

# Chile



**Carolina Ordonez**

ProChile Chicago

Consulate of Chile 2010

[www.facebook.com/video/video.php?v=60096590209](http://www.facebook.com/video/video.php?v=60096590209)

pro|CHILE



**1.- Chile?**

**2.- Chilean Foreign Trade**

**3.- Chile as a Platform for US**

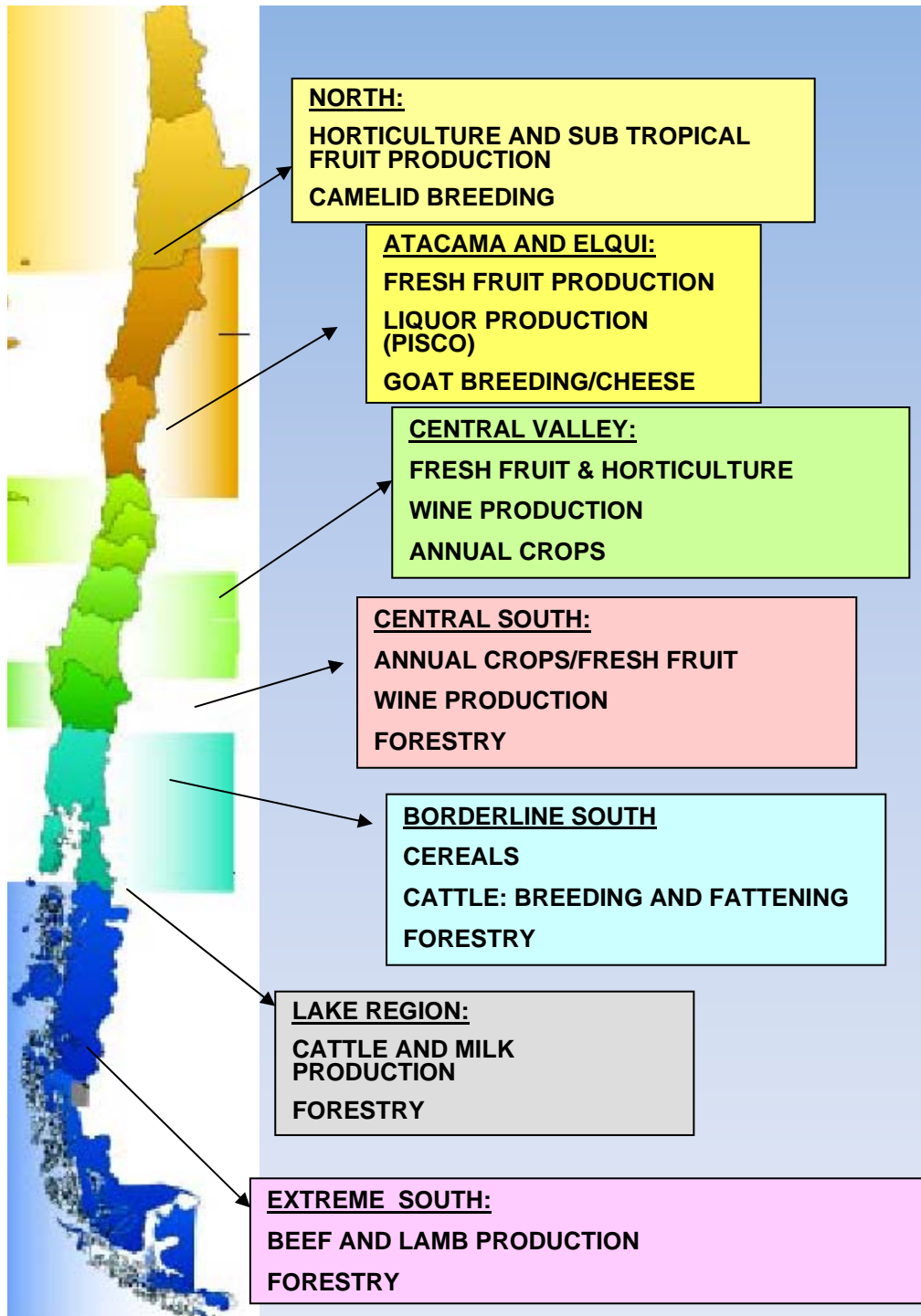
**4.- ProChile – Chilean Trade Commission**



# Chile, a paradise for food production



Unique diversity of soils and climates that enables a wide variety of food production throughout the country



**CHILE, A PRIVILEGED  
 FOOD SOURCE**



# The Atacama Desert

The driest in the world, in the North...







...Glaciers in the South...

pro|CHILE



... And the Pacific Ocean to the West...



pro|CHILE





...The amazing Andes Mountain Range to the East...

pro|CHILE



Easter Island is the most remote place on Earth.



pro|CHILE

## Chile - Basic Data 2010

<b>Population:</b>	<b>16.8 M</b>
<b>Urban Population</b>	<b>85.6%</b>
<b>Annual rate of growth</b>	<b>1.2%</b>
<b>Literacy rate</b>	<b>96.3%</b>
<b>GDP (2009)</b>	<b>US\$ 161,8 B</b>
<b>GDP per capita (PPP-2009)</b>	<b>US\$ 14,341</b>
<b>GDP average 1986-2009</b>	<b>5.5%</b>
<b>Accumulated Inflation in 2010</b>	<b>1.7%</b>
<b>Unemployment 2010 average (Jan.-April)</b>	<b>8.6%</b>
<b>Fiscal surplus 2009 as % of GDP</b>	<b>5.3% (US\$ 8.8B)</b>

[www.youtube.com/watch?v=X4ltLB47BKI&feature=channel](http://www.youtube.com/watch?v=X4ltLB47BKI&feature=channel) US

[www.youtube.com/watch?v=FxlGRmVFUc8&feature=channel](http://www.youtube.com/watch?v=FxlGRmVFUc8&feature=channel)

pro|CHILI



Sources: World Bank, EIU, IMF, INE,, Central Bank of Chile



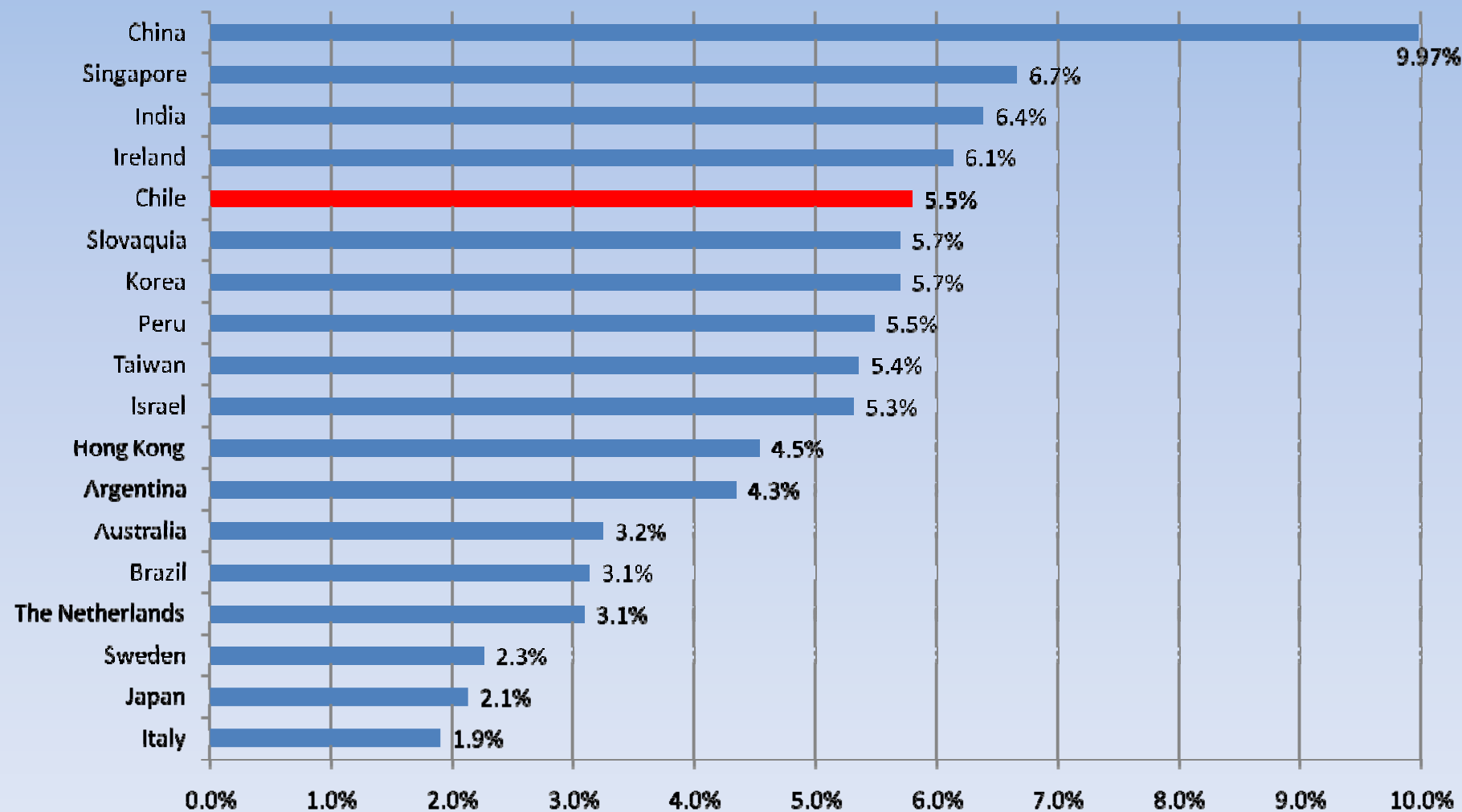
# Human Development

## Key facts:

- Chile is ranked number **44** in the 2009 UN Human Development Report, above all other countries in the region.
- Infant mortality is **6 per 1000** inhabitants (equivalent to the U.S., Denmark, Austria and New Zealand)
- Universal health system (AUGE) covers **66** mayor pathologies
- The literacy rate is **93.6%** of the population
- **80%** of the population completes the secondary education system (12 years)
- **15%** of the population has a higher education degree
- **50.4%** of the population has access to the Internet

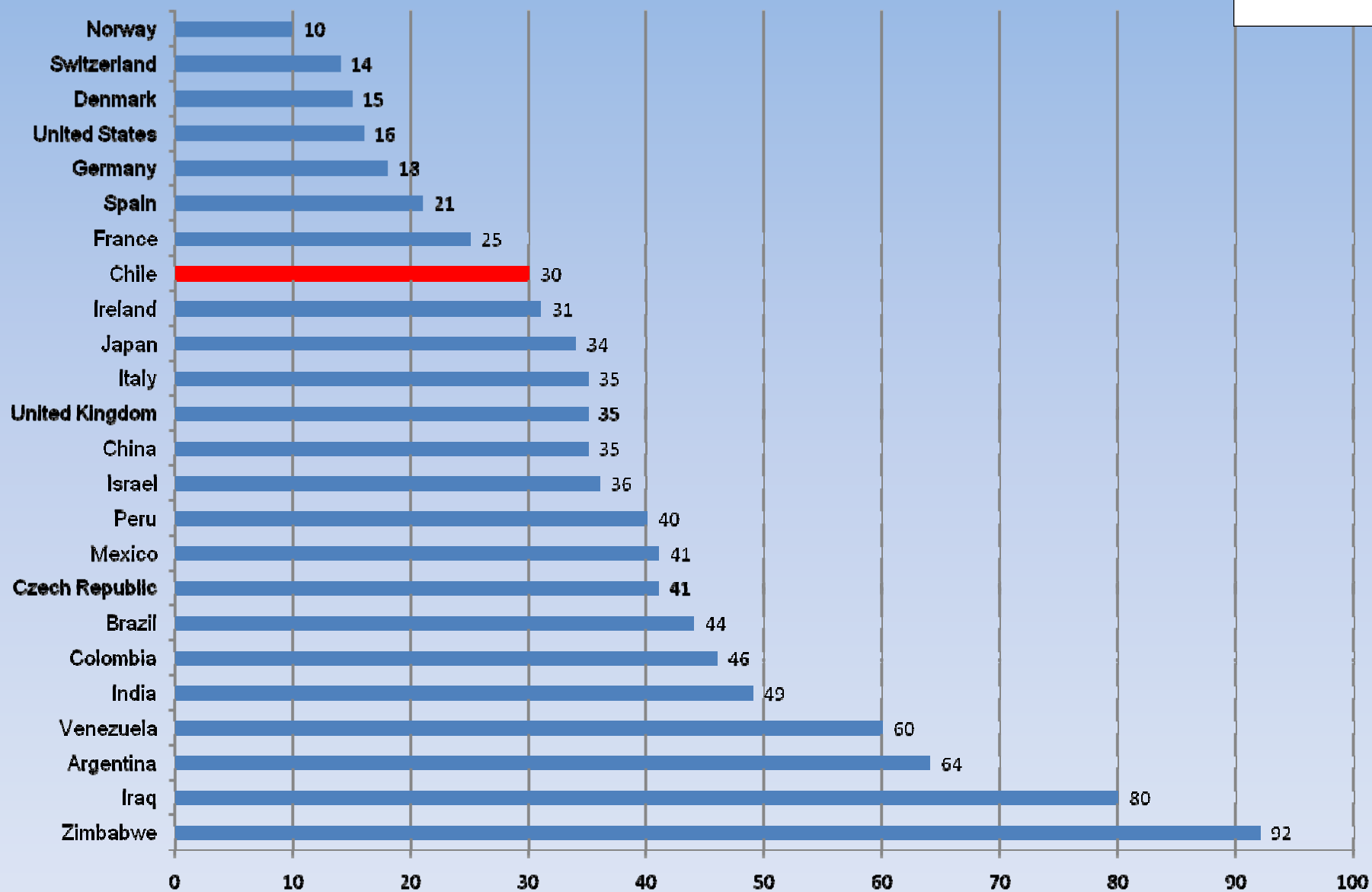
# Average annual GDP growth 1986 – 2009

Selected economies (%)



Source: International Monetary Fund, IMF ([www.imf.org](http://www.imf.org))

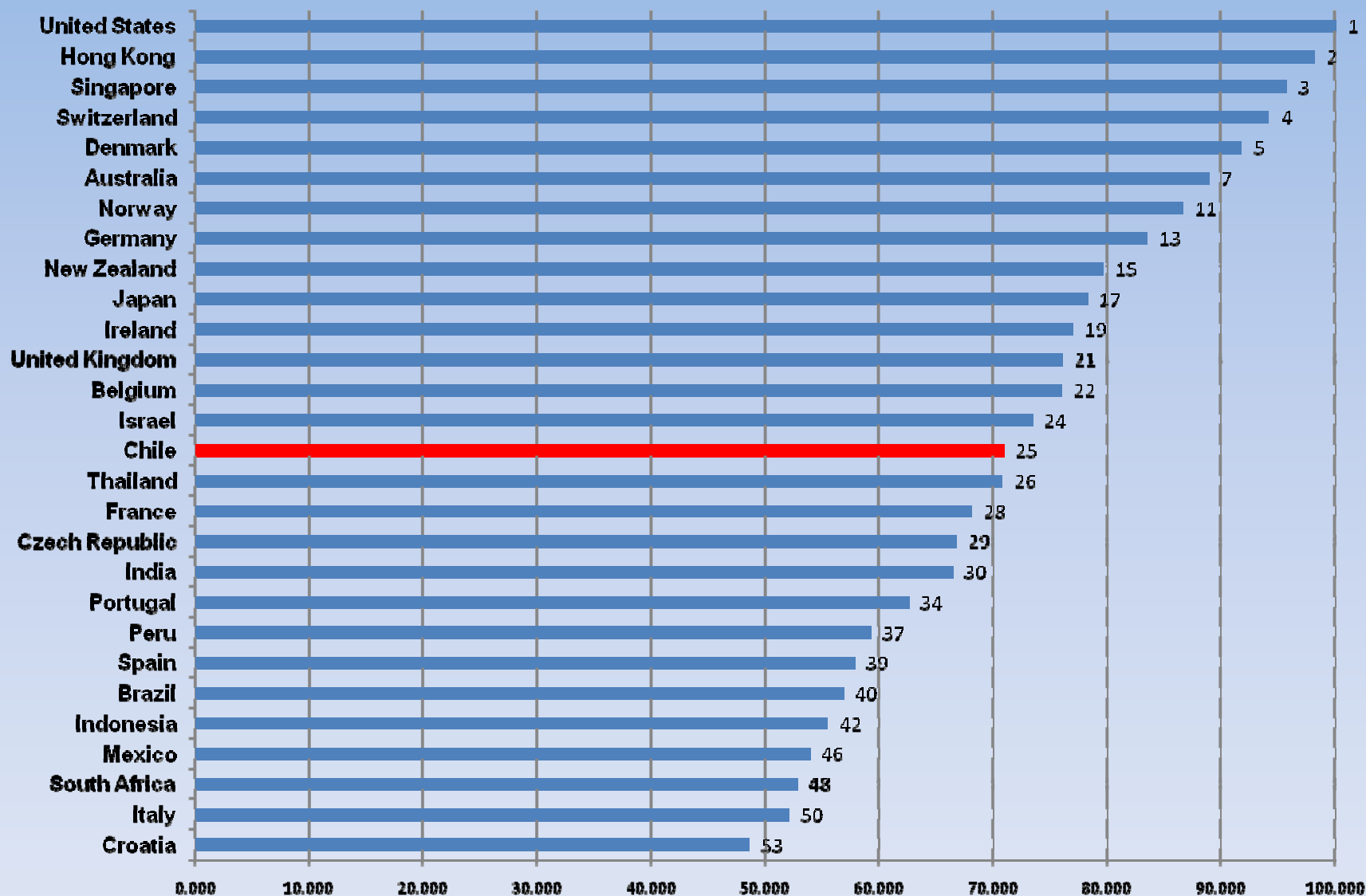
## Country Risk Ranking (0: minimum risk, 100: maximum risk) **pro**CHILE



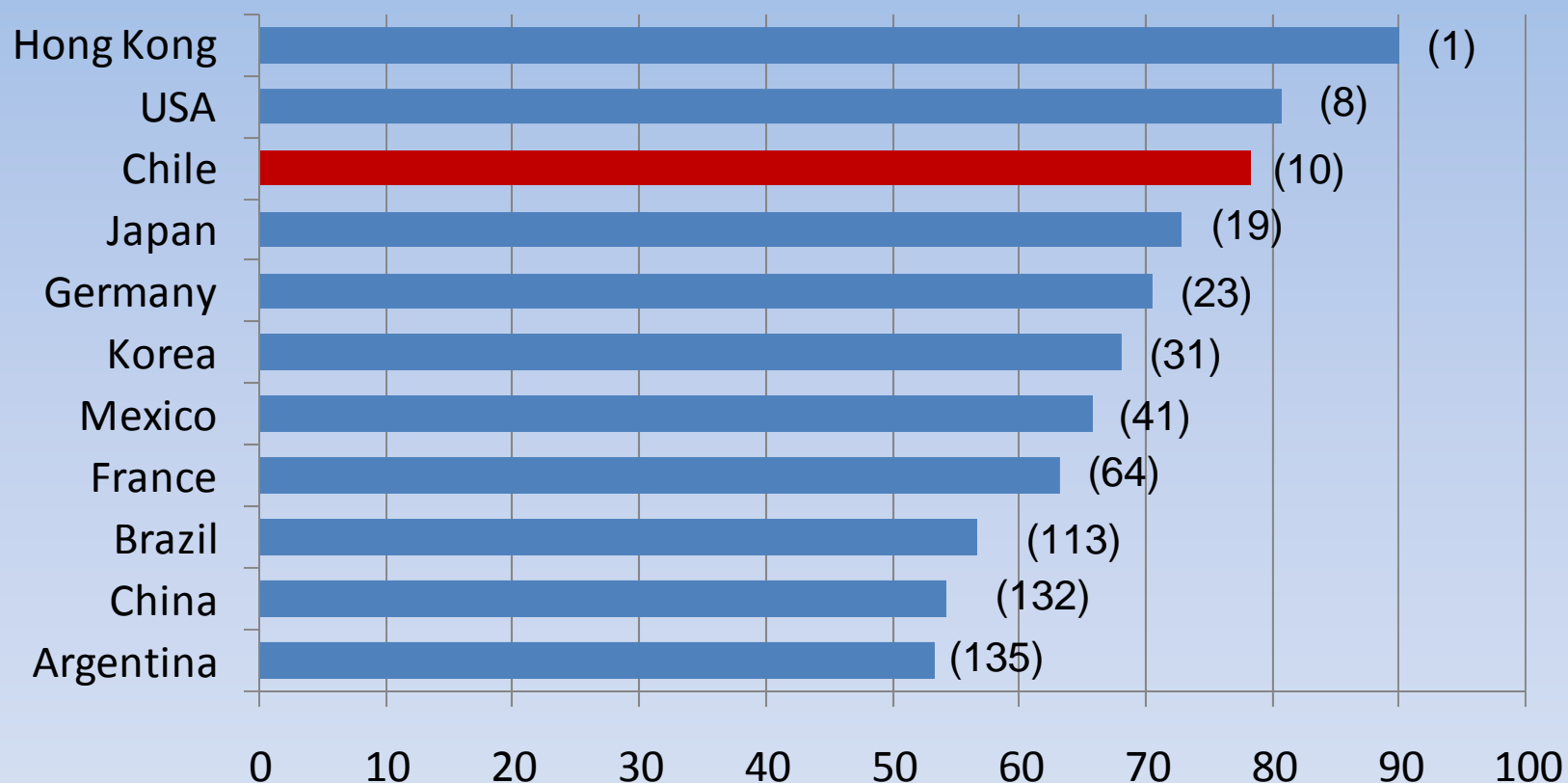
Source: Economist Intelligence Unit ([www.eiu.com](http://www.eiu.com)), March 2009



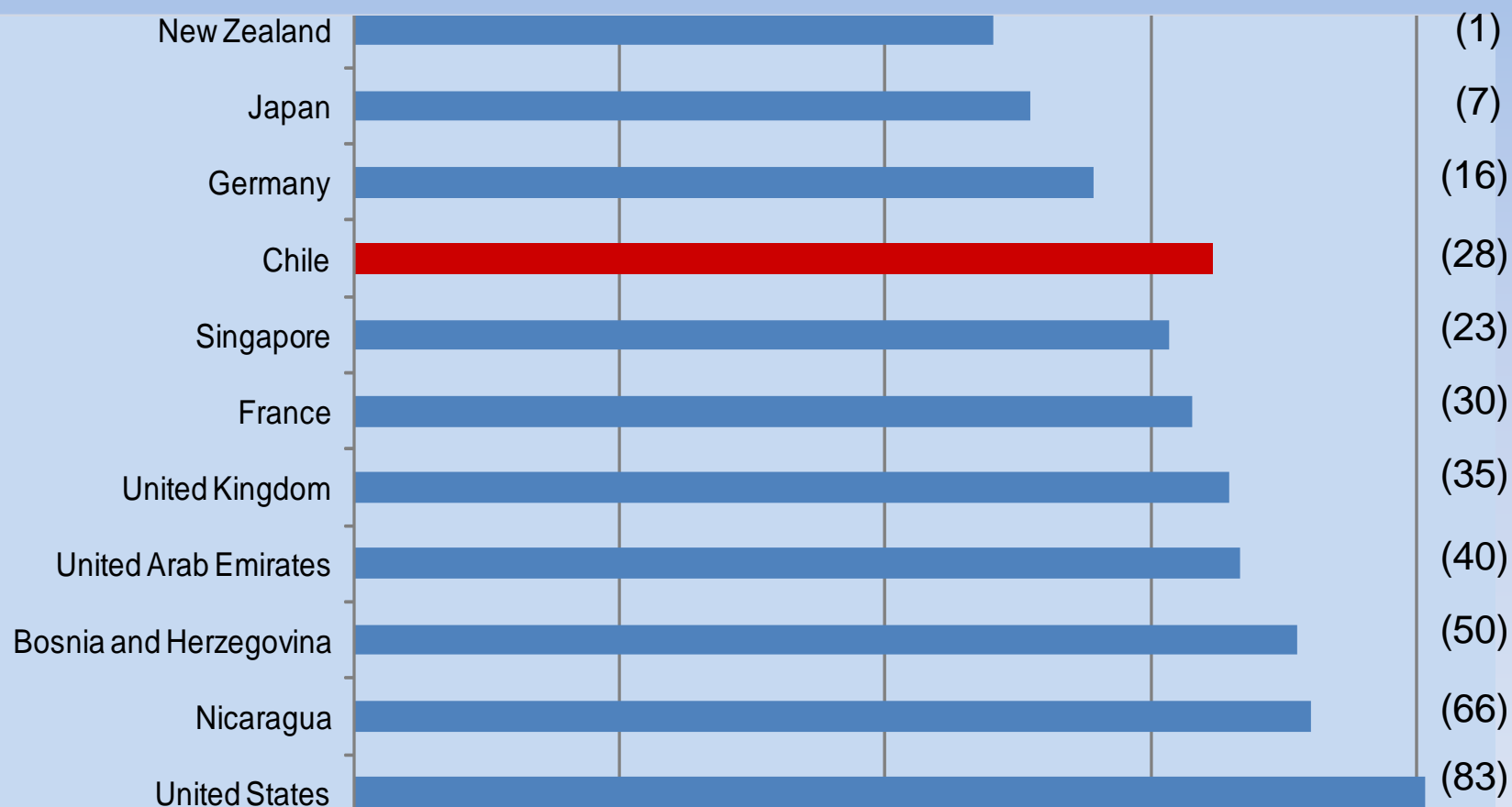
## IMD Competitiveness 2010 (Selected economies; position)



# Index of Economic Freedom - 2010



# Global Peace Index of 2010





## Corruption Perception Index - 2009

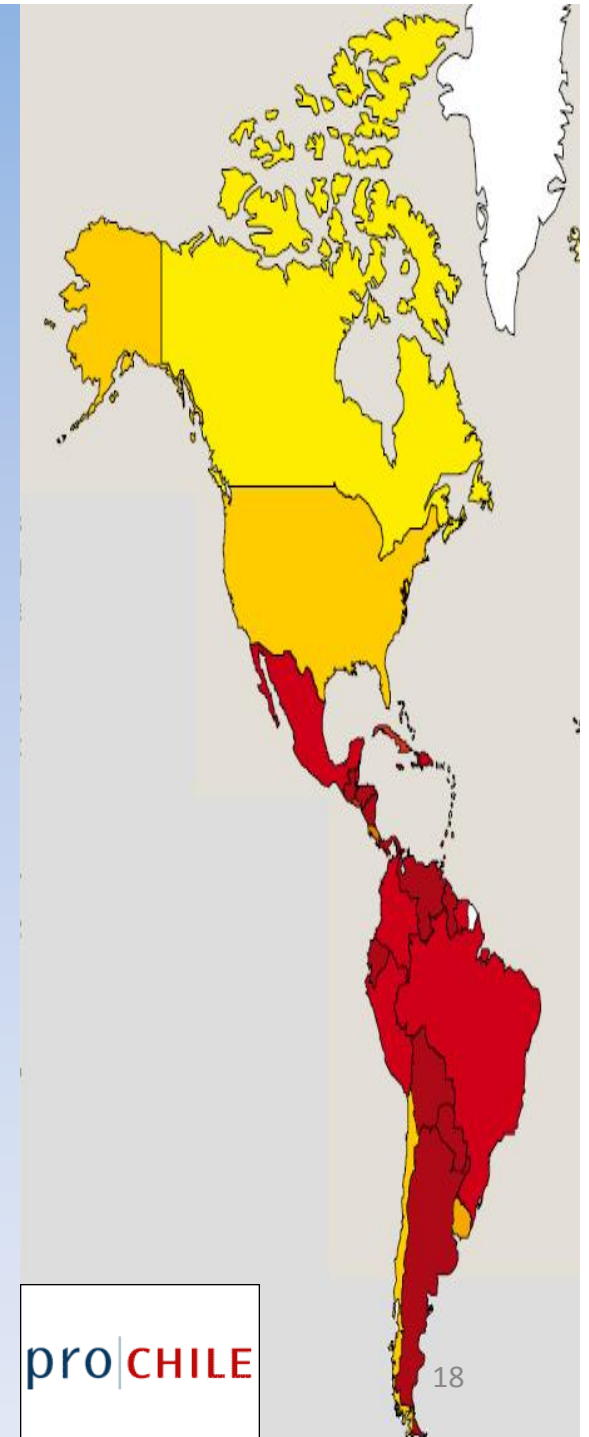
Nº	Country	Score
• 1	New Zealand	9.4
• 2	Denmark	9.3
• 3	Singapore	9.3
• 4	Sweden	9.2
• 5	Switzerland	9.0
• 6	Finland	8.9
• 7	Netherlands	8.9
• 8	Australia	8.7
• 9	Canada	8.7
• 10	Iceland	8.7
• 11	Norway	8.6
• 12	Hong Kong	8.2
• 13	Luxemburg	8.2
• 14	Germany	8.0
• 15	Ireland	8.0

Nº	Country	Score
• 16	Austria	7.9
• 17	Japan	7.7
• 18	U. Kingdom	7.7
• 19	USA	7.5
• 20	Barbados	7.4
• 21	Belgium	7.1
• 22	Quatar	7.0
• 23	Saint Lucia	7.0
• 24	France	6.9

### • **25 Chile 6.7**

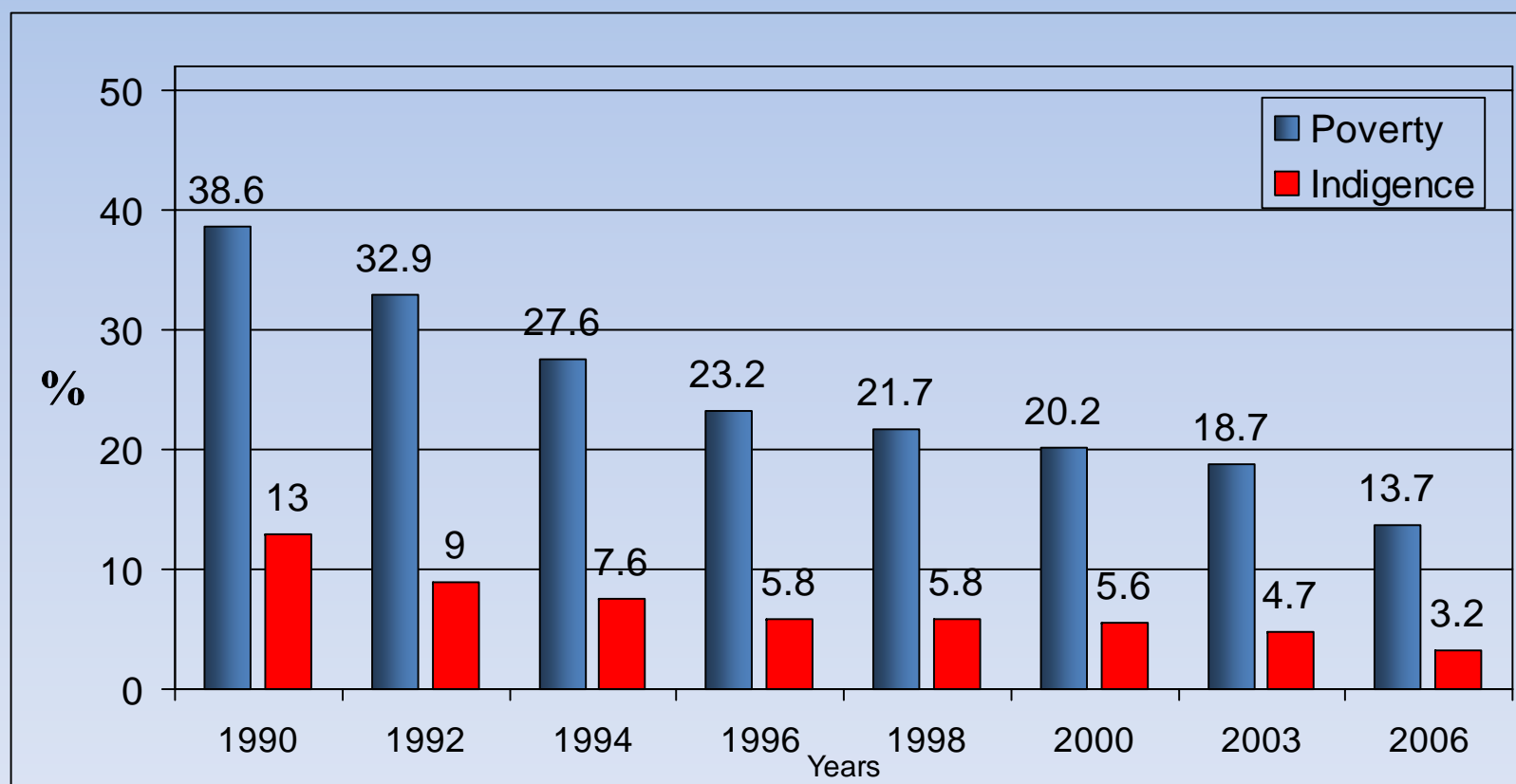
• 26	Uruguay	6.7
• 43	Costa Rica	5.3
• 61	Cuba	4.4
• 68	Colombia	3.8
• 75	Brazil	3.7
• 76	Colombia	3.7
• 77	Peru	3.7
• 89	Mexico	3.3

Source: Transparency International  
([www.transparency.org](http://www.transparency.org)), 2009



# Chile: Poverty and Indigence

(Percentage of total population)



Source : Ministry of Planning, CASEN survey

# CHILEAN TRADE POLICY

- It is **based** on macro-economic policy that promotes free and open trade and investments.
- 65% of Chile's GDP is generated by Trade
- Chile's strategy on Trade Policy:
  - **Unilateral:** low and flat tariff (6% Most Favored Nation), although real average tariff applied is 2.1%.
  - **Bilateral:** for the past 20 years, Chile has opted for bilateral agreements such as free trade agreements, economic complementation, and preferential agreements.
  - **Multilateral:** MERCOSUR, CAN (Andean Community of Nations), ALADI (Latin American Association of Integration), OECD
  - Multilateral: WTO



**1.- Chile?**

**2.- Chilean Foreign Trade**

**3.- Chile as a Platform for US**

**4.- ProChile – Chilean Trade  
Commission**

# FDI in Chile by Countries of Origin

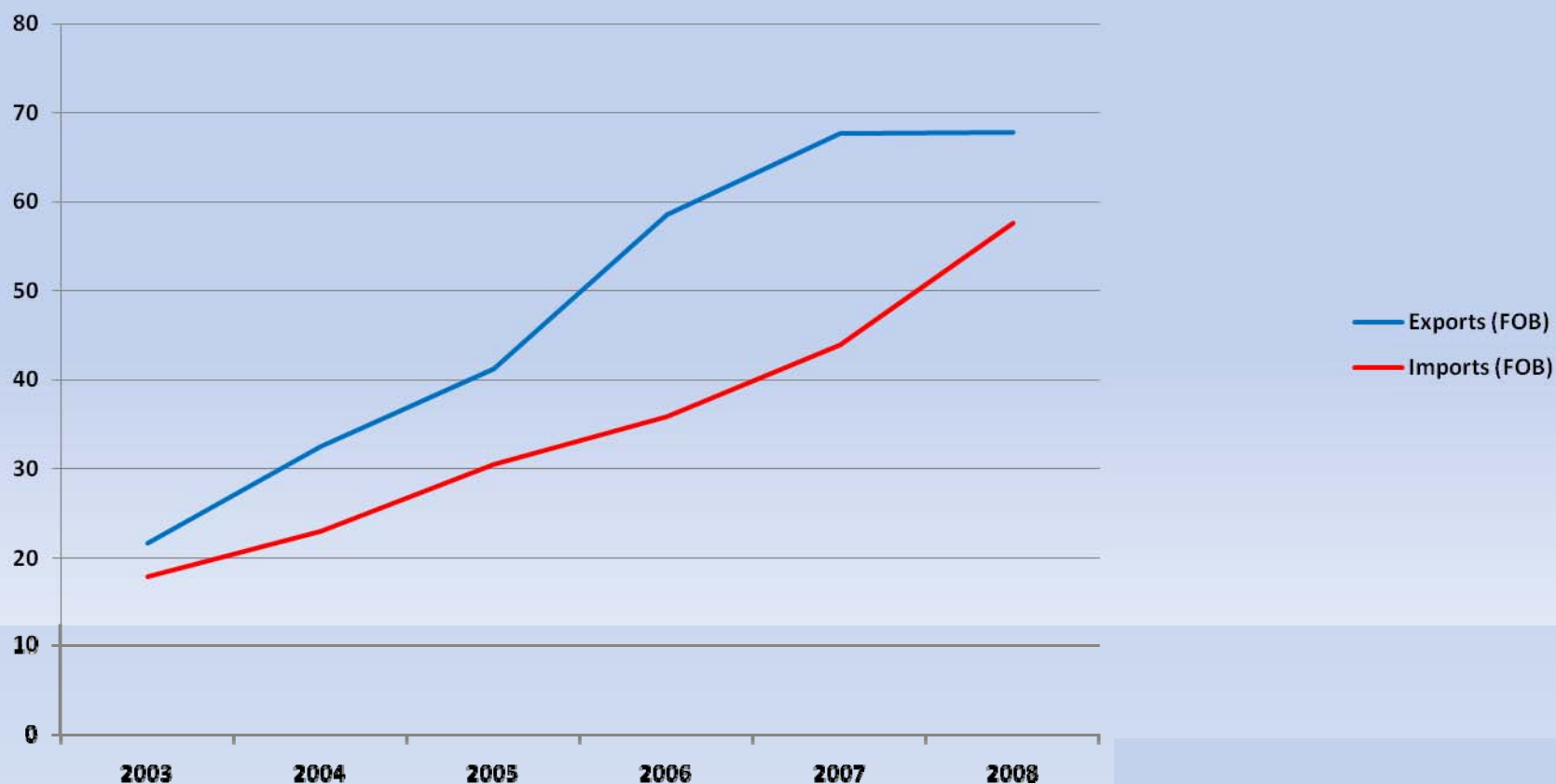
Million dollars



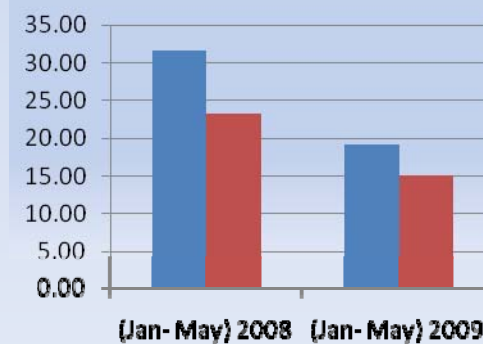
	1974-2008	Share (%)	2004-2008	Share (%)
<b>USA</b>	<b>16,860</b>	24.43	<b>1,234</b>	7.31
Spain	14,342	20.78	4,586	31.97
<b>Canada</b>	12,755	18.48	<b>4,631</b>	36.30
UK	5,667	8.21	4,596	8.11
Australia	3,069	4.45	834	27.17
Japan	2,239	3.24	517	23.09
Others	14,093	20.42	3,036	21.54
<b>Total</b>	<b>69,023</b>	<b>100</b>	<b>15,297</b>	

Source: Foreign Investment Committee

# Chilean Merchandise Trade – Worldwide



Source: Central Bank of Chile, in millions of U.S. Dollars



# Chile has preferential access to a market of 4 billion people in 57 countries





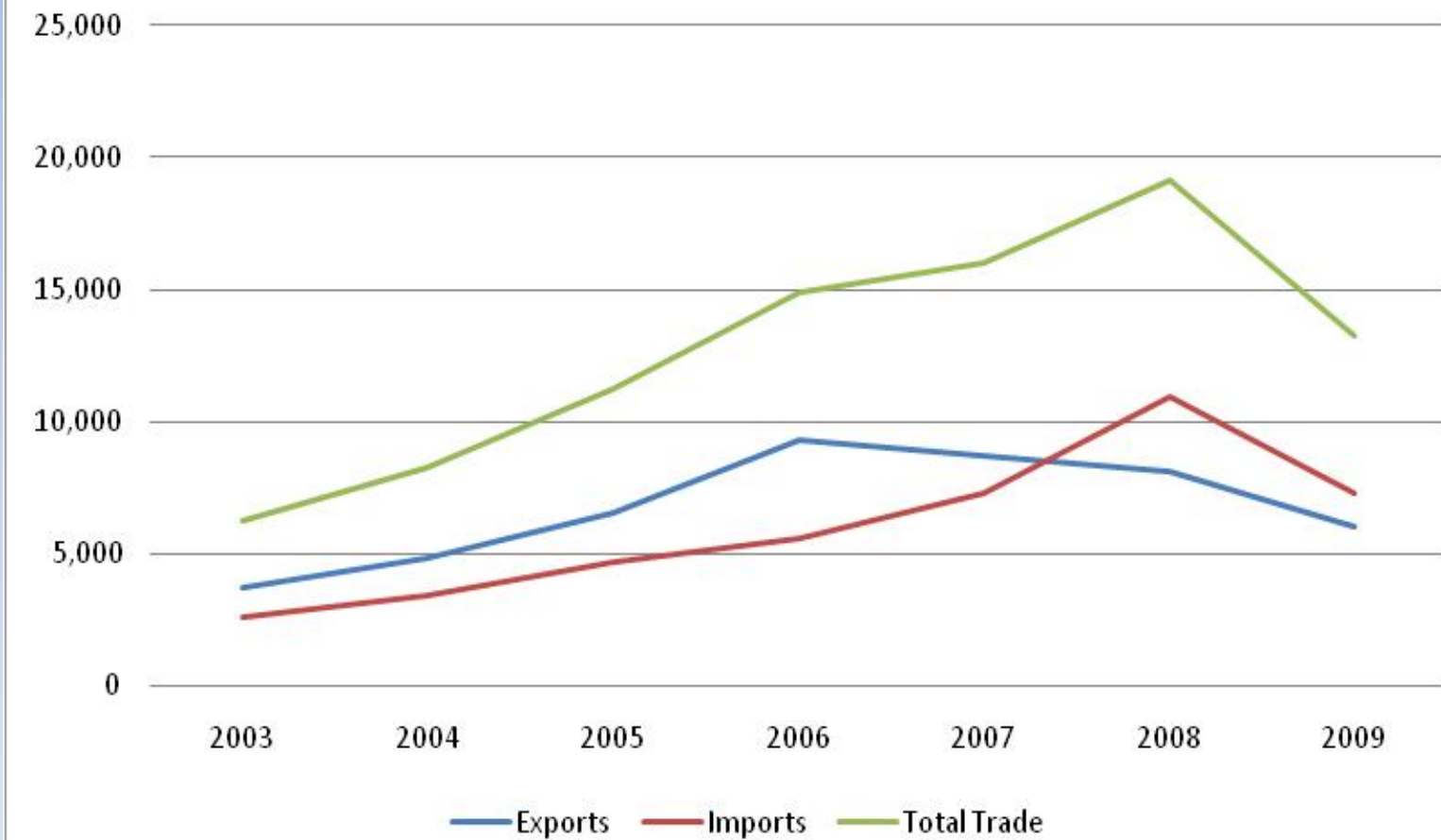
# Chile and The United States



**Free Trade Agreement**

**January 1, 2004**

## Chile US Trade Flows



Source: Central Bank of Chile, in billions of U.S. Dollars

# Main Exports

Copper – Salmon & Fish – Cellulose – Fruit - Wines



## Main Exports to the U.S. – 2009

Products	m. \$	%
Copper and articles	1570	26.1*
Grapes	605	10.1
Salmon	505	8.4
Wood	427	7.1
Wine	242	4.0
Gold	226	3.8
Avocados	151	2.5
Services	150	2.5
Blueberries	122	2.0
Iod	113	1.9
Salt	105	1.7

Source : Central Bank of Chile

\* Share of total copper exports to the world: 55.9%



## Main Imports from the US - 2009

Products	m. \$	%
Fuels	1.573	34.1
Truck parts	285	6.2
Machinery and parts	169	3.6
Lubricants and Oils	79	1.7
Vehicles	71	1.5
Wheat	51	1.1

## CHILE AND THE UNITED STATES 2009?

In 2009 the U.S. was our second trade partner, with an 11.7% share of Chile's Foreign Trade. Only surpassed by China.

In 2009 **1.897** products were exported by **2.098** firms. Chilean exports to the U.S. are mainly agriculture and mining.

## **CHALLENGES: CHILE AND THE UNITED STATES**

- 1. Complete Implementation of the FTA (2015), including acceleration of the tariff schedule**
- 2. Loss of competitiveness due to exchange rate and new FTAs**
- 3. Chile California Plan (Three pillars: Human Capital Development, Research and Development and Promotion of Trade)**

**1.- Chile?**

**2.- Chilean Foreign Trade**

**3.- Chile as a Platform for US**

**4.- ProChile – Chilean Trade  
Commission**



## Tariff preferences, 2008

Country	MFN	Effective Tariff
Argentina	8,6%	0,1%
Brazil	5,9%	0,1%
Paraguay	13,9%	1,8%
Uruguay	6%	1%
Colombia	13,9%	0,1%
Venezuela	15,3%	1,3%
Mexico	21,1%	0,03%
NAFTA (US, México, Canadá)	5,5%	0,1%
Central América	4,2%	1,0%

Source: Market Access/DIRECON

## Key elements to consider when facing a Platform Project.

- **Rule of origin** that **imported materials** from the partner country must meet in Chile.
  - **Tariff preference** that imported materials pay in Chile (average tariff below 1%).
- 
- **Rule of origin** that the final good must meet in the **country of destination**.
  - **Tariff preference** of the final good in **the country of destination**.
  - **Other issues as:** Sanitary and Phytosanitary measures, costs of transportation, infrastructure, taxes, etc.

# Using Chile as a Platform involves three stages

## Stage N°1

### Stage N°1

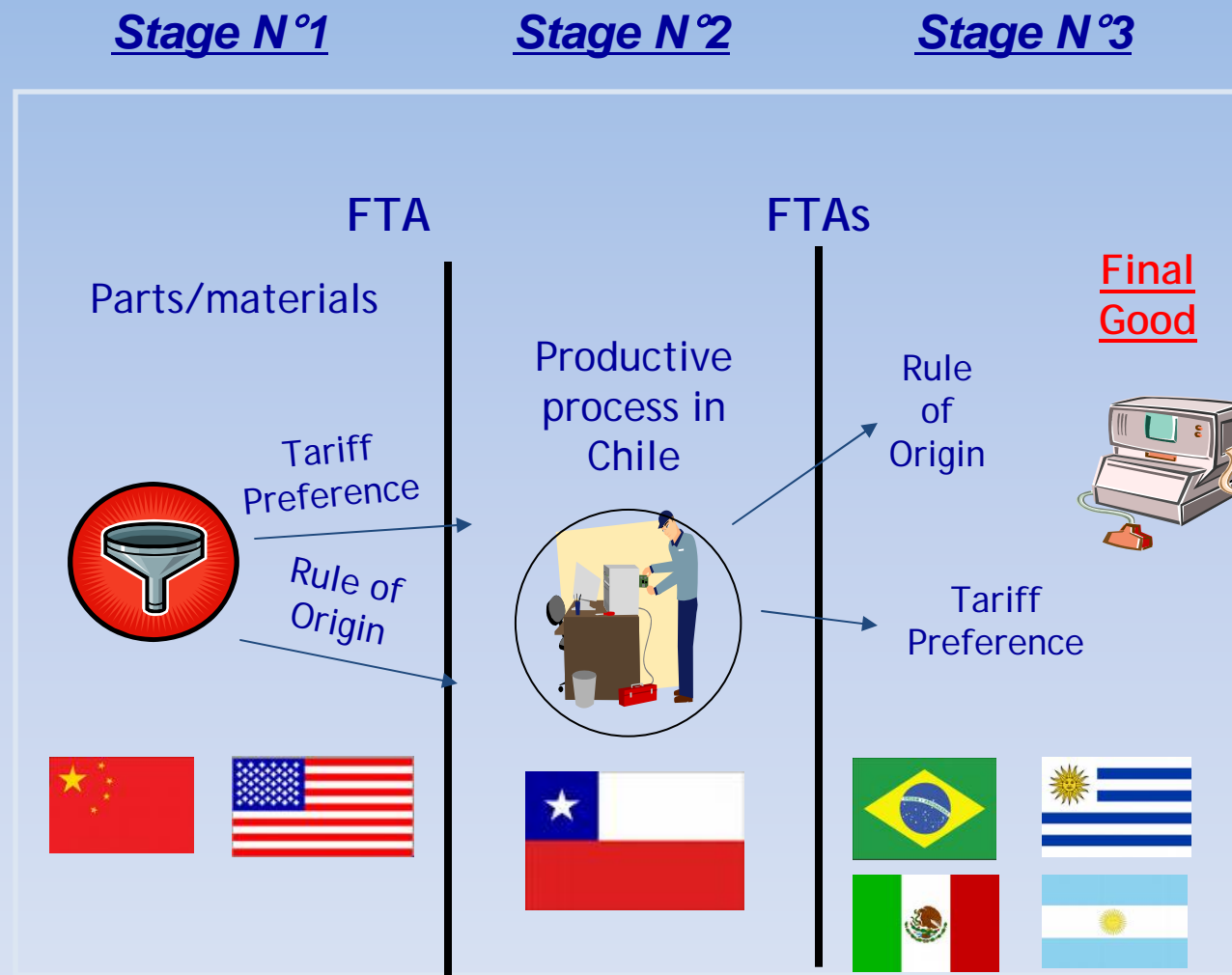
Materials are imported to Chile with the tariff preference of the Agreement between Chile and that country.

### Stage N°2

The production process is carried out in Chile, to meet the rules of origin and be eligible for the tariff preference on the market of destination.

### Stage N°3

Export of the final good (that met the Rule of Origin) to the markets of interest.



➡ Through two ways: Alliances between firms or foreign investment in Chile.

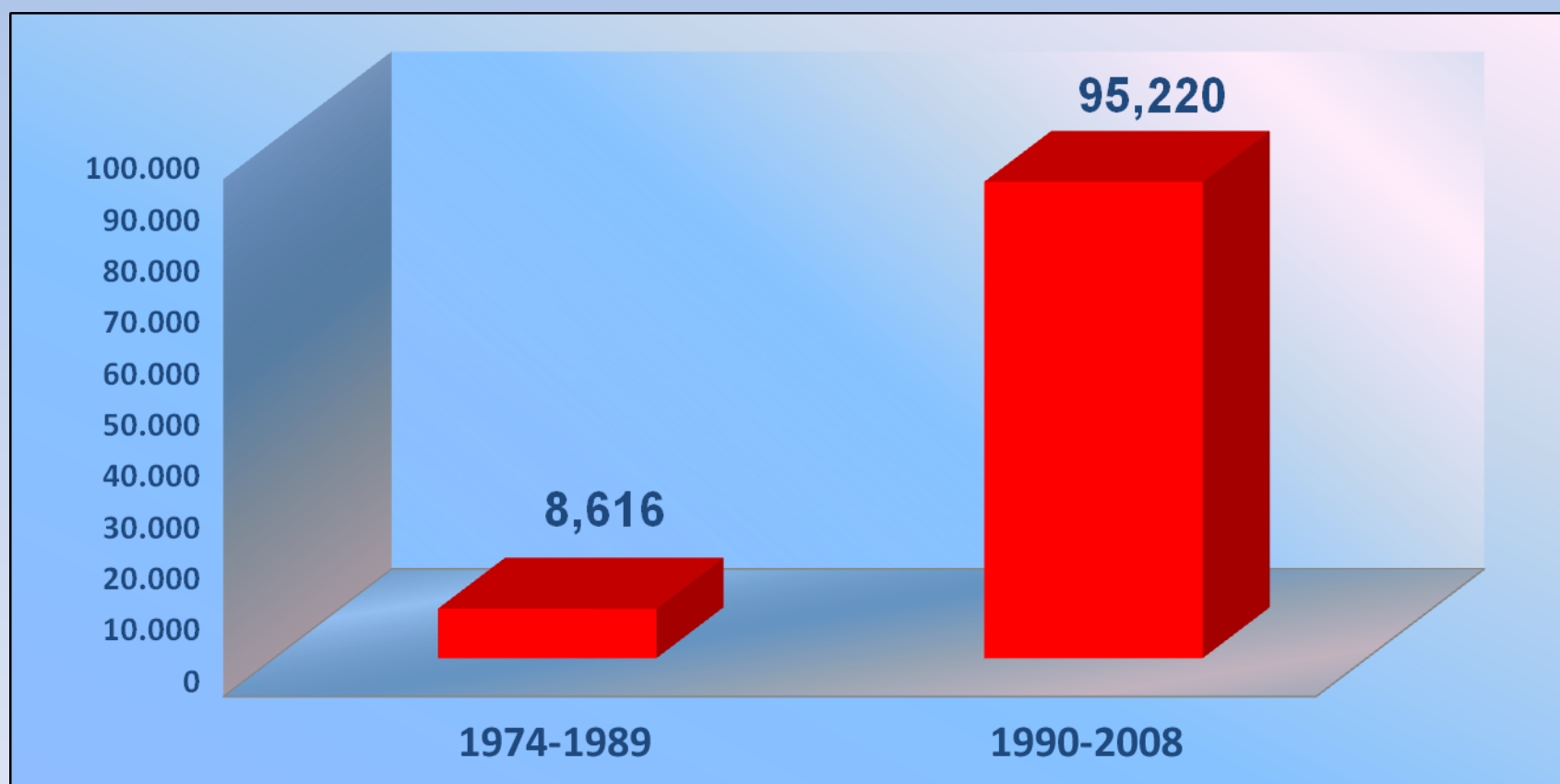
# Investment in the Chilean Economy

- Investment Platform:
  - Legal certainty
  - Non-discriminatory treatment
  - National Treatment and Most Favored Nation
  - Platform for trade and investment with Asia
- Use FTAs; scales (associativity), quality (certification), promotion tools (institutional framework).
- Opportunities in Agribusiness  
[www.calchamber.com/International/Documents/Opportunities%20in%20agrobusiness%20in%20Chile.pdf](http://www.calchamber.com/International/Documents/Opportunities%20in%20agrobusiness%20in%20Chile.pdf)



## Foreign Investment in Chile: Two periods (\*)

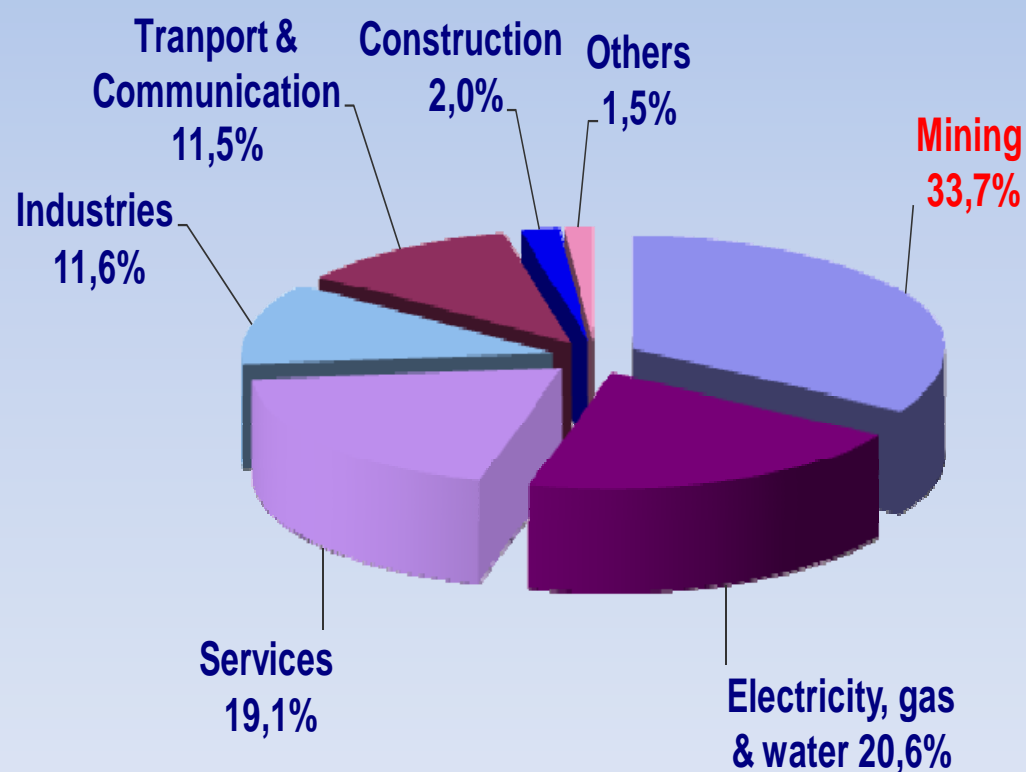
(1974-1989 vs 2000-2008. US\$ millions)



Source: Foreign Investment Committee.

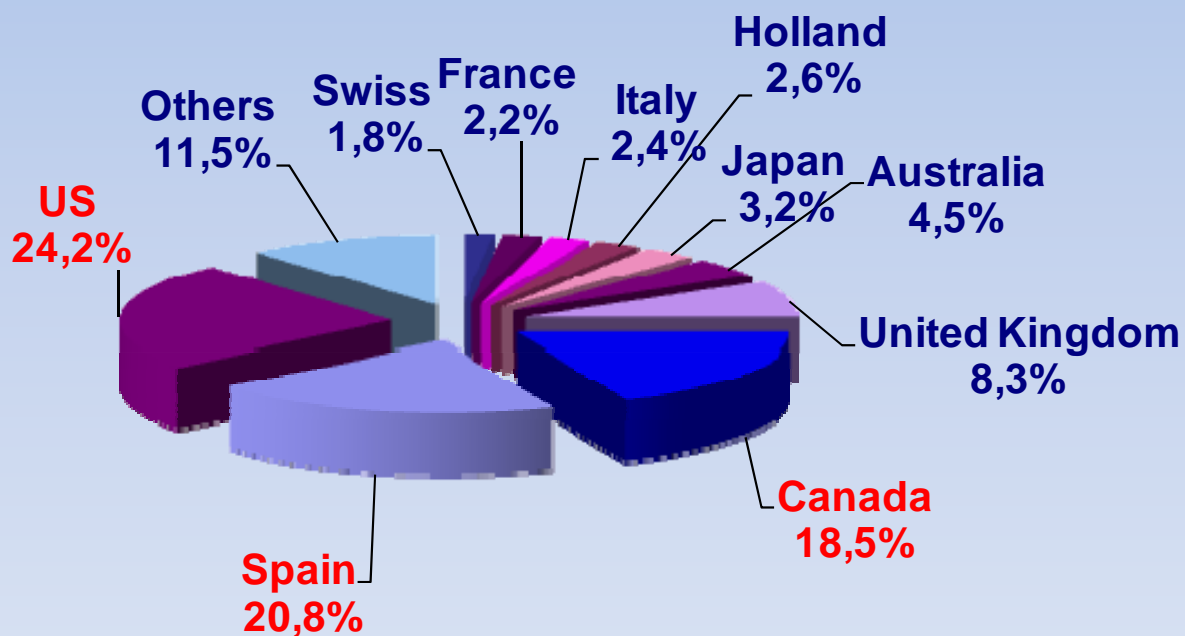
(\*) Total 1974-2008: US\$103.836 millions.

## Foreign Investment in Chile by Recipient Sector (1974- 2008)



Source: Foreign Investment Committe. [www.cinver.cl](http://www.cinver.cl)

## Foreign Investment in Chile by Country for Origin (1974 - 2008)



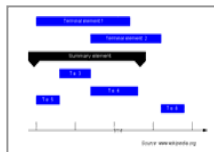
Source: Foreign Investment Committee. [www.cinver.cl](http://www.cinver.cl)

## ***CORFO – The Chilean Economic Development Agency***

Government organization committed with the **economic development** of Chile, through the promotion of inward investment and the support of competitiveness for domestic companies.

CORFO runs the [INVEST CHILE PROGRAM](#) with the purpose of attracting technology-intensive foreign investment and assisting companies interested in establishing permanent operations in Chile.

# Incentives



## Pre-Investment Study

Up to 60% of the pre-investment study cost.  
Maximum = **US\$30,000**

## Project launch assistance

Up to **US\$30,000** for start-up activities

## On-the-job training for Human Resources

Up to 50% of annual salaries.  
**Maximum= US\$25,000** per employee hired

## Equipment & Infrastructure

Up to 40% of investment on equipments and infrastructure.  
**Maximum=US\$ 2.000.000**

## Long term Property leasing

Up to 40% of long-term property leasing costs (5years).  
**Maximum=US\$ 500.000**

## Specialized Training & Recruitment

Up to 50% of the specialized training or recruitment.  
**Maximum=US\$ 100.000**

### Basic Application Requirements

- Foreign company
- High value project / High tech project
- Over US\$ 500.000 investment



# Innovation Incentives

Innova-CORFO provides matching grants for R&D:

**Entrepreneurial  
Innovation**

**1**

**Technology  
Transfer**

**2**

**Entrepreneurship**

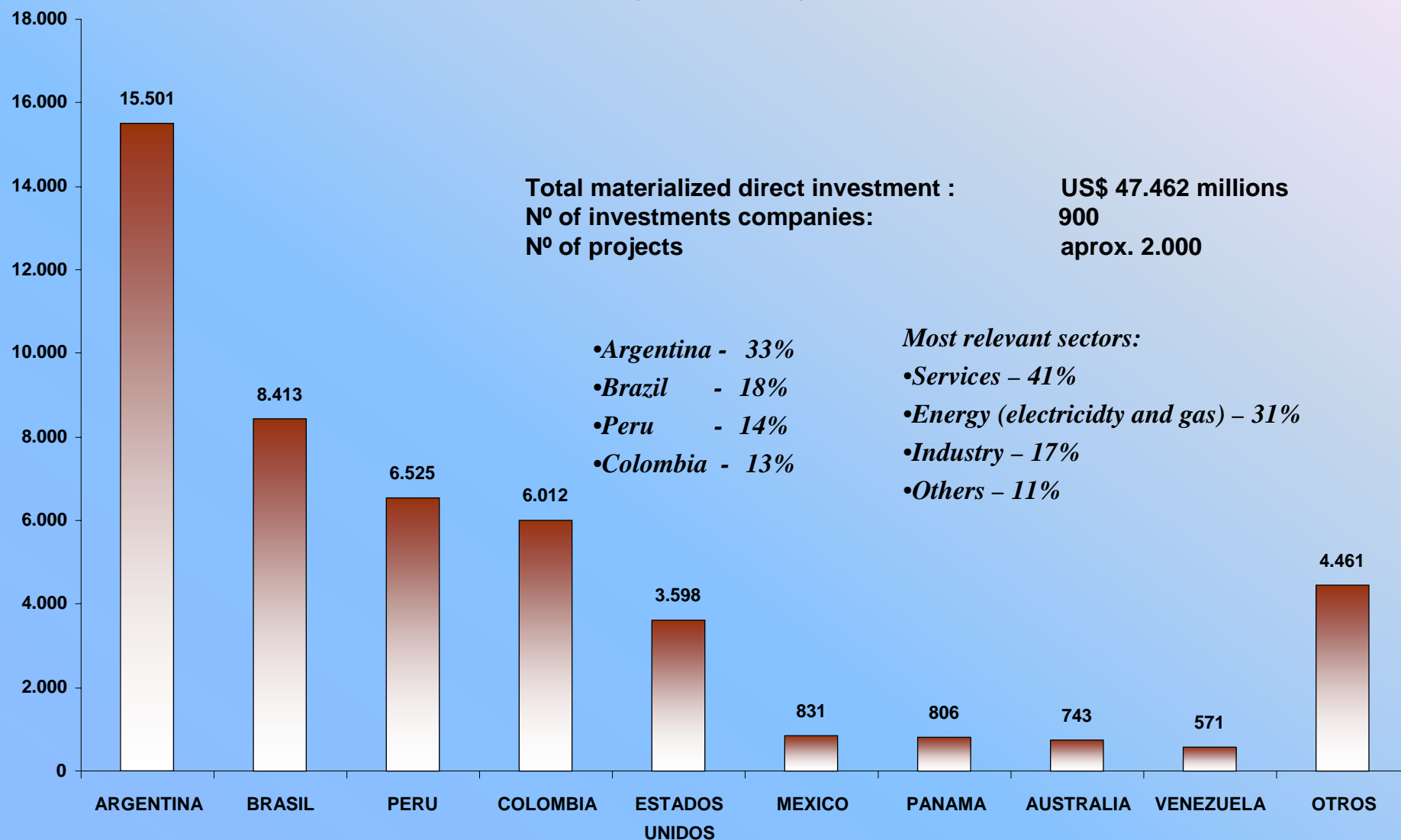
**3**

Private oriented R&D on process/product development	Technology diffusion and transfer from abroad	Foster entrepreneurship and new ventures
4 funding lines from US\$30K	<ul style="list-style-type: none"><li>• Technology missions;</li><li>• Internships;</li><li>• International consulting;</li><li>• Patenting;</li><li>• Technology Transfer Centers</li><li>• Funding from US\$ 30K to US\$ 600 K</li></ul>	<ul style="list-style-type: none"><li>• Funding from US\$ 10K to US\$400K</li></ul>

# CHILEAN CAPITAL INVESTMENT IN THE WORLD 1990 - 2008

## MAIN DESTINATIONS

(US\$ millions)



Source : DIRECON. Department of investments abroad.

**Compressors of a kind  
used in refrigerating  
equipment**



**Combined refrigerator-freezers,  
fitted with separate external  
doors**

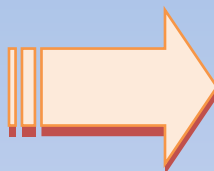


	<b>MFN</b>	<b>Tariff Chile</b>	<b>Rule of Origin - RVC*</b>
<b>Argentina</b>	20%	0%	60%
<b>Brazil</b>	20%	0%	60%
<b>Colombia</b>	20%	0%	50%
<b>Mexico</b>	20%	0%	50% - 40%

**\*RVC:** *Regional Value Content*

**Steel; Equipment for  
perforation or sounding**

**60% from abroad**



**Machines and tools of  
mining prospection**

**40% Chilean**



**0 % TARIFF**



	<b>MFN</b>	<b>Tariff Chile</b>	<b>Rule of Origin - RVC</b>
Argentina	10%	0%	60%
Brazil	10%	0%	60%
Colombia	5%	0%	50%
Mexico	5%	0%	50% - 40%

# Chile as a Platform

Foreign company	Country of origin	Inventions in Chile	Access to third country
Avon	USA	Distribution center and export of beauty and related products	Exports to Peru and Bolivia
Beierdorf	Germany	Production and export center for Latin America	Peru, Bolivia, Uruguay and Paraguay
British Oxygen Co.	UK	Indura: Production of industrial and gas equipment	Investment in Argentina, Peru, Ecuador, Colombia and Venezuela
Delta Airlines	USA	Contac & call center	Latin America
Endesa Spain	Spain	Enersis: generation and electricity distribution	Investment in Argentina, Brazil, Colombia and Peru
Equity International	USA	Acquisition: 12.5% of Parque Arauco	Regional platform in Latin America
Ericsson	Sweden	Development center of products and technologies	Latin America
Ewos (StattKorn)	Norway	Salmon mainstream	Exports to USA, Europe & Latin America
Fjord Seafood	Norway	Aquaculture firms Tecmar & SalmonAmerica	Exports to USA, Europe & Latin America
Global Crossing	USA	Optic fiber net for Internet communications	Argentina, Brazil, Colombia, Peru and Venezuela
Metrovacesa	Spain	Joint venture with Paz Froimovich constructions	Development projects in Latin America countries
Nutreco	Holland	Aquaculture companies Marine Harvest and Trow Chile	Exports to USA, Europe & Latin America
Packard Bell	USA	PC Assembly and distribution center for Latin America	Exports to Argentina, Bolivia, Peru, Ecuador, Uruguay, Colombia, Venezuela y Central America
Premdor	Canada	Joint venture with Forestal Terranova, through its subsidiary Fibramold	Investment in Venezuela. Exports to USA y Latin America
Silica Network	UK - USA	Telecomunicaciones	Services in Argentina and Latin America



Foreign company	Country of origin	Inventions in Chile	Access to third country
Aramak	USA	One of the biggest companies in business administration services in the world	Has Central Restaurants as its platform for expansion in Latin America
Varco Prudent (IMSA Group)	USA-Mexico	Production plant equipment	Exports to Bolivia, Colombia, Ecuador and Peru
Aplina	Colombia	Food processing and beverage (milk)	USA, Peru y Central America
Auxiliar Conservadora S.A.	Spain	Manufacture of metal packaging for the food industry and fisheries	All export markets
Avomex	Mexico	Food processing and beverages (Plant avocados).	Asian Pacific and American markets
BHP-Billinton	Australia	Mining	All export markets
Cia Vale do Rio Doce	Brazil	Mining and quarrying	All export markets
Conagra Foods Lams Weston	USA	Food processing and beverages (development of frozen French fries and dehydrated mashed).	National and South American market
Cooke Aquaculture	Canada	Food processing and beverages (Salomon)	All export markets
Migulez	Spain	Manufacturing of machinery and electrical appliances	National and South American market
Ener-Renova	Spain	Wind Energy	National and South American market
Romero Group	Ecuador	Industry, agribusiness and construction.	South American market
Lenovo	China	Computing.	National and South American market
Peinsa S.A.	Spain	Olive trees plantations.	USA, Brazil and South America
Posco Engineering & Construction (E&C)	Korea	Central generating electricity.	National and South American market
Santa Monica Sport	Spain	Rights of sports brands.	National and South American market
Sanvik Chile	Sweden	Mining and construction.	World market
Spinvox	England	Telecommunications (SMS to cell phones and e-mail)	South American market
Distillates fruit factory Rudolf Jelinek	Czech Republic	Food processing and beverages.	USA, Germany, Italy and Austria, among others

### 1. COMPANY: INDUSTRIAL ENGINEERING GRI

Strategic alliance with a U.S. company,  
Product: Machinery used in the fabrication of chocolates  
exported to Mexico and the United States with tariff 0%.



### 2. COMPANY: FMA INDUSTRIAL (CHILE)

Cable handlers exported to Colombia with 0% tariff.  
Part of the truck is done in Brazil and all the back part of it is done  
In Chile, giving the value of content necessary to meet the rule of origin.



### 3. COMPANY: RHI

Industrial robotic manipulator arm that is used to clean furnaces in the copper mining.  
Austrian technology. From Austria to Brazil each robotic arm had a cost of  
US\$800 thousands and tariff 14%. From Chile to Brazil 1 arm cost US\$400 thousands  
with tariff 0%.



Source: SOFOFA

**1.- Chile?**

**2.- Chilean Foreign Trade**

**3.- Chile as a Platform for US**

**4.- ProChile – Chilean Trade  
Commission**

# PROCHILE

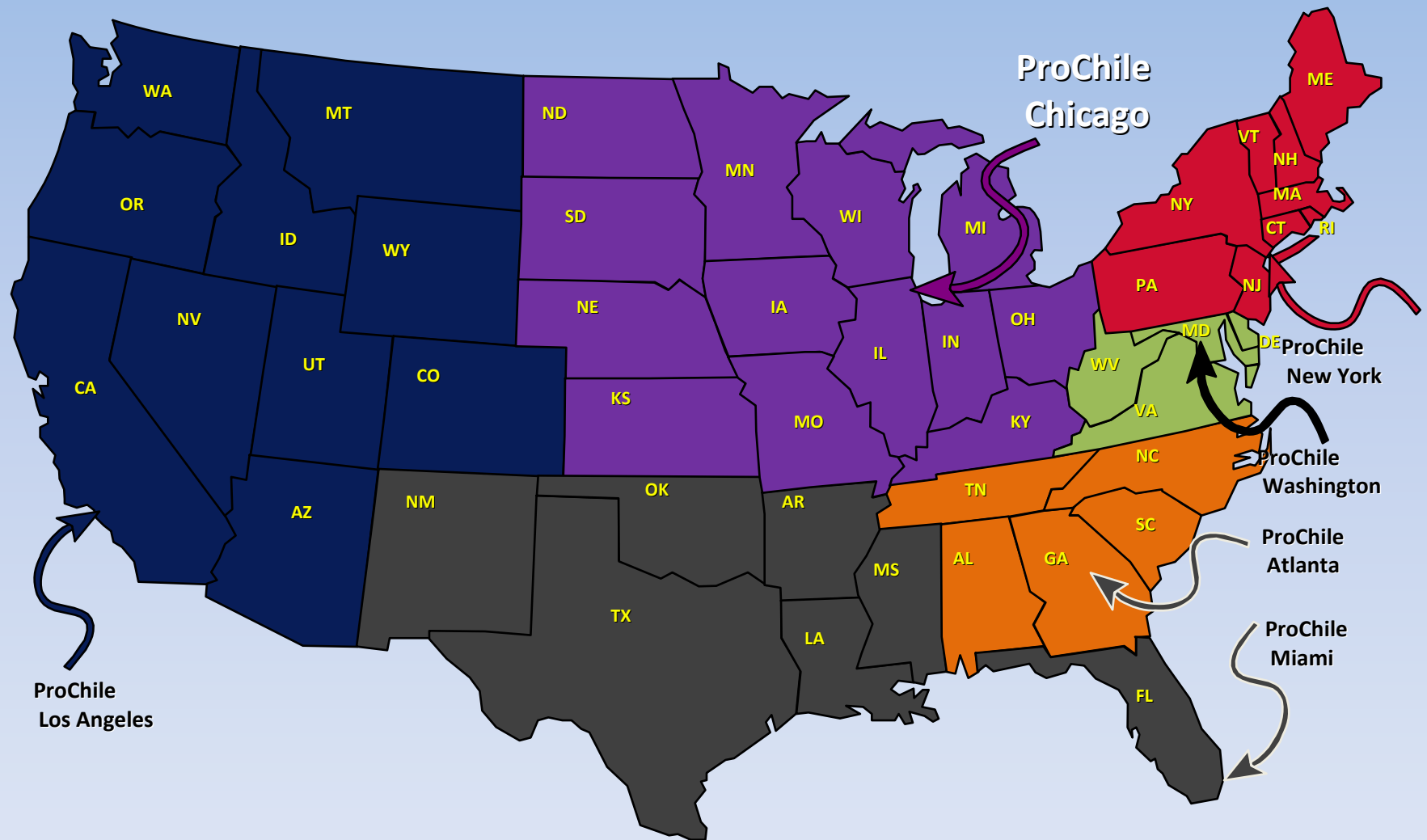
**Chilean Trade Commission it is responsible for:**

- implementing and enhancing Chile's trade.** ProChile's mission is to provide support to SMEs, helping to encourage and diversify exports of Chilean products and services by increasing the number of export markets and companies.
- It does so by providing the necessary tools to aid Chile's economy in its process of going international. Eg. Support in Trade Shows, Trade Missions, International Consulting, etc.
- Support of Investments, Tourism and services.
- ProChile's Trade Offices and Agencies are located in over 35 countries, covering 90 percent of the destination markets for Chilean exports.

# ProChile en los Estados Unidos

pro|CHILE

[www.prochile.us](http://www.prochile.us)





## Since August 2009...

- Chilean Gastronomic Weeks
- Chilean Wine Seminars
- Chilean Cooking Demos
- Wine Tastings
- Trade Missions
- Trade Shows



## Rest of the year...

- Independence Celebration 18 of September
- Invitation to importers and Chef from Miswest to Chile
- Chilean Week in November





**7,300,000** people enjoy Chilean salmon a day

**6,400,000** people drink a glass of Chilean juice each day

**4,700,000** people eat Chilean canned fruit each day

**9,800,000** people drink a glass of Chilean wine daily

**7,400,000** people eat Chilean seafood each day

*Source: Chile Alimentos*

[www.prochile.us](http://www.prochile.us) | [www.prochile.cl](http://www.prochile.cl) | [www.thisischile.cl](http://www.thisischile.cl) | [www.cinver.cl](http://www.cinver.cl)

pro|CHILE

[www.investchile.cl](http://www.investchile.cl) | [www.startupchile.org](http://www.startupchile.org) | [www.corfo.cl/startupchile](http://www.corfo.cl/startupchile)

# GRACIAS!!!



[carolina.ordonez@prochile.us](mailto:carolina.ordonez@prochile.us)