



Chile

CHILE'S INVESTMENT CLIMATE



March 2009

FOREIGN INVESTMENT COMMITTEE
www.foreigninvestment.cl



Chilean investment attraction track record

Starting in 1990, foreign companies have invested over US\$ 80 billion in Chile, both in greenfield projects and in mergers and acquisitions. This is a significant amount for an economy with a GDP of US\$ 183 billion in 2008.

Currently, over three thousand companies from sixty countries have business operations in the country.





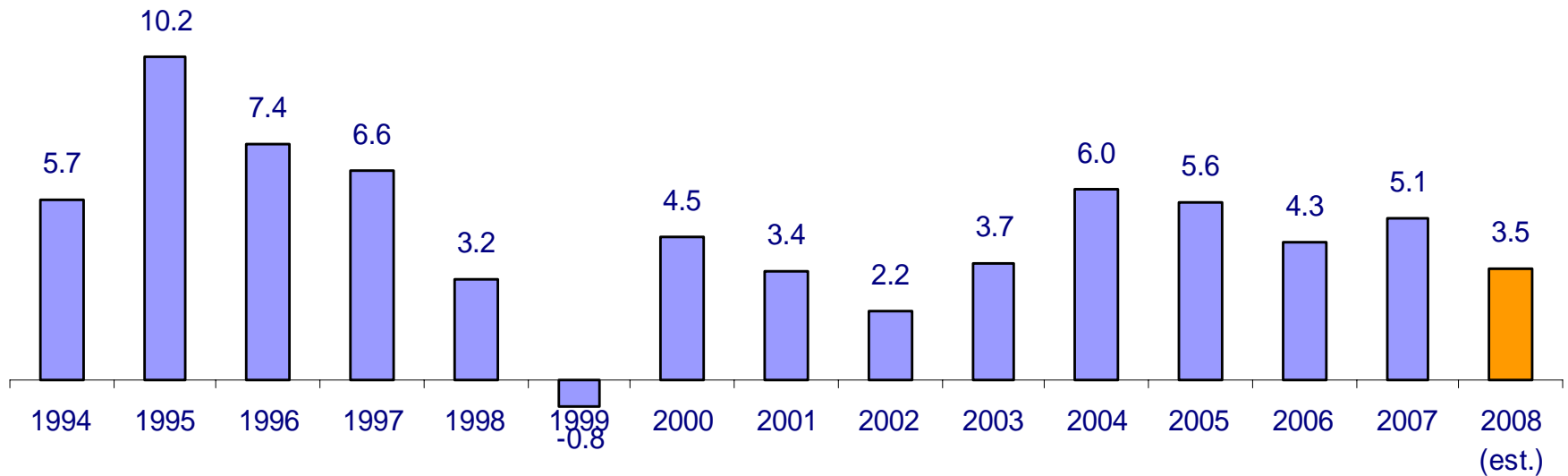
Snapshot of the Chilean Economy

Population:	16.6 millon
GDP (2008):	US\$ 183 billion
Income per capita (PPP, 2007):	US\$ 13,936 (FMI)
Exchange rate (february 2009):	1 US\$ = 612 CLP
Unemployment rate (2008, september):	7.2%
GDP growth (2007)	5.1%
Projected growth (2008):	3.5%
Projected growth (2009):	2%
Export of goods (2008):	US\$ 70 billion



GDP Growth in Chile (Real Annual Variation, %)

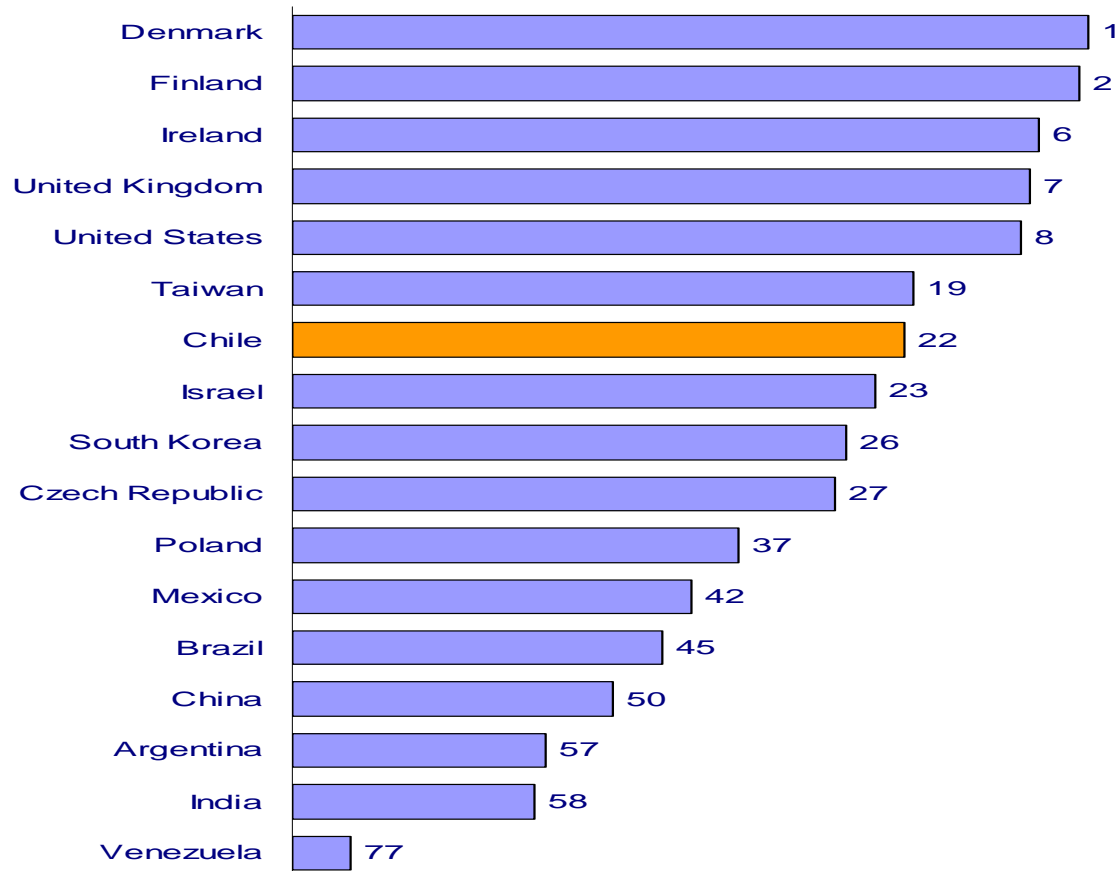
Source: Central Bank (www.bcentral.cl) 1994-2008



Business Environment Rankings

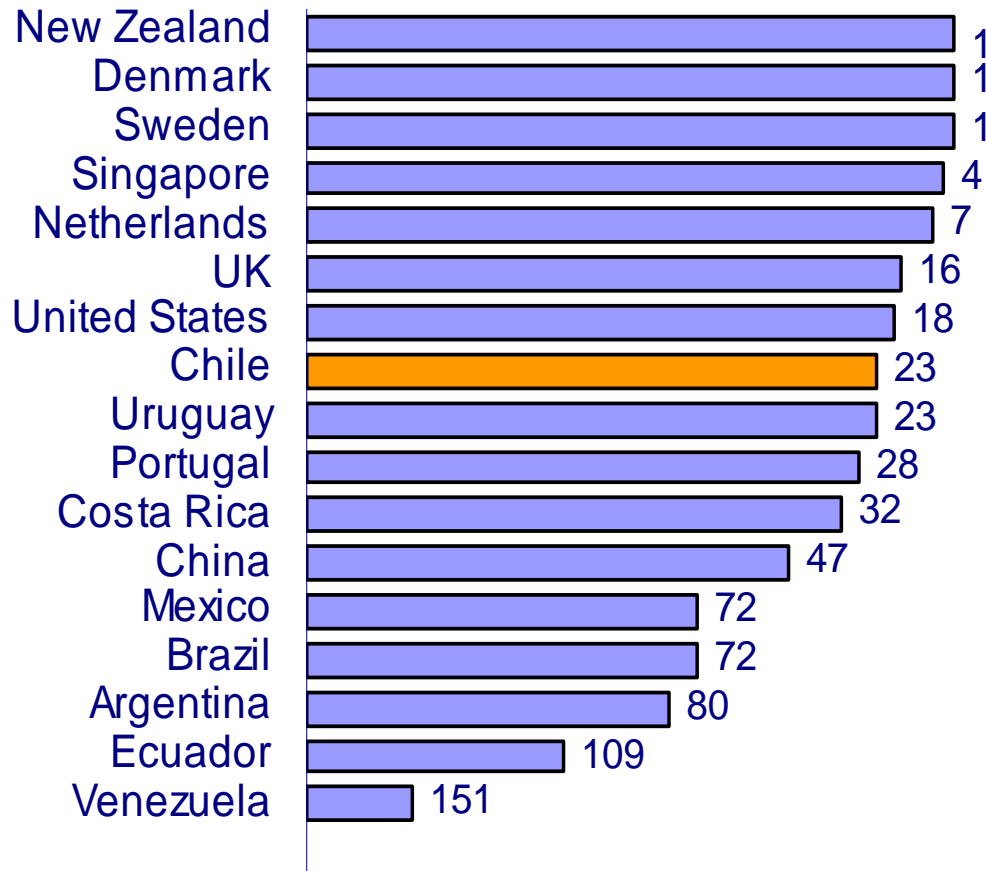
(Best Places to do Business in the Next Five Years,
Selected Economies by Position)

Source: Economist Intelligence Unit (www.eiu.com), 2006 - 2010



Corruption Perception Index (180 countries studied)

Source: Transparency International (www.transparency.org) 2008

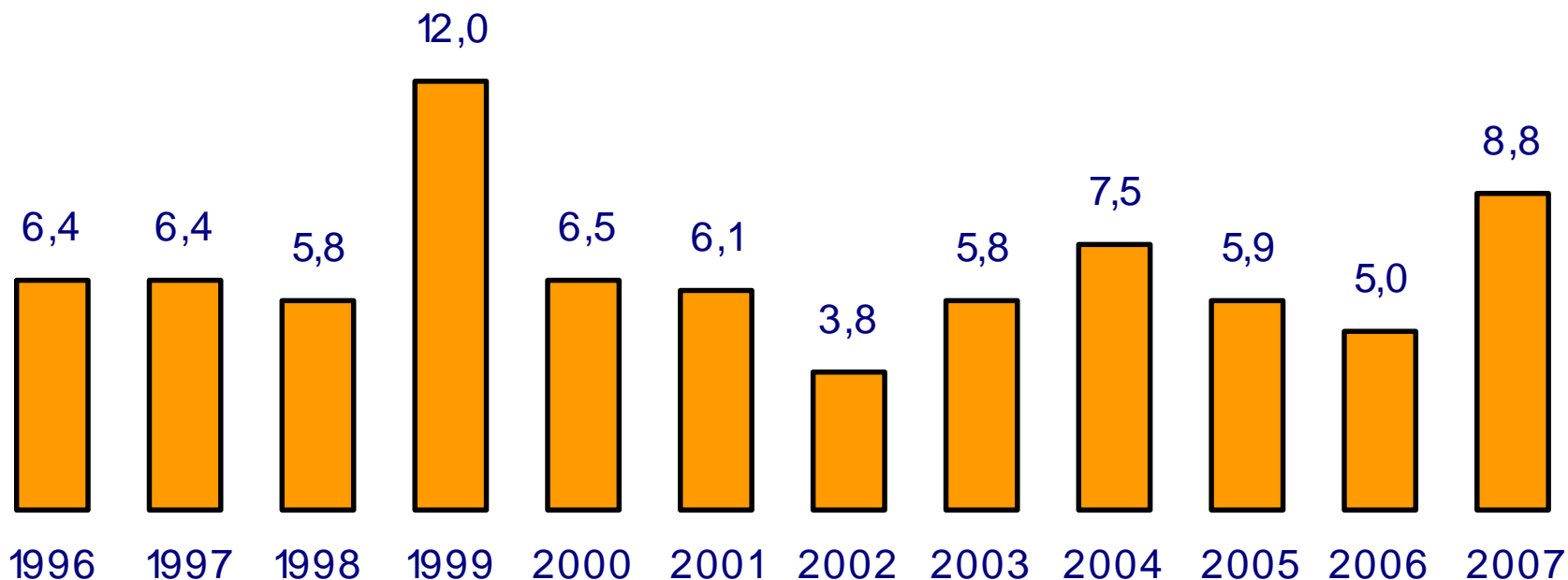




Successful Foreign Investment track record

FDI as a % of GDP (Annual average 1996 – 2007: 6.7%)

Source: Central Bank (www.bcentral.cl)



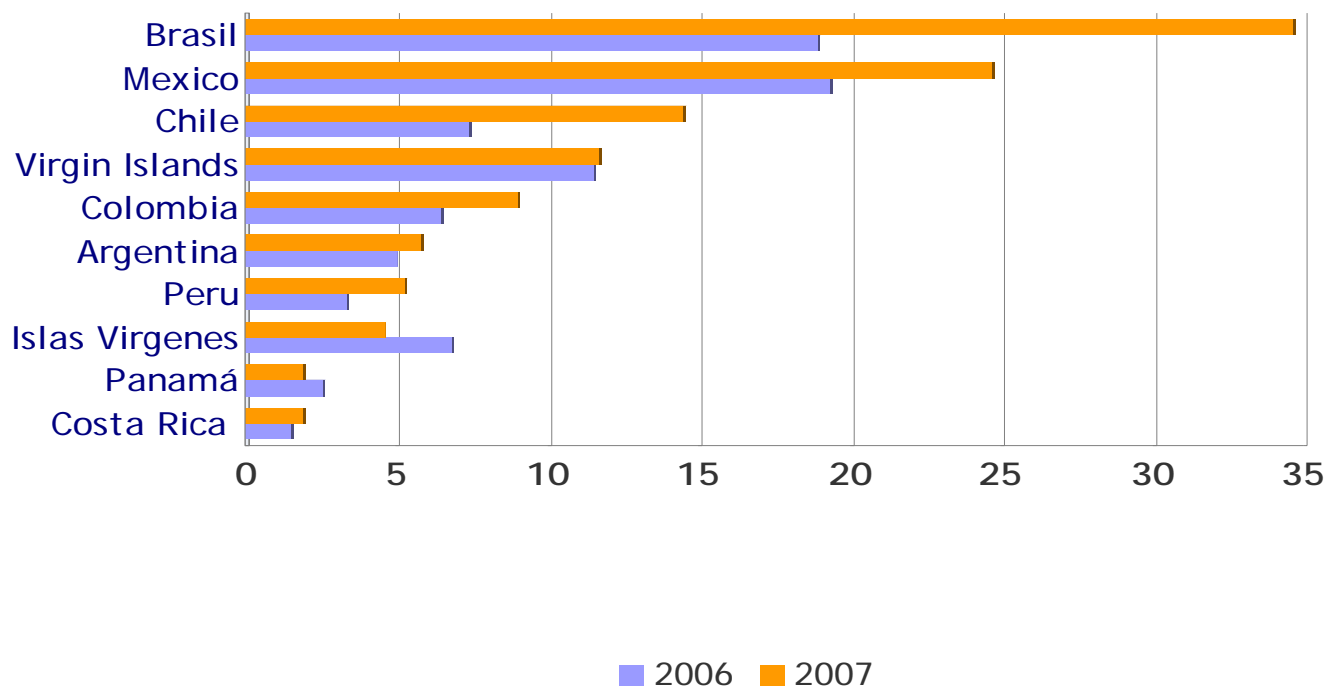
Includes DL600, Chapters XIV and XIX



Latin America and Caribbean: FDI inflows Ten Most Successful Economies, 2006 – 2007

(In billions of dollars)

Source: "World Investment Report 2007", UNCTAD (www.unctad.org)

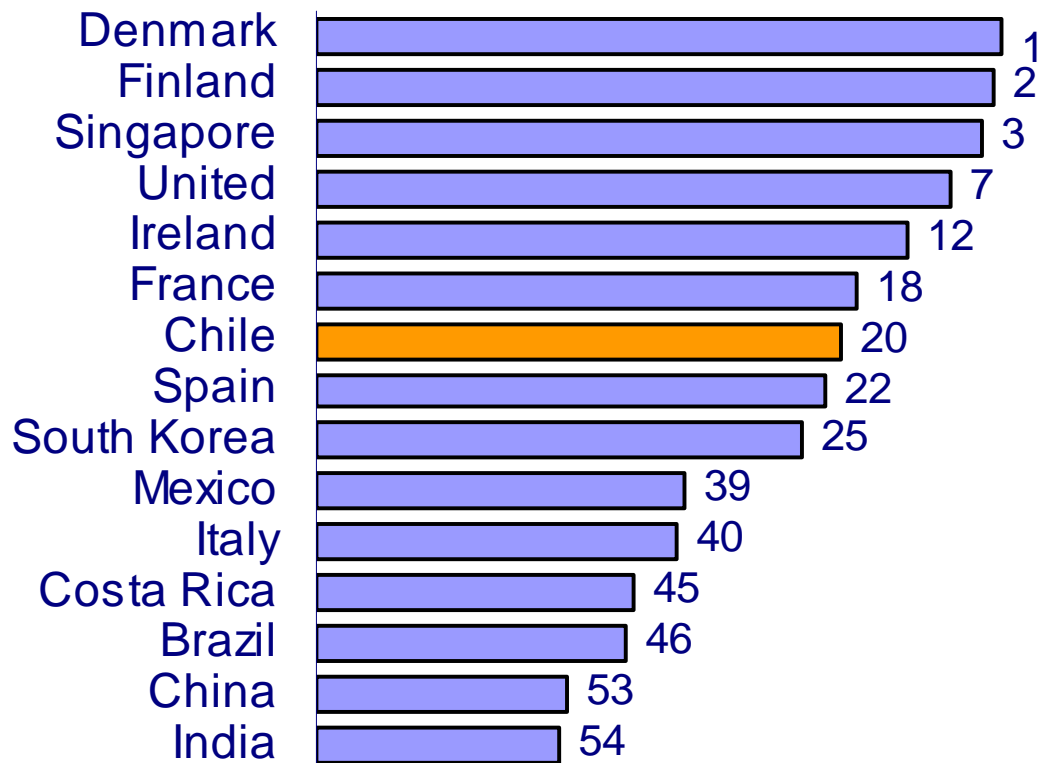




Successful Foreign Investment track record

World Investment Prospects to 2011

Source: Economist Intelligence Unit (www.eiu.com)





Regulation of Investment in Chile

I. Constitutional Framework, 1980-2005

- **Right to private property:** Under the Constitution, all persons, including foreigners, are guaranteed the freedom to acquire ownership of all types of goods, both tangible and intangible.
- **Economic freedom:** Within the bounds of the legal norms regulating different economic activities, the Constitution guarantees the right to undertake any economic activity that does not contravene moral standards, public order or national security (Art. 19 N° 21).
- **National treatment:** The Constitution also guarantees that, on economic matters, foreign investors will receive the same, or not less favorable, treatment as local investors from the State and its agencies, and will not be subject to discrimination of any type (Arts. 19 N° 2 CPE, 57 Civil, 9 and 10 DL 600).





Regulation of Investment in Chile

II. Legal Framework

- **Decree Law N° 600 (DL 600)**
Originally introduced in August 1974
Ratified by Congress in March 1993 with minor modifications
Demonstrates the importance of a stable foreign investment policy that remains in place over the long term.
- **Chilean Central Bank's Compendium of Foreign Exchange Regulations (Chapter XIV)**



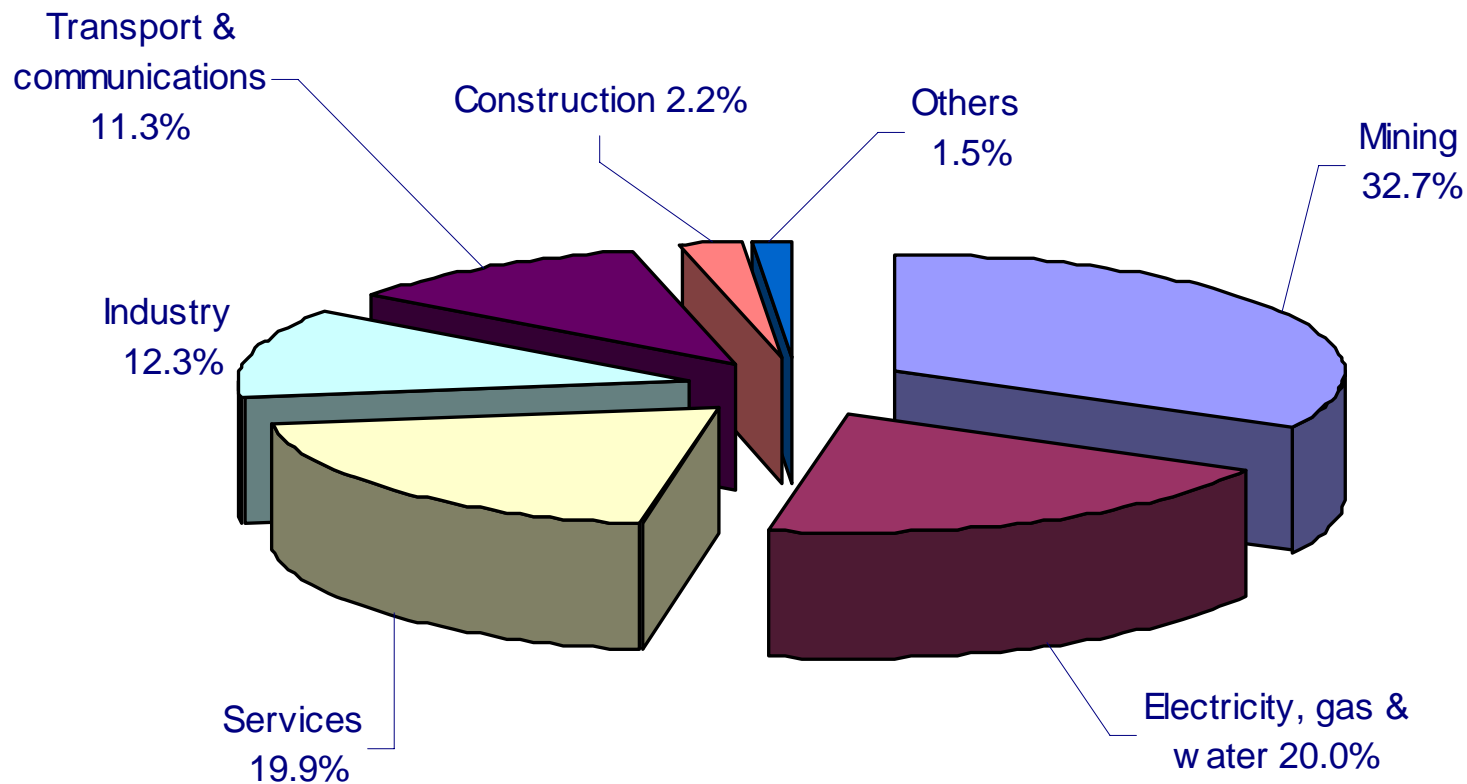
Foreign Investment Statute

Decree Law N° 600

Since DL 600 came into force in 1974, most foreign investors have used this mechanism. By 2008, foreign direct investment worth US\$ 69 billion had been materialized through DL 600, representing 71% of total FDI in Chile during that period.

FDI under DL 600 by Economic Sector (US\$ 69 billion)

Source: Foreign Investment Committee (www.doingbusinessinchile.cl), 1974 – 2008

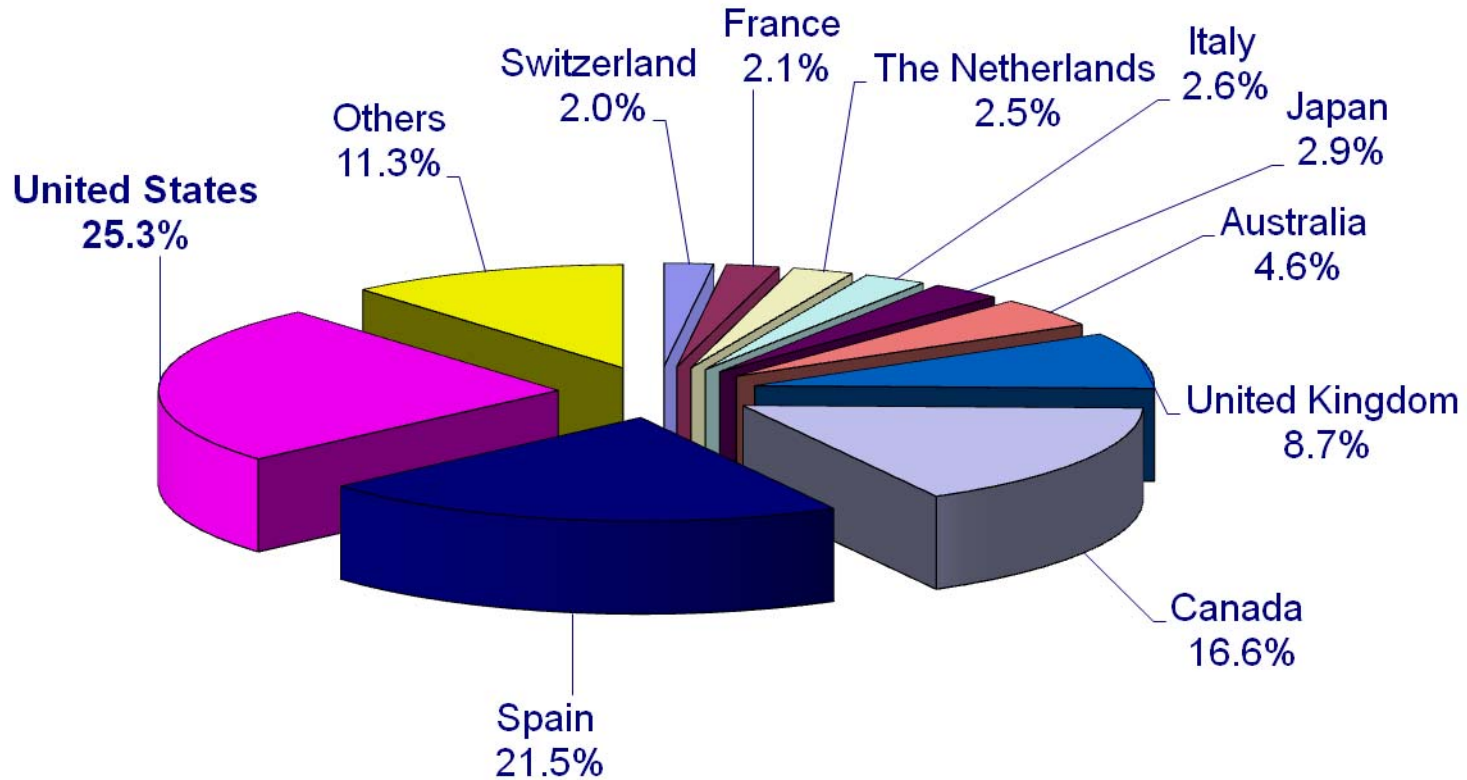




Successful Foreign Investment track record

FDI under DL 600 by Country of Origin

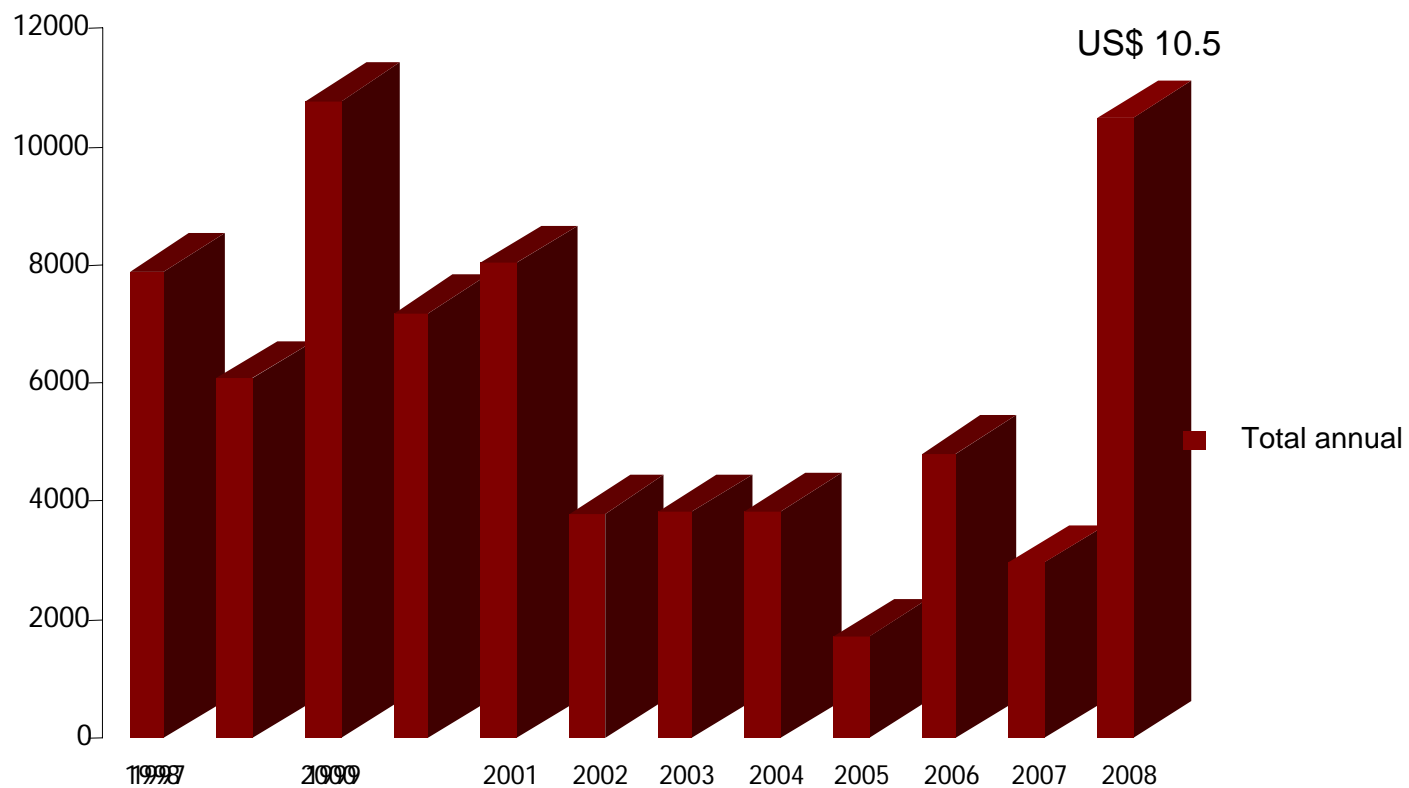
Source: Foreign Investment Committee (www.doingbusinessinchile.cl), 1974 – 2007





Successful Foreign Investment in 2008: US\$ 10.5 billion

Source: Foreign Investment Committee





Danish investment in Chile

- Danish foreign investment under DL 600 in Chile is US\$ 38 millions.
- This amount is just 0,03% of total foreign investment in Chile.
- Some Investors: Biomar, Danisco, J.Lauritzen, Maersk South America, Danfoss International, Nyklauritzencool, and others.
- Main industries: food industry and transportation.



Main Characteristics of DL 600

- Non-discrimination
- Non-discretionary procedures
- Free access to economic sectors
- Contract with State of Chile
- Access to Formal Exchange Market
- Capital and profit remittances
- Choice of tax regime
- Six forms of investment



Main Characteristics of DL 600

INVESTMENT CONTRACT

- Formal contract (public deed)
- Contract between investor and the State
- Cannot be modified unilaterally by the State
- Grants to investors rights that are protected by constitutional guarantee of right to property.



Main Characteristics of DL 600

ACCESS TO FORMAL EXCHANGE MARKET

- Obligation to convert incoming equity
- Right to acquire currency to remit capital or profits



Other Issues

The Foreign Investment Committee approves the entrance of foreign capitals. But some projects also require additional permits, which the investor must obtain with the corresponding authorities.

A foreign investment contract does not guarantee a project's implementation since the investor must also obtain all other necessary permits.

Chile has signed 19 agreements with 57 countries

- **Free Trade Agreements (FTAs):** Canada, South Korea, Central America, Panama, China, Ecuador, United States, European Free Trade Association (EFTA), Mexico, Peru, Japan
- **Bilateral Trade Agreements:** Bolivia, Colombia, MERCOSUR, Venezuela, Cuba, India
- **Association Agreements:** European Union (27 countries), P-4 (Brunei, New Zealand, Singapore)
- **Others:** Australia (signed but not in force yet), Malaysia, Vietnam (in negotiation), Indonesia, South Africa, Turkey (future negotiations)



In order to become an economy that generates knowledge and technology instead of being one that simply imports them, Chile needs:

- To put emphasis on education and training; promote the use of English as a second language
 - To promote innovation through R&D
- To create incentives for the development of a venture capital industry



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