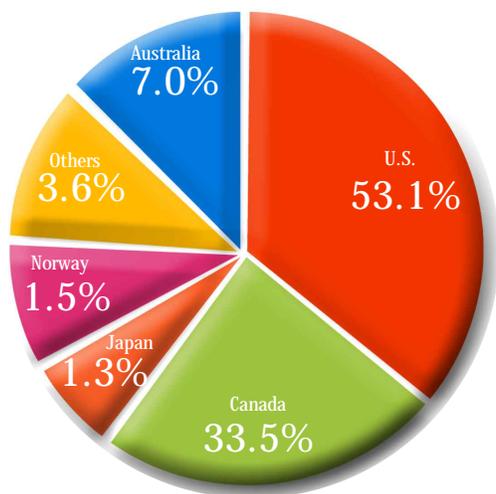
Chile has long been recognized as a mining country, and this industry continues to dominate the nation's industrial production and export sectors. In 2002, mining accounted for 9.5% of Chile's GDP and 44% of the nation's overall exports. Chile has one of the world's largest markets for mining equipment, estimated at US\$500 million annually.

Market Overview

- ▶ The Chilean market for mining equipment was valued at US\$356 million in 2002.
- ▶ The mining sector as a whole is expected to grow 5% annually from 2003 until 2006, with projected investments exceeding US\$6 billion.
- ▶ Over the last decade, imports averaged around US\$500 million per year. In 2002, due to the lack of new projects, mining equipment imports totaled US\$127 million.
- ▶ Local production is approximately US\$240 million annually, mostly mill balls and wear parts.
- ▶ Chile is the world's largest producer and exporter of copper (37% of Chile's overall exports), potassium nitrate, sodium nitrate and lithium. It is also the world's second-largest producer of rhenium, lithium, iodine and molybdenum and is ranked 6th and 9th for silver and gold production, respectively.
- ▶ Foreign investment plays a significant role in the mining sector, representing US\$1.93 billion or 58% of all materialized foreign investment in Chile in 2002.
- ▶ Expansion over the past 15 years has been fueled by large investments from Canadian, Australian, New Zealand and U.S. conglomerates.

Foreign Direct Investment in Chilean Mining Sector (2002)

Source: Enami (National Mining Company), 2002.



Mining Equipment & Supplies

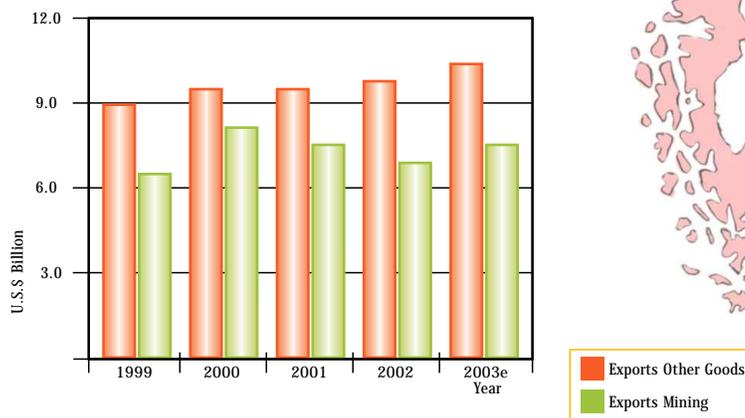
Millions of U.S. Dollars	2001	2002	2003 ^(e)
Total Market Size	398	356	500
Local Production	240	230	250
Exports	11	1	20
Imports	169	127	270
Imports from U.S.	67	28	120

Source: Chilean Custom's Service;
2003 estimates from U.S. Department of Commerce

- ▶ The Fraser Institute of Mining Executives (www.fraserinstitute.org) concluded in December 2002 that Chile had become the world's most attractive destination for mining investment.
- ▶ Government-owned Codelco, together with the privately owned Escondida copper mine, make Chile the world's largest producer of copper (the country produced 2.57 million tons in 2002, around 12% of the total global output). The Escondida mine alone produced 1.05 million tons in 2002.

Mining Exports Participation

Source: 2002 Chilean Central Bank



U.S. Position

▶ On average, 60% of total mining equipment imports of all equipment installed in both new and expansion mining projects comes from the U.S. This market share is supported by excellent quality, after-sales service, and compliance with delivery dates. This trend is projected to increase with the U.S.–Chile Free Trade Agreement coming into effect during the first quarter of 2004, after having fallen in recent years.

Competitors

▶ During 2002, Brazilian, Canadian, Japanese and German manufacturers of mining equipment were the most aggressive competitors in Chile (source: www.usatrade.gov). However, the leading mining-equipment suppliers change depending on the development stage and type of projects in this sector.

▶ Codelco is the 6th largest mining producer in the world behind Anglo American (England-South Africa), Rio Tinto Mining (England), Compañía Minera Vale do Rio Doce (Brazil), BHP (Australia) and Norilsk (Russia).

▶ Codelco collaborates with foreign companies for specific projects. For example, on exploitation projects Codelco is mostly associated with U.S. companies (i.e. Phelps Dodge and Homestake). However, for exploration projects it is mostly associated with Canadian companies such as Cominco, Rio Algom and Barrick.

Principal Sub Sectors

▶ Copper mining
▶ Silver mining
▶ Other metals and minerals include: gold, rhenium, lithium, iodine, molybdenum, manganese, iron ore, boron, selenium, calcium carbonate, sodium chloride (rock salt), and diatomite.



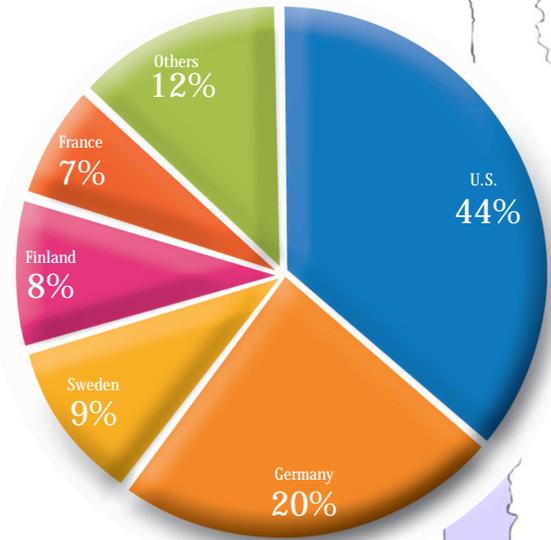
Commercial Opportunities

- ▶ New mines, and also the modernization and expansion of existing ones
- ▶ Equipment that requires regular replacement
 - Crushers
 - Grinders
 - Off-road trucks
 - Cabbed chassis
 - Parts for rock cutters
 - 360 degree revolving excavators
 - Cranes & screening machines
- ▶ Production technology
 - Copper mining sub sector
- ▶ Solutions to save costs and increase profitability
- ▶ Environmental solutions (Codelco is obtaining ISO certification and must meet higher environmental standards)

Other Resources

- ▶ U.S. Department of Commerce Trade Development: Leonard Heimowitz: Leonard_Meimowitz@ita.doc.gov
- ▶ Chilean Mining Ministry, www.minmineria.cl
- ▶ Chilean Geology & Mining Service, www.sernageomin.cl
- ▶ Chilean Mining Metallurgic Center of Investigation, www.cimm.cl
- ▶ National Society of Mining, www.sonami.cl
- ▶ Latin American Organization of Mining, www.direcmin.cl/olami.htm

Mining Machinery Imports in Chile (2003*)



Source: Chilean Customs Service.
*2003 percentages are estimated
Note: statistics for mining machinery vary annually depending on projects

CONTACT US

We hope that you find this information useful. If you would like further information, please contact Carlos.Capurro@mail.doc.gov, the CS Santiago Mining Specialist. Visit our website (www.buyusa.gov/chile) to discover other commercial opportunities in Chile. (January, 2004)

This report was produced by Puente Sur Ltd.



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