



Critical factors for doing business in Chile

Sergio Silva Alcalde

**Latin America New Zealand Business Council
New Zealand Trade & Enterprise**

General Background

- Total area: 756.096 km² (continental Chile)
1.250.000 km² (Chilean Antarctica)

- Political system: Presidential democracy

- Population: 15,1 million

Capital: Santiago

- Population: 6 million

- Seat of National Government

- April 2011: the first Latin American 'City of the Future' 2011/12 fDi Magazine (a specialized magazine in foreign investment of the Financial Times group).



General Background

Trade organisations member	World Trade Organization (WTO) Asia-Pacific Economic Cooperation (APEC) South American Community of Nations (SACN) Mercosur (associate) Andean Community of Nations (CAN) (associate) Unasur
GDP U\$S	\$203.925 billion (2010)
GDP growth	5,2% (2010)
GDP per capita U\$S	\$ 11.929
GDP by sector (2008)	Agriculture & mining 22,5% Industry 25,2% Services 52,3%
Inflation (CPI)	3% (2010, dec/dec)
Labour force	7,74 million
Unemployment	8,2% 2010



General Background

Main industries	copper, other minerals, foodstuffs, fish processing, iron and steel, wood and wood products, transport equipment, cement, textiles.
Exports	\$71.029 billion fob (2010, goods)
Export goods	copper, fruit, fish products, paper and pulp, chemicals, wine
Main export partners	China 16.46%, U.S. 11.31%, Japan 9.06%, Brazil 4.64%, Mexico 4.09% (2009)
Imports	\$55.174 billion fob (2010, goods)
Import goods	petroleum and petroleum products, chemicals, electrical and telecommunications equipment, industrial machinery, vehicles, natural gas
Main import partners	U.S. 21.77%, China 12.76%, Argentina 9.55%, Brazil 6.46%, South Korea 5.35% (2009)
FDI materilized 1974-2010 U\$S	\$77.261 million



Economic Growth by Sources

(Labor growth is adjusted by scolarity level)

	growth	capital	labour	PTF
1996-1997	7,3	2,7	2,45	2,05
1998-2008	3,7	2,65	1,4	-0,35

Source: OECD Survey 2010





General Background



Main Activity by Region

XV R - Tourism, fishing and manufacturing.

I R - Mining, commerce and tourism.

II R - Known as de the world's copper capital and for its modern astronomical observatories.

III R - Farming, fishing, mining and tourism.

IV R - Pisco Production and astronomy.

V R - Regional Capital: Valparaiso, Chile's premier port, World Heritage Site. Also part of the region are Easter Island, and the Juan Fernandez Archipelago. National Congress seat.

MR - Country's industrial, commercial and cultural center.



Main Activity by Region

VI R - Farming and mining in El Teniente, the world largest underground copper mine.

VII R - Wine production, hydro- and thermoelectric plants.

VIII R - Mining, farming and university education.

IX R - Farming and tourism.

XIV R - Farming, forestry and university education.

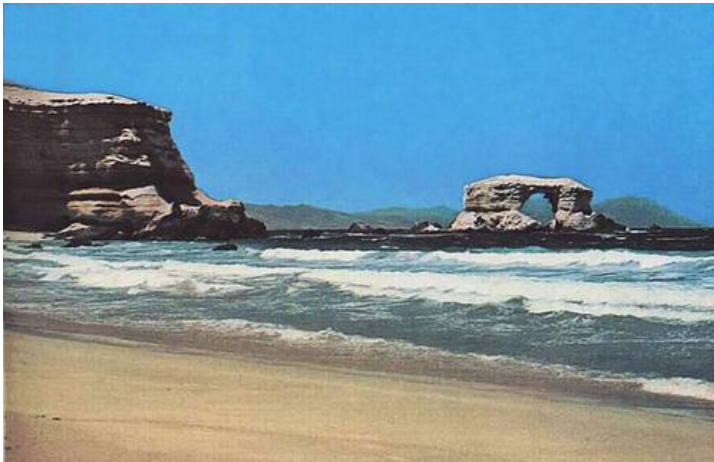
X R - Tourism, farming and fishing.

XI R - Stockbreeding, tourism, fishing and forestry.

XII R - Sheep breeding, fishing and tourism.



North of Chile



North of Chile



Performance in World Rankings 2011

<u>Publisher</u>	<u>Index</u>	<u>Overall ranking</u>	<u>Lat. Am. ranking</u>	<u>Countries surveyed</u>	<u>% rank.</u>	<u>Date</u>
IMD International	World Competitiveness Scoreboard 2011	25 ▲	1 —	59	42	2011/05
World Economic Forum	The Global Information Technology Report 2010-2011's Networked Readiness Index	39 ▲	1 —	138	28	2011/04
World Economic Forum	Travel & Tourism Competitiveness Index 2011	57 —	6 [2] —	139	41	2011/03
Sustainable Society Foundation	Sustainable Society Index 2010	46 ▼	5 ▼	151	30	2011/02
Heritage Foundation/The Wall Street Journal	2011 Index of Economic Freedom	11 ▼	1 —	179	6	2011/01



Performance in World Rankings 2010

Publisher	Index	Overall ranking	Lat. Am. ranking	Countries surveyed	% rank.	Date
The Economist	Democracy index, 2010	34 ▼	3 —	167	20	2010/12
World Bank	Doing Business - Ease of Doing Business, 2011	43 ▲	4 ▼	183	23	2010/11
United Nations Development Programme	Human Development Report - Human Development Index 2010	45 ▼	1 —	169	27	2010/11
World Economic Forum	The Global Gender Gap Index 2010	48 ▲	7 ▲	134	36	2010/11
FutureBrand/BBC World News	Country Brand Index 2010	40 ▲	4 ▲	110	36	2010/11
Transparency International	2010 Corruption Perceptions Index	21 ▲	1 —	178	12	2010/10
Reporters without borders	Worldwide Press Freedom Index 2010	33 ▲	2 ▲	178	19	2010/10



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Legatum Institute	Doima Business - 2010 Legatum Prosperity Index	32 ▲	2 ▲	110	29	2010/10
Fraser Institute	Economic Freedom of the World - 2010 ratings	5 —	1 —	141	4	2010/09
Forbes	Best Countries for Business, 2010	23 —	1 —	128	18	2010/09
World Economic Forum	Global Competitiveness Index, 2010	30 —	1 —	139	22	2010/09
Charities Aid Foundation	World Giving Index, 2010	39	3	153	25	2010/09
Newsweek	The World's Best Countries	30	1	100	30	2010/08
Fund for Peace	Failed States Index 2010	23 (155)[1]	1 (20)[1]	177	13	2010/06
Institute for Economics and Peace/Economist Intelligence Unit	The Global Peace Index, 2010	28 ▼	3 ▼	149	19	2010/06
Economist Intelligence Unit/IBM Institute for Business Value	Digital economy rankings 2010	30 —	1 —	70	43	2010/06



Combustion Points

1) Legal Framework

- The 'gypsy malediction'
- Difficulties to start up business from nothing
- Environmental liabilities

2) Partners

- In Chile is worthwhile positive to participate in private associations:
 - they have already gone through the learning curve.
 - they have the reputation and are best ranked.
 - they have the experience and are recognized -



Combustion Points

3) Enemies

•Have to be well, very well, defined and identified such as: -Some stakeholders: They could be very negative for our business.

- Neighbors

- Competitors : could affect our business through

 - Lobby

 - Media

 - Politicians

 - Open society



4) Risks Assessment

- Always, every day ask yourself: what my risk would be?:
Immediate run / short run / long run.
- Red Tape
- Law enforcement
- Avoid paying bribes
- Optimum leverage

5) Cyclical Economy

Each 5 years you have to be prepared for a negative cycle.



From where we come and towards we decided to go.

Economic history – three moments

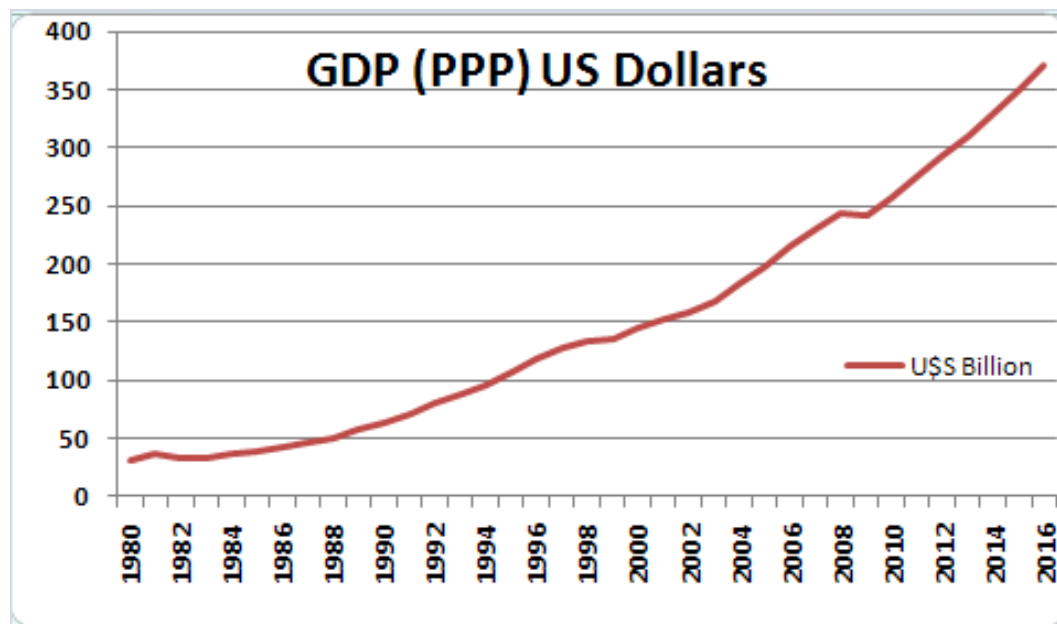
- 1810 – 1930: Saltpeter (Potassium nitrate) production with a little industry totally linked with a series of bad public investment
- 1930 – 1974: Big depression hit the economy, State planning
- 1974 - to present: Market economy: price liberalization, international trade liberalization with a restructuring on the duties, size of state reduction, cut subsidies to protected industries.



Where we come from and towards we want to go



GDP



GDP



Objectives to attract more investment

- Preserve stability at all costs → Best macro policy
 - Modernize state, regulatory system → Good place for doing business
 - Create labor market for 21st century → Flexible labor market
→ Knowledge economy
(educational reform)
 - Diverse cluster → Economy based on Chilean strengths
 - Drive decentralization and specialization
 - Trade and services for region : → World class infrastructure like Singapore
→ Financial services
→ Knowledge center where people have incentives to come
- R&D



Beachhead Advisor Sergio Silva Alcalde

- THANK YOU VERY MUCH
- GOOD LUCK





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