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## **Peso Devaluation Widens Chilean Trade Deficit with Mexico in January-June**

*by LADB Staff*

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According to statistics released by the Mexican Embassy in Santiago, Chile, the devaluation of the peso and the resulting economic crisis in Mexico have significantly reduced Chile's exports to Mexico this year, while boosting Chilean imports of Mexican products. Carlos Sanchez, Mexico's commercial attache in Santiago, told the Chilean daily newspaper El Mercurio that Mexico attained a trade surplus of US\$166 million with Chile during January-June. During that period, Chile's exports to Mexico totaled only about US\$68 million, while the country's imports of Mexican products totaled US\$234 million. Sanchez's statistics supported a report released in September by Mexico's official statistics agency (Instituto Nacional de Estadística, Geografía e Informática, INEGI), which showed that the devaluation of the peso has tipped the trade relationship between the two countries to favor Mexico.

While the INEGI report contained a slightly different Mexican trade surplus with Chile, the report nevertheless indicated that Mexican exports to Chile during January-June increased by 83% from the same period in 1994, while Mexican imports of Chilean products declined by about 38% (see SourceMex, 09/20/95). Sanchez himself did not offer a comparison with a year ago. However, recent statistics released by Chile's central bank in mid-July showed that Mexico incurred a trade deficit of US\$3.6 million with Chile in the January-May period in 1994 (see SourceMex, 07/12/95). Despite the significant change in the trade relationship with Chile over the past year, Sanchez told El Mercurio that the balance sheet could even out once the Mexican economy recovers. "

At that point, Mexico will become a very important market for Chilean products," he said. Sanchez made a strong effort to point out the continuing importance of Chile to Mexico, since the two countries continue to expand trade. He noted that the US\$302 million in total trade between the two countries in January-June represents an increase of 34% relative to the same period in 1994. Additionally, the two countries, which implemented a free trade agreement in 1992, are the only two Latin American members of the Asia-Pacific Economic Cooperation (APEC) forum. Sanchez noted that Chile could soon join Mexico as a partner in the North American Free Trade Agreement (NAFTA).

Sanchez did not provide a breakdown in the products that are increasingly moving from Mexico to Chile. However, other recent statistics indicate that automobile companies such as Volkswagen and Nissan appear to be increasing their shipments from assembly plants in Mexico to Chile to benefit from the currency advantage caused by the devaluation of the peso. In fact, in early October, Nissan officials in Mexico announced plans to ship 20,000 motor vehicles to Chile by the end of this year, mostly from the company's plant in Aguascalientes. "Given the crisis in Mexico, Chile has become the most important market in Latin America for us," Nissan president Masao Horie told reporters. According to Horie, who made the comments at an automobile industry fair in Chile, in 1994 Nissan sold 11,500 motor vehicles in Chile that were assembled in Mexico. Horie said Chile's

scheduled reduction of import tariffs on cars shipped from Mexico after Jan. 1, 1996, will provide further incentive for his company to expand exports from its plant in Aguascalientes to Chile. On the other hand, he said Nissan was not certain at this point what effect the reduction of import tariffs on cars and trucks assembled in Mexico would have on the final sales price for vehicles in Chile. Horie noted that Nissan is the motor vehicle company with the highest sales in the Chilean market.

On a related matter, statistics released by the Mexican Finance Secretariat (SHCP) indicate that Mexico continued to enjoy a wide trade surplus through the end of the third quarter of the year. According to the SHCP, Mexico's global trade surplus for January-September totaled US\$4.49 billion. In comparison, the SHCP had reported the country's trade surplus at US\$3.67 billion at the end of July. According to the SHCP, exports during January-September reached US\$51.5 billion, an increase of 32.5% relative to the same nine-month period in 1994. At the same time, imports reached only US\$47 billion in January-September, a decline of about 7.8% relative to a year ago. The SHCP said Mexico's trade surplus for September alone was US\$708 million. (Sources: Spanish news service EFE, 10/05/95; La Jornada, 10/06/95; Excelsior, 10/13/95; Agence France-Presse, 10/10/95)

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