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FOREIGN INVESTMENT COMMITTEE

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CHILE IN SOUTH AMERICA



CHILE

Geography

Chile is located in the southwestern part of South America and includes an Antarctic territory that stretches down to the South Pole. Its most western territory is Easter Island which forms part of Polynesia. Chile's varied topography ranges from the Atacama Desert with its great mineral wealth - principally copper and nitrates - in the north to the agricultural and wine-growing Central Valley, where the capital Santiago is located, and to the woods, lakes and fjords of the south.

Area

Mainland & islands	: 756,096 km ²
Antarctic	: 1,250,000 km ²
Total	: 2,006,096 km ²

Mainland length : 4,200 km

Administrative divisions : 15 regions, 53 provinces and 346 municipal districts

Government : The President of the Republic serves as head of state and head of government. Since March 2006, this post has been held by Michelle Bachelet.

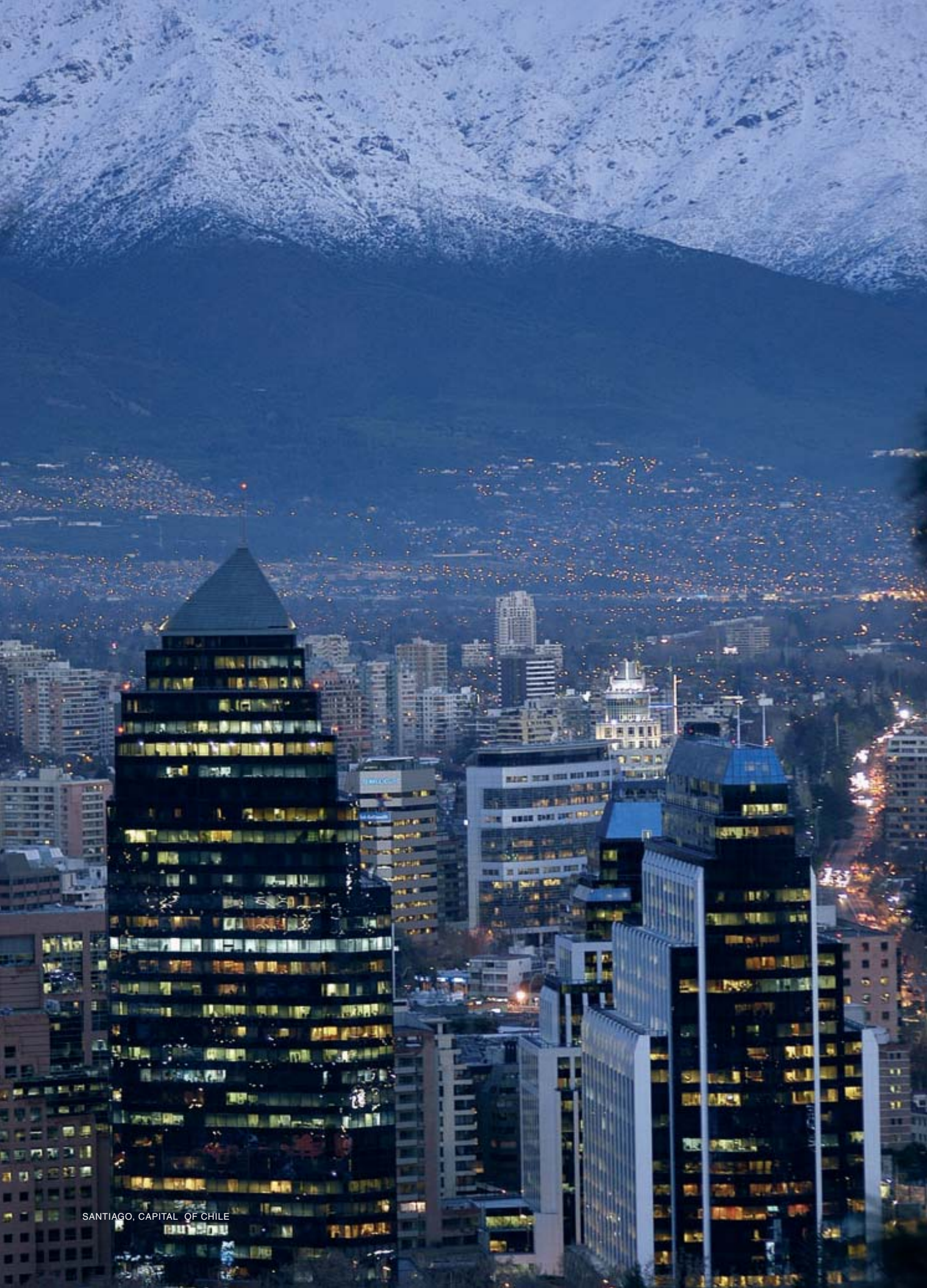
Social

Population	: 16.6 million
Population density	: 20.4 inhabitants/km ²
Official language	: Spanish
Currency	: Peso
Literacy rate	: 97%
Life expectancy	: 78 years

Economy

GDP 2008	: US\$ 169 billion
GDP per capita (nominal, 2008)	: US\$10,814 (IMF)
GDP per capita (PPP, 2008)	: US\$14,688 (IMF)
Unemployment rate (2008)	: 7.8%
GDP growth (2008)	: 3.2%
Exports (2008)	: US\$66,456 million
Imports (2008)	: US\$57,610 million
Fiscal surplus (2008)	: 5.2% of GDP





SANTIAGO, CAPITAL OF CHILE

FOREIGN INVESTMENT COMMITTEE

The Foreign Investment Committee is the agency that represents the State of Chile in its dealings with those investors who choose to use the Foreign Investment Statute (DL 600) as the legal mechanism for bringing foreign direct investment (FDI) into Chile.

The Foreign Investment Committee is formed by the Ministers of Economy (who acts as president of the Committee), Finance, Foreign Relations and Planning as well as the president of the Central Bank. Other ministers responsible for specific economic sectors are also invited to participate in meetings whenever deemed necessary.

Mission

To help position Chile as a highly attractive destination for foreign investment and international business through its operational role in administering matters related to the corresponding legal norms, by developing promotional activities of different types and by participating in international negotiations.

Strategic objectives

1. To administer DL 600 in order to ensure its correct application and to support international negotiation of the investment chapters of bilateral and/or multilateral agreements, providing advisory services on matters of the Committee's concern.
2. To develop all types of initiatives to communicate, promote, coordinate and implement measures to foster the entry of foreign investment.
3. To maintain an up-to-date and accurate statistical register of foreign investment through DL 600.

Executive Vice-presidency

The Foreign Investment Committee is headed and managed by an Executive Vice-President who is appointed by the President of the Republic.

The Executive Vice-Presidency provides general information and guidance to any investor about Chile, its economic and social environment, legal framework and policies on FDI. When requested, it provides information on how to begin the process of setting up a businesses in Chile as well as the procedures and regulations to which any investor must adhere, whether signing a DL 600 contract or not, at the national, regional and sector-specific levels.

In order to promote Chile as an attractive place to invest, the Executive Vice-Presidency coordinates business missions abroad, organizes seminars and conferences and publishes regular reports about Chile's business climate and about investment opportunities, both in print and electronic form. In developing these promotional activities, it works with other ministries and State agencies as well as with the local and foreign private sector.

EDITORIAL

Over the past quarter of a century, Foreign Direct Investment (FDI) has played a decisive role in Chile's economic growth and development. Since 1990, overseas companies from at least sixty countries have invested US\$95 billion in sectors that range from mining, utilities and infrastructure to services, finance, agribusiness and tourism.

These capital flows have held steady in recent years and have not only helped to position Chile in the global marketplace and incorporate it into important international chains of production, trade and finance, but have also made it more competitive, thanks to the resources, technological development and specialized know-how that FDI contributes.

Chile's successful track record in attracting FDI means that we have the satisfaction of seeing over 4,000 overseas companies now operating in our country, creating new jobs and economic opportunities.

The position that Chile has achieved as a highly attractive location for foreign investment is mainly the result of four factors: its political and economic stability, its wide network of international trade agreements, the legal security and stability it offers, and its high-standard transport and communications services.

In its quest for development, Chile has opted for a free-market model, anchored in prudent fiscal and monetary policies and accompanied by active social policies. This has delivered important progress in terms of reductions in poverty and infant mortality, increased life expectancy and an overall improvement in our citizens' quality of life.

Over the past twenty-five years, Chile has also shown sustained growth, thanks to responsible and disciplined macroeconomic management. Between 1990 and 2008, Chile grew at an average annual rate of 5.8%, making it one of the world's most dynamic economies.

There is no doubt that the combination of these factors has served to heighten the interest of overseas companies in investing in Chile and, among foreign investors, have given it



a reputation as a safe and reliable country. This is a particular advantage during crisis as was seen in 1999 - in the wake of the Asian crisis - and in 2008 with its international economic uncertainty. In both cases, FDI in Chile reached record levels, consolidating the country's position as a safe place to which to commit foreign capital.

In 2008, the Foreign Investment Committee approved 97 applications for foreign investment worth a total of US\$10.5 billion, the second highest figure since 1990. Similarly, materialized investment -or, in other words, that actually entering the country- reached US\$5.2 billion, a level not seen since 1999.

We are also witnessing an important diversification of the sectors targeted by foreign investors. Although Chile is primarily a mining country, other sectors such as electricity, gas and water, services, infrastructure, agribusiness, forestry and tourism have become increasingly important. Moreover, in contrast to the 1990s when much FDI took the form of mergers and acquisitions, the trend now is towards the development of new productive projects, underlining confidence in Chile.

This book seeks to facilitate foreign investors' access to information about our country and we hope that, for many investors, it will serve as a first step in greater acquaintance and closer ties with our country.



Liliana Macchiavello Martini
Executive Vice-President
Foreign Investment Committee



SUSTAINED GROWTH

The Chilean economy is widely renowned for its track record of sustained growth. Between 1990 and 2008, it expanded at an average annual rate of 5.8% and, according to the International Monetary Fund (IMF), was among the world's thirty most dynamic economy. The Central Bank of Chile estimates that, in 2008, GDP at current prices reached US\$169.5 billion, up from US\$31.5 billion in 1990. Between 1990 and 2008, per capita income measured in terms of purchasing power parity (PPP) trebled to US\$14,688.

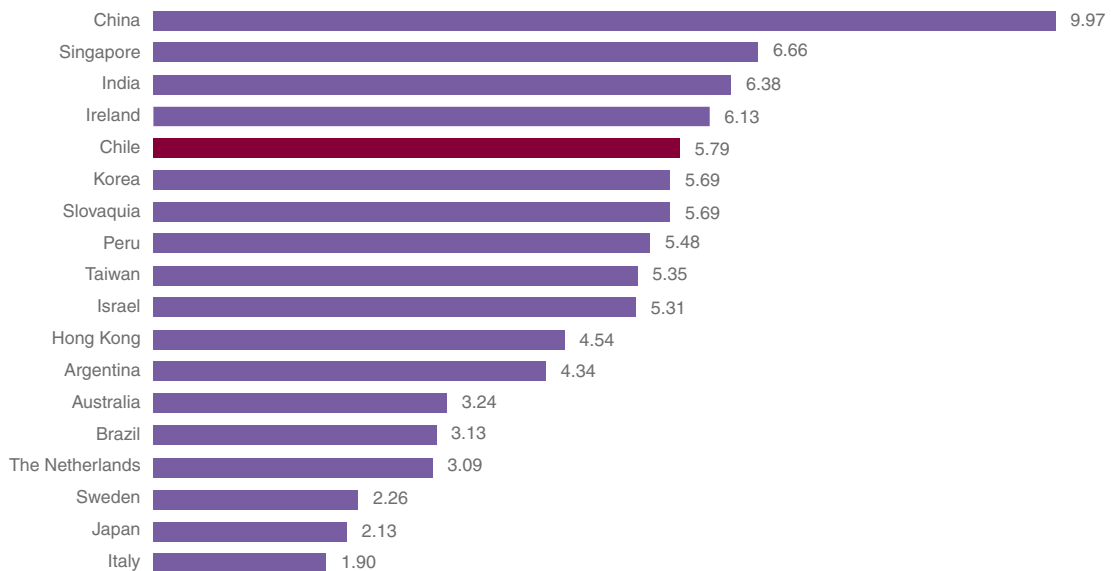
Annual average growth reached 7.2% between 1990 and 1998. This strong performance was temporarily interrupted in 1999 when activity contracted by 0.7%, following the Asian financial crisis and a sharp drop in the price of copper, Chile's main export. However, the contraction was short-lived and, in 2000, GDP expanded by 4.5%. Between 2001 and 2007, the economy expanded at an average annual rate of 4.3% before dropping to 3.2% in 2008.

Annual GDP Growth, 1990-2008 (%)



Sources: Central Bank of Chile (www.bcentral.cl) and IMF (www.imf.org)

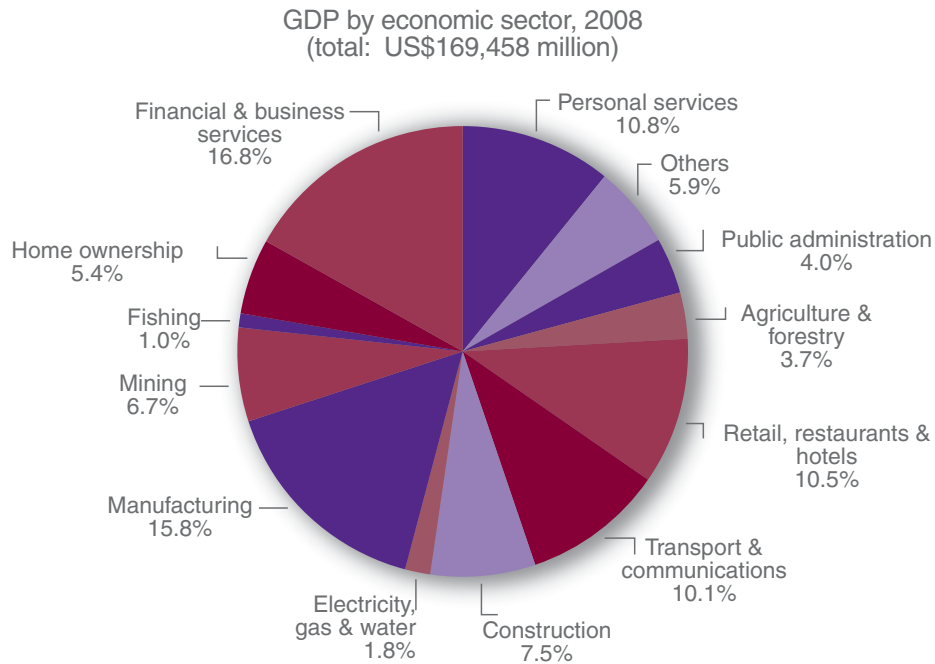
Average annual GDP growth 1990-2008
(Selected economies, %)



Source: International Monetary Fund, IMF (www.imf.org)

In 2008, financial and business services comprised Chile's most important economic sector, accounting for 16.8% of GDP, followed by manufacturing (15.8%), personal services (10.8%), retail, restaurants and hotels (10.5%), transport and communications (10.1%), construction (7.5%) and mining (6.7%).

research at the IMF. "Chile will avoid the significant contraction in activity that we're seeing elsewhere and will return to more positive rates of growth as time goes on," he added.



Source: Central Bank of Chile (www.bcentral.cl)

No country is immune to the impact of the current uncertainty in the international economy but, through to the date of writing this report, Chile had proved itself to be on a strong footing to weather the crisis. In mid-April, the IMF forecast that Chile would escape a significant economic contraction, thanks to the fiscal stimulus measures implemented by the government and the Central Bank's reduction of interest rates. The IMF praised Chile for having run a large budget surplus over the past five years, accumulating savings that now stand it in good stead. "Now that the rainy day has come, the Chilean Government is appropriately using the fiscal room that it has built up by pushing fiscal stimulus to the economy," said Charles Collyns, deputy director of

The IMF anticipates that Chile's GDP will show virtually no change in real terms in 2009 (growth of just 0.1%) but will expand by 3% in 2010, while inflation drops to 2.9% this year before rising to 3.5% next year.

Chile is, as a result, one of the economies in which the Central Bank has the greatest margin for reducing interest rates, "particularly if inflation continues to decelerate rapidly", stated the IMF in its latest World Economic Outlook.

Balanced fiscal accounts

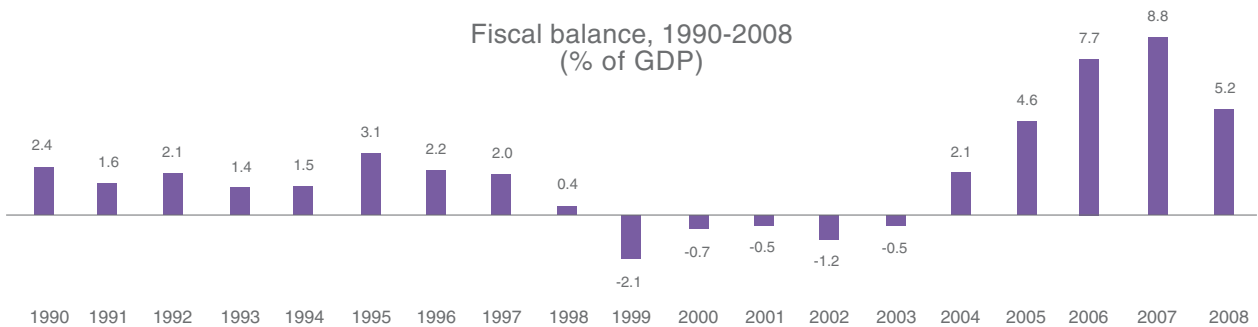
Fiscal discipline is one of the pillars of Chile's solid international image. As from 1990, the government ran a sustained budget surplus, which was not interrupted until the economic contraction of 1999, when the fiscal deficit represented 2.1% of GDP.

In 2000, the government introduced a new fiscal policy rule to maintain a structural budget surplus equivalent to 1% of GDP. In 2008, this was reduced to 0.5% of GDP and, in 2009, will drop to 0% in order to permit greater fiscal stimulus in the face of the international economic crisis. This policy has the advantage of ensuring medium-term fiscal restraint while permitting counter-cyclical measures in periods of slower economic growth such as the current crisis. In 2007, the fiscal surplus reached 8.8% of GDP, its highest level in twenty years, and, in 2008, represented 5.2% of GDP.

The structural surplus rule has been praised by different international organizations, economists and businesspeople for having positioned Chile as one of the few emerging economies able to implement fiscal stimulus policies:

"Chile is practically the only emerging country capable of applying fiscal stimulus policies. If other countries had this, the economic climate would be different, Chile is very well positioned because it has the funds from copper, which are very useful," said billionaire investor George Soros. (Reuters, 04/22/09)

"There are [lessons in Chile] for the richer nations of the west. Most obviously, politicians should practice what they preach. Not that long ago, the US and Europe were lecturing Latin American countries about their fiscal profligacy, unregulated banks and opaque financial markets. In Chile's case, the tables have been turned. It will not escape unscathed from the global shock, but its fiscal position and financial system are robust and transparently so," wrote the Financial Times. (02/05/2009)



Source: Ministry of Finance (www.minhda.cl)

In addition to the structural surplus rule, the Chilean government has also taken important steps to improve the quality and frequency of reporting on fiscal revenue collection and expenditure as well as on the public debt. It has, moreover, placed growing emphasis on assessing the results of public sector programs, and on the availability of this information to decision makers.

As from the end of 2007, 50% of the programs included in the Budget Law must be submitted to independent evaluation. In 2008, a total of 163 programs, corresponding to 20 institutions, were evaluated.

Main sources of Central Government revenue, 2008 (% of GDP)	
Net tax revenue	18.4
Copper	3.6
Social security contributions	1.4
Donations	0.1
Property tax	1.3
Operational income	0.6
Others	0.7

Source: Finance Ministry's Budget Office (www.dipres.cl)

Main items of Central Government expenditure, 2008 (% of GDP)	
Benefits & donations	4.0
Social security	6.1
Personnel	4.5
Goods & services	1.9
Interest payments	0.5

Source: Finance Ministry's Budget Office (www.dipres.cl)

Tax collection

The burden of central government taxes in Chile is the lowest in Latin America and is also lower than

in the majority of European countries. In 2008, tax collection reached US\$31.6 billion.



Source: Finance Ministry's Budget Office (www.dipres.cl, www.minhda.cl)

Tax Rate, 2008
(Selected economies, %)

Country	Income tax		
	Corporate	Personal	VAT
Argentina	35.00	9.25	21.00
Australia	30.00	17-47	10.00(*)
Brazil	34.00	15-27.5	17-25
Canada	19.5(**)	15-29 (**)	5.00(*)
Chile	17 (***)	0-40	19.00
China	25.00	5-45	17.00
Estonia	22.00	22.00	18.00
India	30-40	10-30	12.50
Ireland	12.50	20-41	21.00
Latvia	15.00	25.00	18.00
Mexico	29.00	3-29	15.00
N. Zealand	33.00	0-39	12.5 (*)
Singapore	20.00	3.75-21	5.00
Slovakia	19.00	19.00	19.00
Great Britain	30.00	0-40	17.50
United States	35.00	0-35	-

(*) Goods and services

(**) Federal

(***) An additional tax of 18% is levied (35%-17%) if companies distribute or remit earnings.

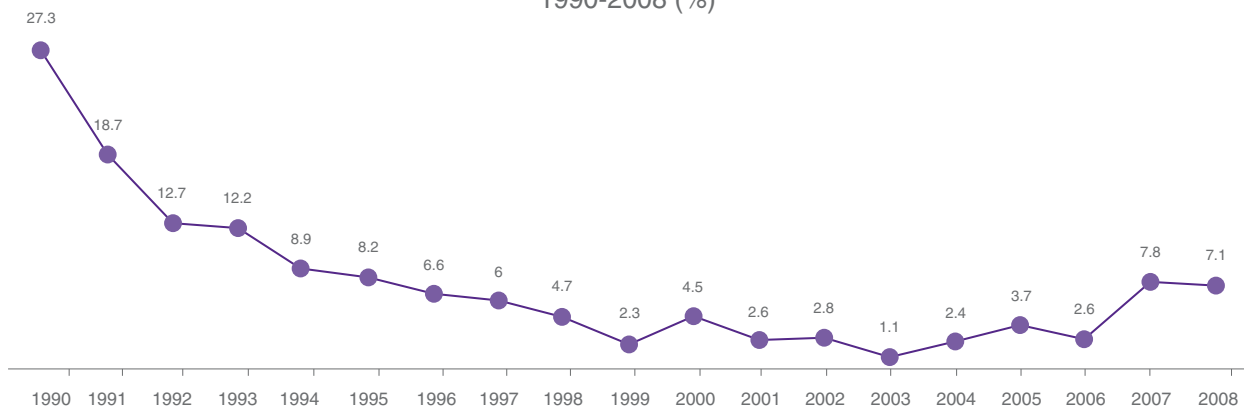
Sources: Internal Revenue Service (www.irs.gov) and Worldwide Tax (www.worldwide-tax.com)

Control of Inflation

Inflation dropped from 27.3% in 1990 to 2.3% in 1999. This reflected the strict monetary policy applied by the Central Bank of Chile and the government's fiscal discipline in addressing a phenomenon that afflicted Chile -along with other Latin American economies- in the second half of the twentieth century.

As from 2006, higher international prices for raw materials, particularly oil and foodstuffs, meant an increase in both international and domestic inflation. However, the Central Bank aims to keep inflation in Chile within a medium-term target range of 2%-4%.

Annual inflation,
1990-2008 (%)



Fuente: Central Bank of Chile (www.bcentral.cl)

Low levels of foreign borrowing

Chile has a relatively low foreign debt. This rose from US\$32.6 billion in 1998 to US\$64.8 billion in 2008. However, over the same period, international reserves increased from US\$16.3 billion to US\$23.2 billion.

The structure of Chile's foreign debt has also changed, shifting away from short-term borrowing. Gross short-term foreign borrowing increased from US\$5.1 billion in 1998 to US\$14.9 billion in 2008 while medium and long-term debt, which reached US\$27.5 billion in 1998, increased to US\$50.0 billion in 2008.

The sectors with the highest levels of long-term foreign debt are non-financial companies (61.5%), banks (19.8%) and the public sector (18.6%).

This indicates that borrowing is used to finance long-term projects related to productive activities with an important economic impact, such as investments, and does not reflect contingent liabilities that are merely palliative and do not have an impact on output.

Solvency indicators, such as the ratio of foreign debt to GDP and exports, have also shown a sustained drop since 2002, while the public sector's foreign debt fell from US\$3.2 billion in 1995 to US\$2.8 billion in 2008.

Chile's foreign debt, 1998-2008
(US\$ million)



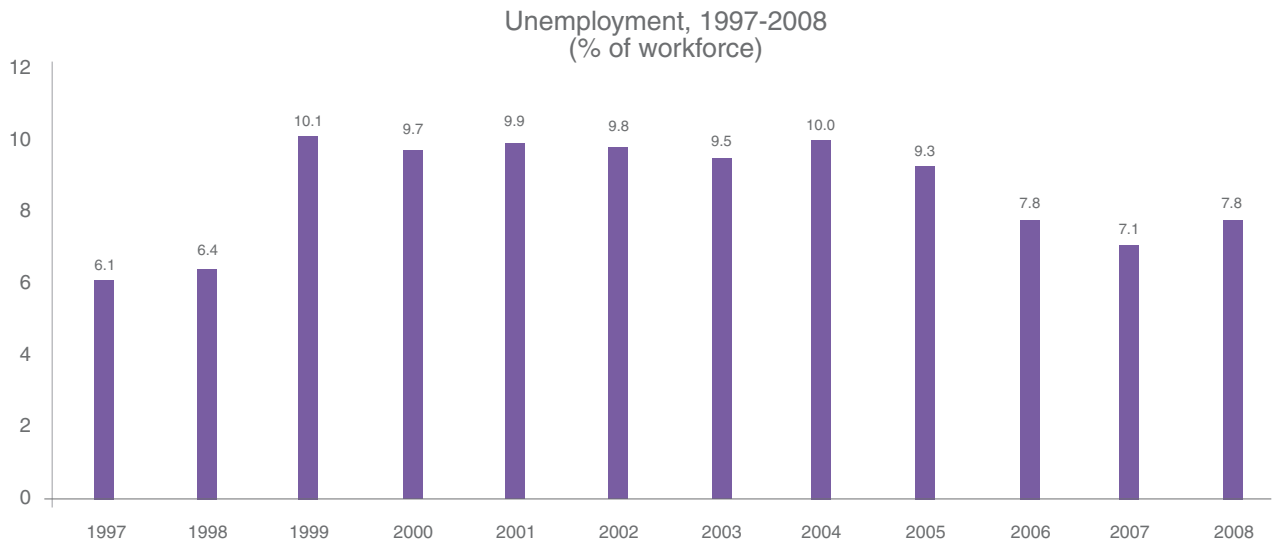
Source: Central Bank of Chile (www.bcentral.cl)

Wages and employment

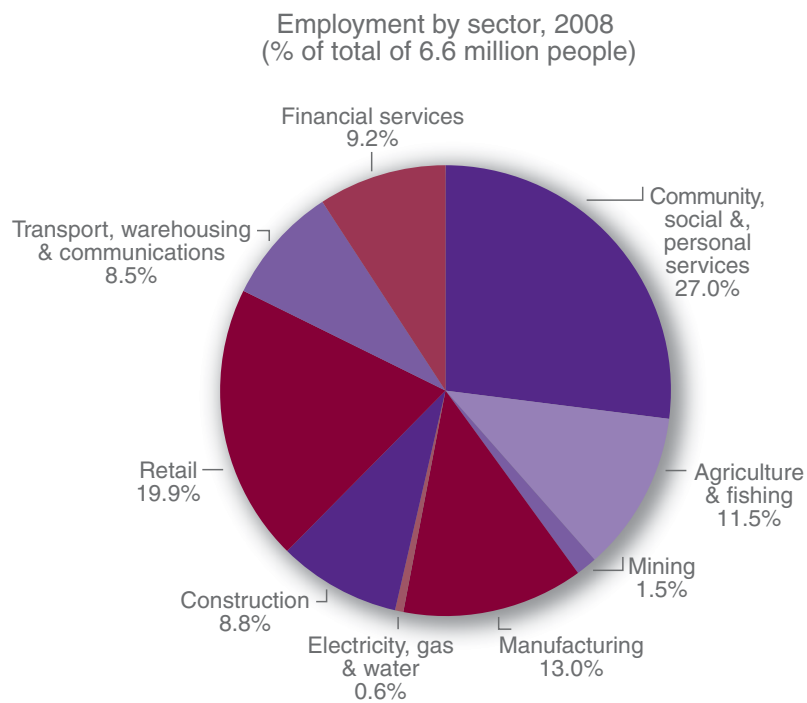
After peaking at 10.1% in 1999, due to the impact of the Asian crisis, unemployment gradually dropped again to 9.3% in 2005 and, in 2008, to 7.8%.

In Chile, jobs are provided almost exclusively by the private sector. As a result of the rapid expansion

of employment in the 1990s, real wages increased by 20.6% between 1996 and 2008. However, because this was more than matched by an increase in labor productivity, it was not a source of inflationary pressure.



Source: National Statistics Institute, INE (www.ine.cl)

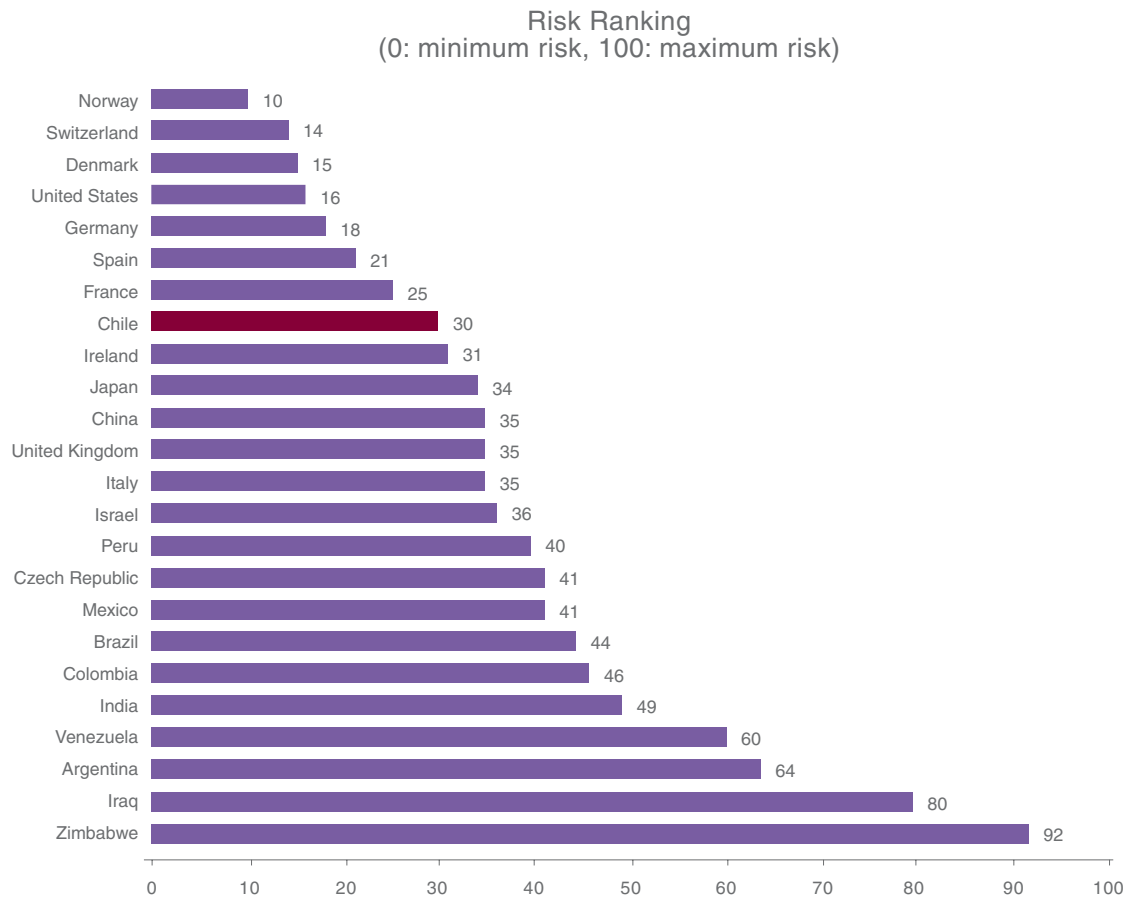


Source: National Statistics Institute, INE (www.ine.cl)

Low country risk

Chile's low level of public debt, its sound macroeconomic policies, the integrity of its institutions and the health of its financial system give it high foreign-currency sovereign ratings. According to the Risk Ranking, published by the Economist Intelligence Unit (EIU) in March 2009,

Chile is one of the world's lowest-risk countries. The EIU's country-risk ratings, which cover 120 economies, take account of indicators of political, regulatory, tax, labor and macroeconomic stability and other measures of creditworthiness.



Source: Economist Intelligence Unit (www.eiu.com), March 2009

Chile's Sovereign Ratings (As of March 2009)

Fitch Ratings	A
Standard & Poors	A+
Moody's	A1

Source: Ratings agencies.

The view of country risk ratings agencies

• Moody's Investors Service (www.moodys.com), March 2009

In March 2009, Moody's raised Chile's long-term foreign-currency sovereign rating from A2 to A1, citing its solid institutional and public policy framework as giving the country resilience in the face of the global financial crisis. "Chile's favorable credit profile also benefits from an economic policy framework designed to mitigate macroeconomic volatility, a condition particularly relevant given current global conditions," stated the agency. It also added that the positive outlook assigned to Chile's ratings reflects the view that it is better positioned than similarly-rated sovereigns to withstand the external crisis and improve its credit profile further once the world economy recovers.

• Standard & Poor's (www.standardandpoors.com), January 2009

On 14 January 2009, Standard & Poor's maintained Chile's long-term foreign-currency sovereign rating at A+ and held its long-term local-currency rating at AA. In the agency's view, the economic deceleration caused in Chile by the external crisis will be only temporary and, because of its sound economic policies and strong institutions, its prospects for medium and long-term growth remain very good.

The agency also anticipated that the elections due to be held at the end of this year will not have a significant impact on any of the variables (fiscal, monetary, etc.) that have underpinned the country's stability and performance in recent years. In addition, the report indicated that this year's current account deficit will not weaken Chile's sovereign creditworthiness due to its high level of international reserves, its floating exchange rate and its ample external flexibility.

• Coface (www.coface.com), April 2009

In April 2009, Coface held Chile's country rating at A2 (watchlisted with negative implications) while 47 countries - a record for Coface - were downgraded. According to the agency, Chile's rating reflects its stability in the current international context as highlighted by the fact that more developed economies such as the United Kingdom, Italy or Spain have lower ratings. Chile's rating is also above that for most other emerging economies, including the so-called

BRIC countries (Brazil, Russia, India and China). Out of this group, only China, with an A3 (watchlisted with negative implications) rating, was not downgraded. Chile's rating is also the best in Latin America and is the same as for the United States.

• Fitch Ratings (www.fitchratings.com), November 2008

Fitch Ratings has maintained Chile's long-term foreign and local currency sovereign ratings at A and A+, respectively, and the country's AA ceiling, with a stable outlook. In May 2008 the outlook was positive. "Chile's low general government debt, sound macro policy framework supported by consensus, institutional integrity, and healthy financial system underpin its long-term rating," stated the agency.

In May 2007, Fitch had raised the outlook for Chile from stable to positive, citing its strong fiscal and external accounts supported by a favorable international context. However, since then a number of macroeconomic challenges have appeared.

"Importantly, fiscal and external indicators have continued to strengthen since Fitch's last review. Chile's low general government debt ratios improved to 4.1% of GDP in 2007 versus the 'A' median of 29.5% and 14.1% of revenue versus the median of 104.1%, and are among the lowest in the category. Assets in the Economic and Social Stabilization Fund should exceed US\$21 billion at year-end, supporting the country's resilience in the face of external shocks. External solvency and liquidity ratios also compare favorably with peer medians, helping to counterbalance concerns regarding Chile's commodity dependence," the report noted.

Government Stimulus Measures

In January 2009, the government launched a fiscal stimulus package worth US\$4 billion to address the impact of the international economic crisis. The plan, under which government spending will rise by 10.7% this year, was praised by The Economist which, in its edition of 22 February 2009, wrote: "Long held up as a model of policymaking that others in Latin America and beyond should follow, Chile's economy has recently seemed oddly lacklustre, with growth below the regional average and inflation stubbornly high. As a small, open economy it is uncomfortably exposed to the world recession-the price of copper, its main export, has fallen by almost two-thirds since mid-2008. But virtue sometimes has its reward. More than any other government in the region, Chile's is able to take action to stimulate the economy. Now it has done so.

On February 12th the independent Central Bank joined in, slashing its benchmark interest rate by a massive two-and-a-half percentage points, to 4.75%. These measures mean the economy may suffer only a mild downturn.

The fiscal plan includes US\$1 billion in additional investment finance for Codelco, the state copper producer, as well as an extra US\$700 million for public infrastructure projects, benefits for poor Chileans and temporary tax cuts for small businesses. According to Eduardo Engel, a Chilean economist at Yale University, the measures are better designed than similar efforts in rich countries. "There's almost no pork," he told The Economist.

Most of the additional financing for public infrastructure has been assigned to the construction of housing for poorer sectors of the population and to road maintenance and, according to government estimates, will create 70,000 direct jobs. For this year, the Finance Ministry anticipates a fiscal deficit of 2.9% of GDP. This can readily be financed thanks to the strict fiscal policy established by the previous administration under which a large part of fiscal income is saved when copper prices rise. As a result, public debt is at a very low level (4% of GDP in December) and, moreover, the government saved US\$20.3 billion (around 12% of GDP) in a sovereign wealth fund on which it can now draw".



COMPETITIVENESS

The economic crisis unleashed last year has been global but, in relative terms, Chile has proved one of the most resilient countries. This was borne out by the 2009 World Competitiveness Yearbook, published by Switzerland's Institute for Management Development (IMD) in mid-May. The report included a new Stress Test on Competitiveness to measure countries' ability to withstand the financial crisis and improve their competitiveness in the near future.

In this test, Chile took 15th place out of 57 economies, ahead of all other countries in the Americas including the United States and Canada. According to the IMD, the results of this test indicate that smaller countries which are export-oriented and socially and politically stable are better placed to benefit immediately from the recovery that follows a downturn.

This test considered 20 criteria grouped into four broad categories: key forecasts for the economy in 2009 and the readiness and resilience of government, business and society. According to Enrique Manzur, director of the Economics and Business Administration School at the University of Chile, the test's results are "a huge international tribute" to Chile.

The overall IMD Competitiveness Ranking 2009 was led by the United States, with Hong Kong and Singapore in second and third place, respectively. Chile took 25th position, up from 26th in 2008, ranking after countries that included Israel, Belgium, the United Kingdom and Ireland and ahead of France, the Czech Republic, Peru and Spain. Chile also maintained its position as the highest-ranking Latin American country.

In calculating the ranking, the IMD analyzed 245 variables divided into four areas: economic performance, business efficiency, government

efficiency and infrastructure. In the first two categories, Chile climbed eight positions and, in the case of economic performance - where it ranked 35th - this reflected its resilience to economic cycles and incoming foreign investment (where it ranked 13th up from 28th in 2008).

Similarly, on business efficiency (14th), the IMD highlighted the performance of Chile's financial sector (9th position, up from 24th in 2008) and the transparency of its financial institutions. On infrastructure, in which the IMD includes educational standards, Chile rose two places to 36th, boosted by the qualifications of its engineers and the quality of air transport, while on government efficiency, it dropped four places to 13th position.

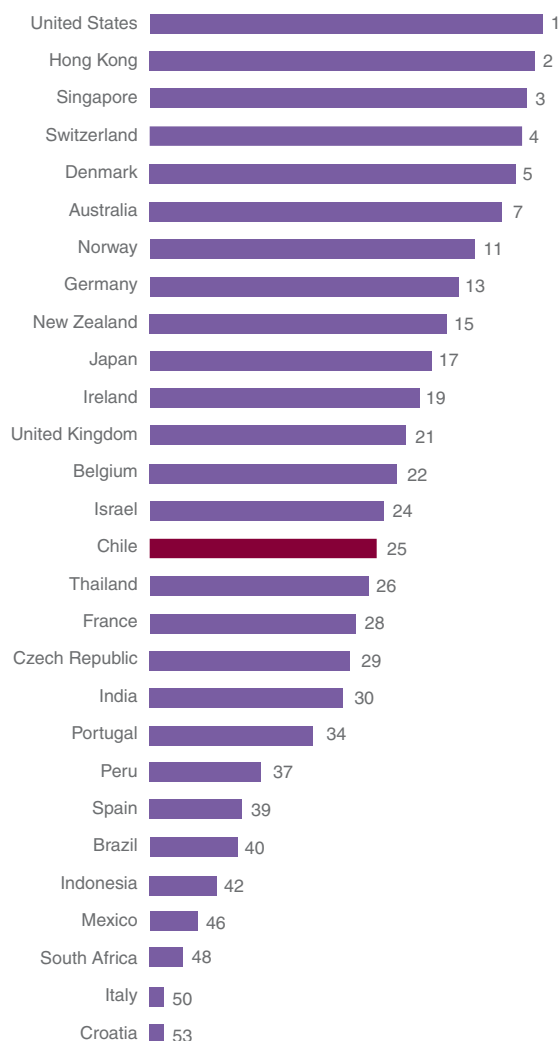
According to the IMD, Chile's strengths include its non-discriminatory treatment of local and foreign investors, its openness to trade, the resilience of its economy to cyclical swings, strict risk management in the financial sector and its attractiveness as a business platform.

However, the IMD report also highlights the challenges that Chile faces in its bid to become ever more competitive. These include the development of labor policies to address the negative impact of the crisis on employment and the implementation of measures to continue fostering the stability of the financial system and investment.

The report also points to an urgent need to design and implement an educational system in line with the demands of globalization. Other challenges identified by the report include the development of a secure and diversified energy matrix, the renewed use of concession contracts to improve public infrastructure, and improvements in public-sector efficiency.



IMD Competitiveness Ranking 2009 (Selected economies; position)*



*Out of 57 economies

Source: Institute for Management Development (www.imd.ch).

Stress Test 2009 (selected economies)

Position	Country
1	Denmark
2	Singapore
6	Switzerland
8	Australia
12	New Zealand
14	Austria
15	Chile
16	Canada
22	Brazil
28	United States
31	Peru

Source: Institute for Management Development (www.imd.ch)

Chile in the IMD Competitiveness Ranking 2009

Economic Performance

Selected criteria	Position*
Domestic economy	33
International trade	53
International investment	13
Employment	47
Prices	18

Government Efficiency

Selected criteria	Position*
Public finance	3
Fiscal policy	17
Institutional framework	21
Business legislation	21
Societal framework	28

Business Efficiency

Selected criteria	Position*
Productivity	29
Labor market	16
Finance	9
Management practices	9
Attitudes & values	16

Infrastructure

Selected criteria	Position*
Basic infrastructure	25
Technological infrastructure	44
Scientific infrastructure	45
Health & environment	36
Education	46

* Out of 57 countries considered in the 2009 IMD ranking.

Source: Institute for Management Development (www.imd.ch)

In the 2008-2009 Global Competitiveness Index (GCI), released by the World Economic Forum (WEF) in October 2008, Chile took 28th position out of 134 economies, ranking ahead of countries that include Spain (29th), the Czech Republic (33rd), Mexico (60th) and Peru (83rd).

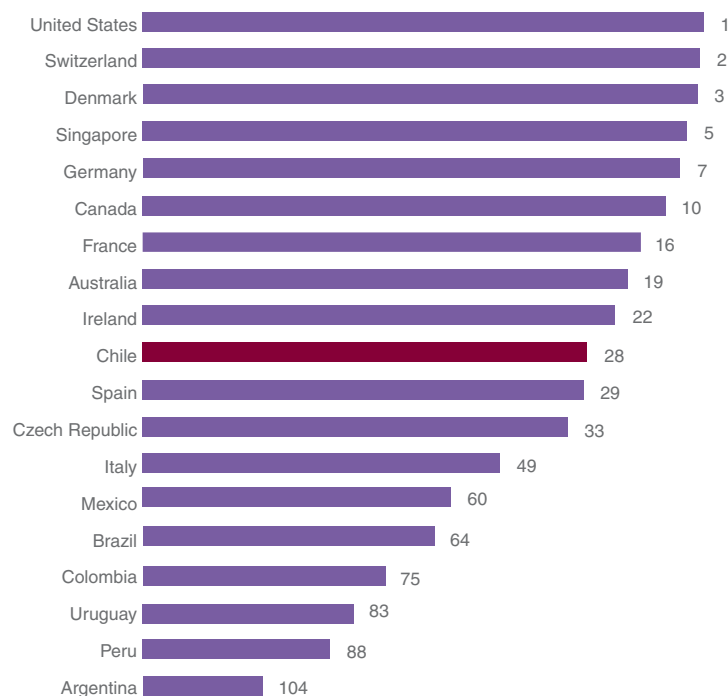
The GCI, which has been published since 1979, assesses a country's potential for sustained economic growth and, in its 2008-2009 version, was led by the United States, Switzerland and Denmark.

As in previous years, Chile ranked ahead of all other countries in Latin America and the Caribbean. Its "remarkable success story has much to do with its sound macroeconomic management, coupled with timely market liberalization and opening to trade, all taking place within the context of a transparent

and predictable regulatory framework," stated the report. "Specifically, Chile has successfully laid most of the basic foundations for competitiveness, including strong macroeconomic fundamentals (14th), well-developed infrastructure (30th) [and] efficient institutions (37th)... Moreover it displays efficient goods (26th) and labor (17th) markets, together with a fairly sophisticated financial market (29th), buttressed by the largest pension industry in the region (worth over 60 percent of GDP)," it added.

The GCI also highlights Chile's current challenges as regards educational standards. On primary and higher education, it ranked 105th and 50th, respectively, and the WEF pointed out that this is a drawback for the creation of knowledge and innovation.

Global Competitiveness Index, 2008-2009 (*)
(Selected economies; position)



*Out of 134 economies.
Source: World Economic Forum (www.weforum.org)

Competitive business costs

Research by the World Economic Forum, the UBS investment bank and US-based CB Richard Ellis Global Research & Consulting, position the city of Santiago in particular, and Chile in general, as one of the most competitive locations for international corporations in terms of business costs, including taxation, office premises, labor, telecommunications and expatriate costs.

UBS also ranks Santiago as one of the least expensive cities in the world in its 2008 Prices and Earnings report. Taking New York as the basis of comparison (New York = 100), Santiago scored 63.9 points excluding rents, and 59.7 points including rents. The study considered the cost of a basket of 122 products and services, including three rent categories, weighted in favor of Western European consumer habits. The report identified Oslo, Copenhagen and London as the world's most expensive cities out of a total of 71 surveyed.

• **Office rentals:** In terms of the cost of office premises, Chile is also attractive. A survey of office rentals, published by CB Richard Ellis Global Research & Consulting in November 2008, compared total occupancy costs ("gross rents"), rather than just rental rates, for a typical 100 square-foot office in a class A building in a prime location within a city. It found that Santiago was the 8th least expensive city (US\$34.87 per year per square foot) out of 15 cities in Latin America and was less expensive than Bogota, Mexico City, Nassau, Rio de Janeiro, Buenos Aires and São Paulo. The report noted that the cost of office premises had risen around the world and that, in Chile, this trend had been accentuated by strong demand.

Cost of office space (US\$ per year per square foot)				
	2004	2005	2006	2008
San Juan, Puerto Rico	39.44	39.44	26.50	31.76
Mexico City, Mexico	35.20	35.20	27.00	41.66
Nassau, Bahamas	34.50	34.50	32.00	39.00
Rio de Janeiro, Brazil	24.85	28.92	39.00	68.77
São Paulo, Brazil	21.66	26.40	31.00	75.13
Buenos Aires, Argentina	23.53	23.53	20.00	53.20
Santiago, Chile	21.15	21.81	19.50	34.87
Lima, Peru	18.95	17.84	14.50	21.96
Panama City, Panama	16.72	16.72	13.50	29.77
Bogota, Colombia	16.72	16.72	19.00	35.50
Quito, Ecuador	14.83	14.83	14.00	24.53

Source: CB Richard Ellis Global Research & Consulting (www.cbre.com)

• **Business start-up costs:** According to Doing Business in 2009, a report published by the World Bank, Chile is very competitive as regards business start-up costs. The study provides a snapshot of the business climate in 181 different economies by identifying regulations, procedures and policies that encourage or discourage investment, productivity and growth. The indicators presented in the report cover ten topics: starting a business, dealing with construction permits, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business.

According to the report, entrepreneurs in Chile can expect to go through nine steps to launch a business, taking an average of 27 days at a cost equivalent to 7.5% of per capita income. As a result, Chile took 40th place in the ranking led by Singapore, New Zealand and the United States. In Latin America, an average 9.7 steps are required as compared to 5.8 in OECD countries and the process takes an average of 64.5 days as compared to 13.4 days in OECD countries while costs represent 39.1% of per capita income in Latin America and 4.9% in OECD countries.

In its report, the World Bank also calculates a Rigidity of Employment Index, a composite of three sub-indices that measure how difficult it is to hire a new worker, how restrictive regulations on working hours are and how difficult it is to dismiss a worker. Each index assigns values between 0 and 100, with higher values representing greater rigidity. For Chile, the overall index stands at 24.0, compared to a regional average of 31.2 and an OECD average of 31.4.

Chile is also very well positioned as regards Registering Property, which is measured using indicators that include the number of procedures necessary to transfer property ownership, the time involved and the cost as a percentage of the property's value. In Chile, a transfer takes 31 days as compared to a Latin American average of 71.4 days and an OECD average of 30.3 days while the cost of transfer amounts to 1.3% of the property's value in Chile as compared to an average of 6.0% for Latin America and 4.7% for OECD countries.

The ease or difficulty of enforcing commercial contracts is measured using three indicators: the number of procedures involved from the moment the plaintiff files a lawsuit until actual payment, the associated time and cost (in court and attorney fees) expressed as a percentage of debt value. In Chile, 36 procedures are involved (39.7 for Latin America and 30.8 for OECD countries) while the time taken is 480 days (710.1 for Latin America and 462.7 for OECD countries). In terms of cost, this reaches 28.6% of the value of the debt in Chile (31.3% in Latin America and 18.9% in OECD countries).

The World Bank also assesses the degree to which investors are protected through an extent of disclosure index, an extent of director liability index and an ease of shareholder suits index as well as an overall investor protection index. Values range from 0 to 10, with higher values indicating greater protection for investors. On the disclosure index, Chile obtained a score of 7.0, ahead of a regional average of 4.1 and an OECD average of 5.9.

Among the challenges that Chile faces, the World Bank mentions the time and cost required to resolve bankruptcies including court costs and the fees of insolvency practitioners, lawyers and accountants. In Chile, this takes 4.5 years as compared to a regional average of 3.3 years and, for the OECD, just 1.7 years. Moreover, the Recovery Rate, which measures the efficiency of foreclosure or bankruptcy procedures, expressed in terms of how many cents per dollar claimants recover from the insolvent firm, reaches 21.3 in Chile, below Latin America's 26.8 and the OECD's 68.6.

Starting a business			
Indicator	Chile	Region	OECD
Procedures (number)	9.0	9.7	5.8
Time (days)	27.0	64.5	13.4
Cost (% of income per capita)	7.5	39.1	4.9
Minimum capital (% of income per capita)	0.0	3.4	19.7

Dealing with construction permits			
Indicator	Chile	Region	OECD
Procedures (number)	18.0	16.8	15.4
Time (days)	155.0	229.3	161.5
Cost (% of income per capita)	101.3	248.6	56.7

Employing workers			
Indicator (*)	Chile	Region	OECD
Difficulty of hiring index	33.0	34.7	25.7
Rigidity of hours index	20.0	33.1	42.2
Difficulty of firing index	20.0	25.6	26.3
Rigidity of employment index **	24.0	31.2	31.4
Firing cost (weeks of salary)	52.0	53.9	25.8

(*) Values between 0 and 100, with higher values indicating more rigid regulation.

(**) Average of previous three sub-indices.

Registering property			
Indicator	Chile	Region	OECD
Procedures (number)	6.0	6.8	4.7
Time (days)	31.0	71.4	30.2
Cost (% of property value)	1.3	6.0	4.7

Source: World Bank "Doing Business in 2009" (www.doingbusiness.org)

Protecting investors

Indicator*	Chile	Region	OECD
Disclosure index	7.0	4.1	5.9
Director liability index	6.0	5.0	5.0
Shareholder suits index	5.0	6.0	6.5
Investor protection index	6.0	5.0	5.8

(*) Values from 0 to 10, with higher values indicating more investor protection.

Trading across borders

Indicator	Chile	Region	OECD
Documents for export (number)	6.0	6.9	4.5
Time for export (days)	21.0	19.7	10.7
Cost to export (US\$ per container)	745.0	1,229.8	1,069.1
Documents for import (number)	7.0	7.4	5.1
Time for import (days)	21.0	22.3	11.4
Cost to import (US\$ per container)	795.0	1,384.3	1,132.7

Enforcing contracts

Indicator	Chile	Region	OECD
Procedures (number)	36.0	39.7	30.8
Time (days)	480.0	710.1	462.7
Cost (% of claim)	28.6	31.3	18.9

Closing a business

Indicator	Chile	Region	OECD
Time (years)	4.5	3.3	1.7
Cost (% of estate)	15.0	15.9	8.4
Recovery rate (cents on the dollar)	21.3	26.8	68.6

Source: World Bank "Doing Business in 2009" (www.doingbusiness.org)

CHILE, A RELIABLE PARTNER

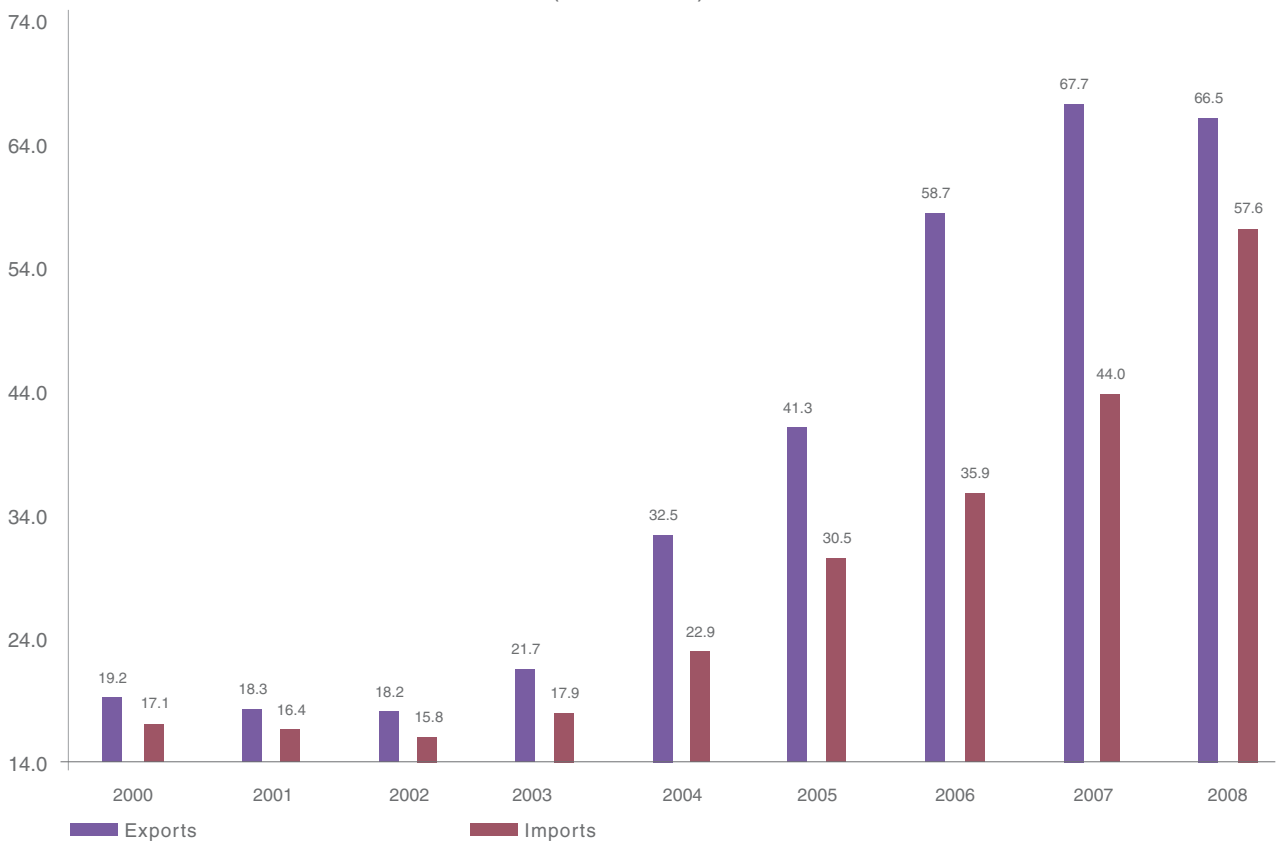
In 2008, Chile's most important exports were copper, molybdenum, wood pulp, salmon and wine. Together these products accounted for 64% of total exports.

In 2008, exports reached a record US\$66.5 billion, down by 1.8% on 2007. This was, however, only a small drop in view of the international crisis that developed last year. Returns from copper, at US\$32.8 billion, were down by 12.7% while non-copper mining exports fell by 3.2%, reflecting a general drop in the prices of Chile's commodity exports.

Manufactured exports have, however, shown a sustained increase in recent years and currently represent 31.9% of total exports.

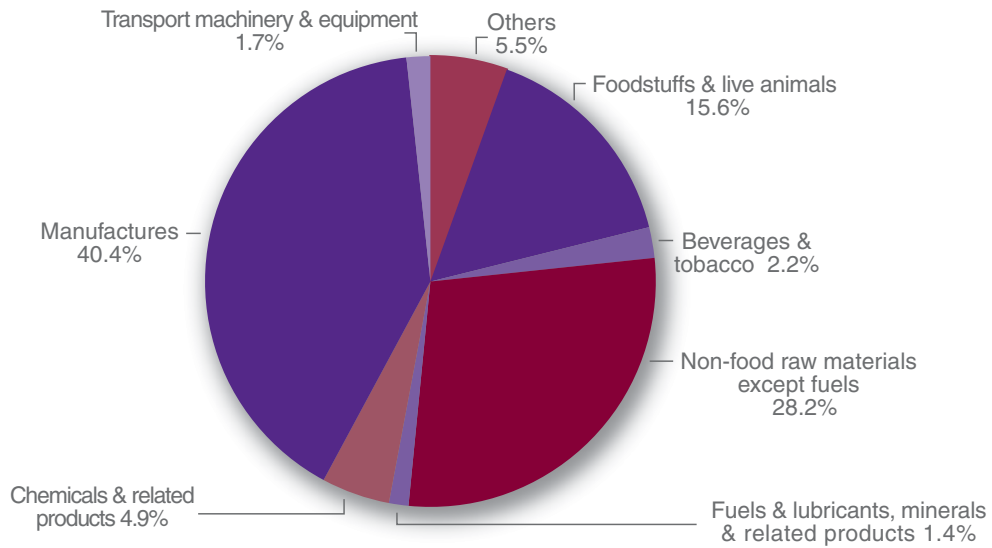
In 2007, imports rose by 30.8% to US\$57.6 billion, driven by the expansion of domestic demand. However, despite this large increase, there was a trade surplus of US\$8.8 billion.

Foreign trade in goods, 2000-2008
(US\$ billion)



Source: Central Bank of Chile (www.bcentral.cl)

Exports of goods, 2008
Total: US\$66.5 billion
(% of total)



Fuente: Central Bank of Chile (www.bcentral.cl)

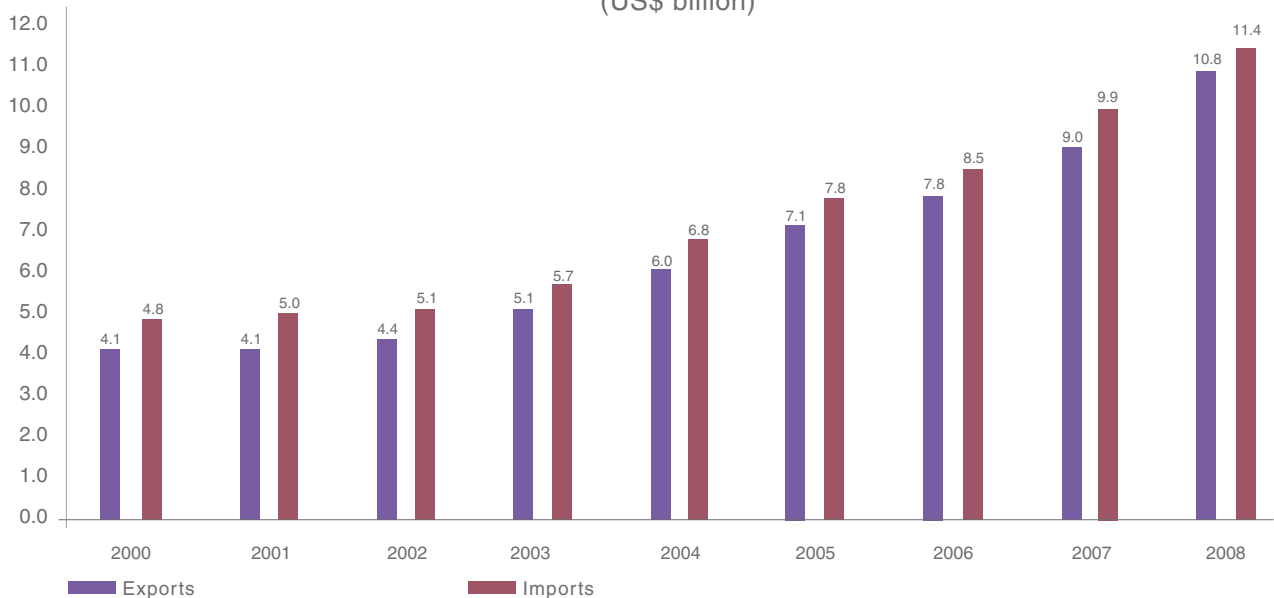
A service-oriented economy

Over the last 15 years, service industries have generated around half of Chile's GDP. In 2008, the sector as a whole represented 43.5% of output.

In addition, service exports have been increasing steadily and grew at an average annual rate of 6%

between 2000 and 2007, rising to 10.8% in 2008. The largest increase was in transport services, which now represent over half of total service exports.

Foreign trade in services, 2000-2008
(US\$ billion)



Source: Central Bank of Chile (www.bcentral.cl)

International integration

Chile's open economy, combined with an active policy of bilateral, regional and multilateral trade agreements, has underpinned a steady increase in foreign trade in goods and services and in the country's international competitiveness.

For imports from countries with which it does not have a trade agreement, Chile applies a flat-rate tariff which dropped to 6% in 2003 concluding a five-year program of annual one-percentage unilateral reductions. This program, along with Chile's Free Trade Agreements (FTAs) and its low level of non-tariff barriers, makes it one of the world's most open economies with an effective tariff of 1.2 % in 2008.

Since 1990, Chile has consolidated its position as an active international partner by building an extensive network of FTAs. These include:

Free Trade Agreements: Panama, China, United States, Canada, Mexico, South Korea, Central America, EFTA (Norway, Switzerland, Iceland and Liechtenstein), Australia and Peru.

Association Agreements: European Union (EU), Japan and P4 (New Zealand, Singapore and Brunei Darussalam as well as Chile).

Economic Complementation Agreements: Bolivia, Colombia, Ecuador, MERCOSUR and Venezuela.

Partial Scope Agreements: Cuba and India.

Agreements under negotiation (as of April 2009):

Malaysia: In March 2009, a fifth round of trade talks took place between representatives of Kuala Lumpur and Santiago. The negotiations were announced by President Michelle Bachelet and Prime Minister Abdullah Ahmad Badawi in November 2006.

Turkey: Chile and Turkey successfully completed FTA negotiations on 20 March 2009. The agreement now only requires the signature of the authorities and parliamentary ratification.

Some agreements: The Chile-European Union Association Agreement, signed on 18 November 2002 and in force since 1 February 2003, established the complete elimination of tariffs and non-tariff barriers on trade in goods (excluding only some fishing and agricultural products), divided into six categories depending on the calendar for this process which reaches a maximum of ten years. The Agreement's full implementation began on 1 March 2005 once the parliaments of the EU member states had approved the commitments to which they are party along with the EU (political dialogue, trade in services, investment, intellectual property and other aspects of cooperation).

As of December 2008, the EU countries accounted for 24.7% of Chile's total exports. The main euro zone countries to which Chile exported in 2008 were Holland, Italy, France, Spain and Germany while other important EU markets outside the euro zone were the United Kingdom, Bulgaria, Sweden, Poland and Denmark.

Since the Agreement came into force, tariffs have been totally lifted on 7,299 products, representing 92.4% of those negotiated (calculated on the basis of Chilean tariffs under the 2002 Harmonized Tariff Schedule). Export growth has been boosted by factors that include the increased competitiveness of Chilean products as a result of this tariff liberalization.

The Chile-US Free Trade Agreement, signed on 6 June 2003 and in force since 1 January 2004, consolidated and increased the access of Chilean products to the vast US market, establishing clear long-term rules for trade in services and investment as well as trade in goods. Under the FTA, 97.1% of Chile's exports to the US have obtained tariff-free access and this will reach 100% on 1 January 2015.

The United States accounts for 22% of global GDP and 19% of world imports and its market is 148 times the size of the Chilean market. The FTA is seen as particularly important in opening

new opportunities for Chile's textile, clothing and footwear manufacturers, the agricultural sector and service industries such as air and sea transport and telecommunications.

The Chile-China Free Trade Agreement, signed on 18 November 2005 and in force since 1 October 2006, seeks to expand and diversify bilateral trade, eliminate barriers to trade in goods, facilitate their movement across borders and foster conditions for healthy competition in the free trade area. In addition, it seeks to create effective procedures for the Agreement's implementation and administration and dispute settlement as well as to establish a framework for future bilateral, regional and multilateral cooperation in order to expand and reinforce the FTA's benefits.

With a population of 1.3 billion and sustained growth of between 8% and 10% over the past decade, China is an ever more important player

in the world economy. Under the FTA, tariffs were immediately lifted on 92% of Chilean products and on 50% of China's exports. The Chilean products included copper and other minerals, market garden produce, fish oil, pork and other processed food while tariffs on fresh and frozen salmon, apples and grapes will be eliminated over a period of ten years.

The negotiation and implementation of these agreements reflect Chile's belief that increasing openness to trade and international integration are effective tools for achieving development. The twenty trade agreements that Chile has with a total of 56 countries have, in practice, expanded its domestic market of just 16.6 million inhabitants to one of 3.8 billion potential clients around the world. This approach has helped Chilean producers to expand to new markets and, in 2008, 8,240 companies exported 5,161 products to 190 countries.

Exports and imports: Main trade agreement partners, 2008
(US\$ million)

	Exports	%	Imports	%	Trade Balance
United States	7,929.50	11.93	10,750.1	18.7	-2,820.6
Canada	1,393.50	2.10	949.3	1.6	444.2
Mexico	2,202.10	3.31	1,708.9	3.0	493.2
Mercosur	5,397.90	8.12	10,112.1	17.6	-4,714.2
China	9,233.90	13.89	7,510.1	13.0	1,723.8
Japan	6,423.00	9.67	1,586.6	2.8	4,836.4
South Korea	3,594.90	5.41	3,020.5	5.2	574.4
India	1,343.00	2.02	437.8	0.8	905.2
Singapore	123.20	0.19	137.5	0.2	-14.3
New Zealand	32.60	0.05	57.0	0.1	-24.4
European Union	16,353.40	24.61	6,915.5	12.0	9,437.9
EFTA	300.79	0.45	342.0	0.6	-41.2

Source: Central Bank of Chile (www.bcentral.cl)

Foreign trade by region, 2008
(US\$ million)

	Exports	%	Imports	%	Trade Balance
Americas	23,705.80	35.67	29,372.40	50.99	-5,666.6
Europe	17,308.50	26.05	8,255.10	14.33	9,053.4
Asia	24,071.20	36.22	15,649.70	27.17	8,421.5
Africa	245.30	0.37	1,704.30	2.96	-1,459.0
Oceania	534.70	0.80	337.60	0.59	197.1
Total	66,455.50	100.00	57,609.60	100.00	8,845.9

Source: Central Bank of Chile (www.bcentral.cl)

Export products, markets and companies,
1987-2008

	Products	Markets	Companies
1987	1,400	120	3,666
1900	2,300	122	4,100
1995	3,647	157	5,817
2000	3,749	175	5,666
2007	5,264	194	7,917
2008	5,161	190	8,240

Source: ProChile (www.prochile.cl)

BUSINESS CLIMATE

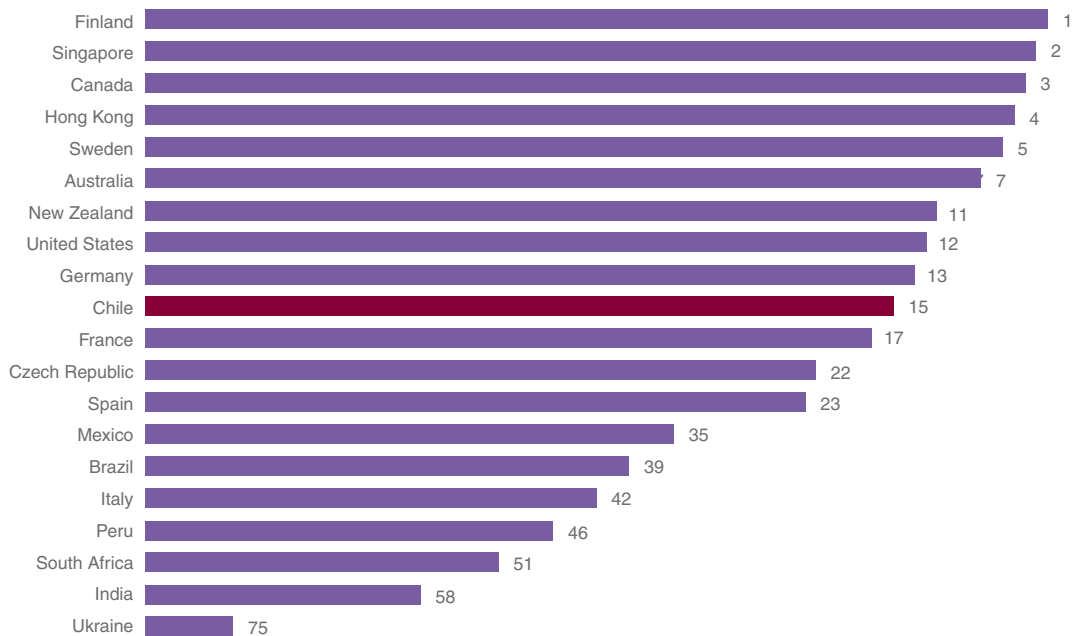
Thanks to its political and economic stability, openness to trade and the legal security and stability it offers, Chile has maintained an attractive and dynamic business climate over the past twenty years. According to the Business Environment Rankings published by the Economist Intelligence Unit (EIU), Chile is the 15th most attractive country in which to do business and invest over the next five years. It achieved a score of 7.69 on a scale of 1 to 10 in the ranking led by Finland, Singapore and Canada.

According to the EIU, Chile continued to lead Latin America and will remain an attractive place to invest among emerging markets in the period 2009-2013. The EIU anticipated that Chile would make further

progress in trade liberalization, fiscal modernization and infrastructure development while also increasing social investment. It identified labor regulation as a relatively weak area but indicated that greater flexibility could be expected in the future.

The ranking, which includes 82 of the world's largest economies, is based on over 90 factors that affect business development and it assesses a country's performance across ten categories: political and institutional environment, macroeconomic stability, market opportunities, policy towards free enterprise, policy towards foreign investment, foreign trade and exchange controls, taxes, financing, the labor market and infrastructure.

Business environment rankings 2009-2013
Best places to do business (*)



* Out of 82 economies.

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

This positive business environment reflects the thrust of the public policies that Chile has implemented since 1990, particularly as regards:

Political stability: Since democracy was restored in 1990, Chile has enjoyed a period of great political stability during which the rule of law and civil liberties have been consolidated. A center-left coalition - Concertación de Partidos por la Democracia - formed in the late 1980s, has held office since 1990 while a conservative coalition -Alianza por Chile - sits in opposition. Smaller groups, including the Humanist Party and the Communist Party, stand in elections and represent minority interests.

President Michelle Bachelet took office in March 2006 for a four-year term and heads the fourth Concertación administration. The next presidential and congressional elections will take place simultaneously in December 2009.

Political party and campaign finance is regulated in Chile under legislation that seeks to avoid imbalances in the access of the different political forces to funding and to ensure its transparent use.

The courts have full independence and autonomy and, over the past decade, a series of reforms have modernized the judicial system, increasing access to justice, speeding up proceedings and reducing the costs of going to court.

Economic liberalization: Chile was one of the first Latin American countries to open its economy to the world and, domestically, to establish a competitive free-market economy. This process of economic liberalization, combined with prudent state regulation, has since been further deepened through the signing of free trade agreements with the world's main economic powers and the promotion of public-private partnerships in different areas, particularly infrastructure concessions.

In 2004, a Fair Competition Tribunal (www.tdlc.cl) was created to replace the former anti-trust commissions. Its mission is "to protect free market competition, guarding against, correcting or prohibiting any event, act or agreement that prevents, restricts or hampers this or tends to produce these effects, and to sanction those who, individually or collectively, pose a threat to it".

In early 2005, a new law strengthened protection of industrial property rights, incorporating the World Trade Organization's TRIPS standards.

As a result, Chile consistently appears in leading positions in international rankings such as the Index of Economic Freedom published by the US-based Heritage Foundation and The Wall Street Journal in which it took 11th place in 2009. With a score of 78.3 points, Chile ranked immediately behind the United Kingdom. The Index, which was calculated using data as of June 2008 and does not reflect the effects of the subsequent intensification of the international financial crisis, considers ten components of economic freedom: business, trade, fiscal, monetary, investment, financial and labor freedom as well as freedom from corruption, government size and property rights.

Similarly, in the Economic Freedom Ratings of Canada's Fraser Institute, Chile took 6th place in 2008 after Hong Kong, Singapore, New Zealand, Switzerland and the United Kingdom. The ranking, based on objective data about 42 public policies, includes 141 countries that represent 95% of the world's population. Chile's position - two places ahead of the United States - reflects a profound economic and social transformation anchored in the values of a free society and rigor in creating the institutional infrastructure of a democracy.

Different studies have shown that the benefits of economic freedom include an increase in per capita income and the living standards of the poorest members of a society as well as in political rights and civil liberties. Chile has, indeed, shown substantial progress in all these indicators. Per capita income, measured in terms of purchasing power parity, has trebled to almost US\$15,000, the highest in Latin America, and poverty has been drastically reduced.

Social cohesion: Since 1990, high economic growth and active social investment policies have gone a long way to reduce poverty. In 1990, 38% of Chileans lived below the poverty line but, by 2006, this had dropped to 13.7%, according to the Planning Ministry's Socioeconomic Characteristics Survey (CASEN).

In a further effort to increase social wellbeing, an unemployment insurance scheme was launched in October 2002 and was expanded in March 2009. As of 31 December 2008, 5.9 million workers were affiliated to the system and it had been used by 3.8 million people.

The government of President Michelle Bachelet has continued to give priority to a social agenda that includes:

- **Pension reform:** On 1 July 2008, the "Chile values your life" pension reform began to come into force. This is the most important social reform in several decades and builds on the individual pension-saving accounts introduced in Chile in 1981. However, it incorporates a Solidarity Pillar designed to ensure dignity in old age for all Chileans, regardless of the amount of pension savings they have been able to accumulate during their working lives. To this end, the reform created a System of Solidarity Pensions, providing two main benefits: a Basic Solidarity Pension for those who do not have a right to a pension of any type, and a Solidarity Pension Contribution for those with a low pension. Both benefits will be introduced gradually until reaching full coverage in 2012.

- **Education reform:** Based on the conclusions of the Presidential Advisory Council on the Quality of Education - formed by over 80 experts, academics, teachers and students - the government presented to Congress a far-reaching reform of Chile's education system, designed to increase quality and equity. The new General Law on Education was approved in March 2009, marking an important first step in addressing this challenge. Three other related bills are also before Congress: the creation of a Superintendency of Education to enforce standards, the creation of a National Agency to supervise and assist educational establishments in achieving quality improvements, and a bill to strengthen

state education. In addition, under a law in force since 2008, the government is able to allocate increased financing to state and private schools that serve children with the greatest needs.

- **Labor courts:** Starting on 31 March 2008, a new judicial system for labor disputes has gradually come into force and will be available throughout the country by October 2009. The system is designed to settle conflicts between employers and workers rapidly through public hearings in equality of conditions for both sides. Once the new Labor Tribunals have been established in all the country's 15 regions, close to 7 million workers will have access to the system. In addition, a Labor Defense Service was created to provide specialized professional services to workers who cannot afford a lawyer, thereby safeguarding equality before the law, due process and the necessary balance that must exist before the corresponding court.

- **Ongoing health reform:** In 2002, Chile launched a system of Explicit Healthcare Guarantees that benefits all Chileans, ensuring care within an established period and financial support for those suffering from one of a list of illnesses defined by the authority.

- **Chile Solidario:** The Chile Solidario system of social protection targets extremely poor families and individuals, seeking to incorporate them into social networks and give them access to improved living conditions. By October 2008, the system has benefited a total of 320,000 families. According to the United Nations Development Programme (UNDP), Chile is the only country in Latin America and the Caribbean that will have complied with the Millennium Development Goals by 2015. These include the eradication of extreme poverty and hunger, universal primary education, the promotion of gender equality and access to new technologies.

• **Chile Crece Contigo:** The Chile Crece Contigo (Chile Grows with You) System of Integrated Protection of Infancy is one of the hallmarks of President Bachelet's government. Its mission is to support infant development (from pregnancy through to four years of age). As part of its

activities, 3,000 new free-of-charge childcare centers have been opened throughout Chile since President Bachelet took office in March 2006, almost trebling the number of places previously available.

Different studies have shown that the benefits of economic freedom include an increase in per capita income and the living standards of the poorest members of a society as well as in political rights and civil liberties. Chile has, indeed, shown substantial progress in all these indicators.



GLOBALLY CONNECTED

Chile's ports are an emblem of the quantitative and qualitative progress achieved in many sectors of its economy as a result of economic liberalization and privatizations. Almost 90% of Chile's foreign trade is handled by its ports and many products, including copper cathodes and wood pulp as well as fruit and vegetables, are increasingly containerized.

Since a reform launched in 1997 to channel private capital into the country's ports, the installation of new equipment and logistics development have meant productivity gains that have trebled their capacity without requiring a significant increase in their size.

Chile's ports are a mixed system comprising state-run facilities for public use, private ports that are open for public use, and private ports exclusively for the use of their owners. In Chile, there are ten state port companies and 23 private ports. Private firms act as mono-operators of mooring sites in six of the ten state ports and, in the others, do so under a multi-operator system in place since 1981.

In this process, over US\$230 million has been invested in port infrastructure, cranes and equipment incorporating the latest technology. Between 2000 and 2006, state ports saw an increase of 51% in their efficiency measured in tonnes/hour while, at privately-operated sites, this more than doubled. At the same time, port charges dropped by 30%.

According to Chile's Maritime and Port Chamber (Camport), Chile's ports handled a total of 89.3 million tonnes of cargo in 2008, led by San Vicente in the Bío-Bío Region with 11.6 million tonnes. It was followed by Quintero (10.6 million tonnes),

San Antonio (9.4 million tonnes) and Valparaíso (8.3 million tonnes).

Container traffic also increased in 2008, rising by 13.3% to 3,114,615 TEUs. Valparaíso Terminal Pacífico Sur accounted for 20% of this total, followed by San Vicente Terminal Internacional with 19.4%.

According to Connecting to Compete: Trade Logistics in the Global Economy, a study published by the World Bank, Chile leads Latin America on logistics infrastructure and services. In the study's Logistics Performance Index (LPI), Chile ranked 32nd out of a total of 150 countries.

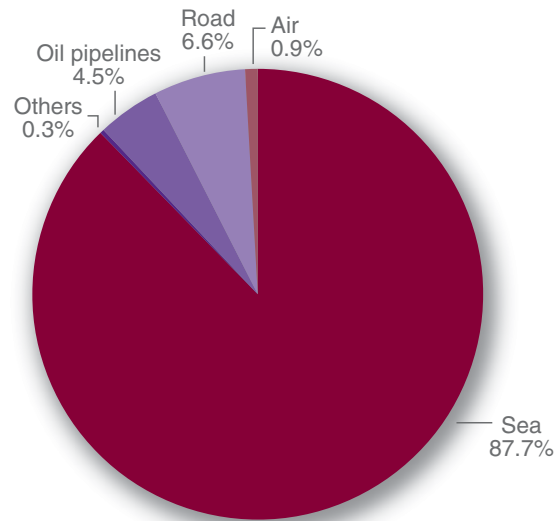
The Index reflects a country's performance in seven areas: customs procedures, infrastructure quality, ease and affordability of international shipments, domestic logistics costs, the competence of local operators, ability to track and trace shipments, and timeliness in reaching a destination.

"Well connected countries can have access to many more markets and consumers: a country as distant from most major markets as Chile can be a major player in the high-end world food market, supplying fresh fish and perishable fruits to consumers in Asia, Europe, and North America," the report noted. In Latin America, Chile was followed by Argentina (45th), Panama (54th), Mexico (56th), Peru (59th), Brazil (61st), El Salvador (66th) and Venezuela (69th).

The World Bank also pointed out that high-standard trade logistics and connections with international markets are crucial if developing countries are to increase their competitiveness, benefit from globalization and reduce poverty in an ever more integrated world.



Share of maritime cargo in Chile's International Trade 2008



Source: Directorate of Ports, Ministry of Public Works

Chile's openness to trade, boosted by its trade agreements with the world's main markets, is key for its economic growth. The maintenance of good transport links is, therefore, crucial and, over the next decade, will call for important investments in its ports.

According to the Ministry of Public Work's Directorate of Ports, the new resources envisaged

between 2010 and 2020 will involve the development of mooring sites with a length of over 300 meters and a depth of more than 14 meters for the ships of the future, including cruise ships. This has been identified as a priority for state ports, along with other improvements including, in the case of some ports, better access roads. It is estimated that the total investment required will reach just over US\$1 billion.

World container ship capacity (TEUs)			
Capacity	2008	2010*	2012*
Up to 2,000	2,328	2,719	2,820
2,000 to 4,000	1,003	1,173	1,246
Over 4,000	987	1,372	1,730
Total	4,318	5,264	5,796

* Forecast

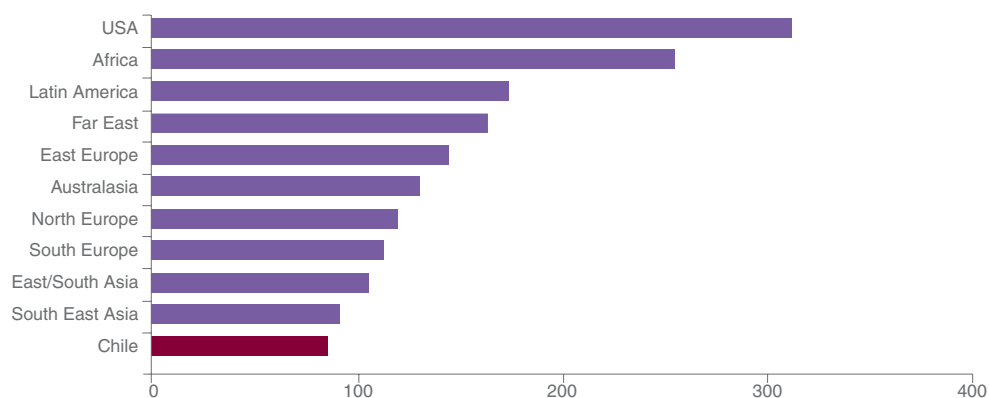
Source: Directorate of Ports, Ministry of Public Works (www.dop.cl)

Containerized throughput, Latin America & Caribbean, 2008 (TEUs)

Port	Country	TEU 2008
1 Santos	Brazil	2,674,975
2 Colon	Panama	2,468,520
3 Balboa	Panama	2,167,977
4 Kingston	Jamaica	1,830,000
5 Buenos Aires	Argentina	1,781,100
6 Freeport	Bahamas	1,698,000
7 Manzanillo	Mexico	1,409,782
8 Callao	Peru	1,203,315
9 Cartagena	Colombia	1,060,714
10 Valparaiso	Chile	946,847
11 Puerto Limon	Costa Rica	835,144
12 Puerto Cabello	Venezuela	809,454
13 Buenaventura	Colombia	743,295
14 Veracruz	Mexico	716,046
15 Itajai	Brazil	693,580
16 San Antonio	Chile	687,864
17 Montevideo	Uruguay	675,273
18 Rio Grande	Brazil	607,177
19 Paranaguá	Brazil	604,690
20 Puerto Cortes	Honduras	572,382

Source: Gabriel Pérez S., UN Economic Commission for Latin America and the Caribbean (ECLAC)

Port tariff per container (US\$)



Source: Drewry/Cepal

Telecommunications

Another sector in which Chile has achieved important progress is telecommunications. Between 1987 and 1989, the state telephone companies - Compañía de Teléfonos de Chile (CTC), now Telefónica Chile, and the Empresa Nacional de Telecomunicaciones (Entel) - were privatized and the industry is now entirely privately-owned.

The sector's contribution to GDP has shown a sustained increase, rising from 2% at the end of the 1990s to over 3% in 2008. This is one of the main reasons why many companies such as Delta Air Lines, Air France and BBVA have chosen Chile as the location for their Latin American call centers and software development centers.

According to Best Cities for Doing Business in Latin America published in May 2009 by the AméricaEconomía business magazine, Santiago is the best place in the region in which to do business in the telecommunications sector. It took 18 points out of a maximum of 30, and was followed by Mexico City (16.5) and São Paulo (8.2).

Fixed-line telephony. Telecommunications penetration rates in Chile have mirrored trends in industrialized countries, with fixed-line telephony showing a loss of importance as the population's main telecommunications vehicle. Internationally, fixed-line penetration has reached 19.2 per 100 inhabitants whereas, in Chile, it was running at 21 per 100 inhabitants in 2008 when there were a total of 3.5 million lines in operation.

Mobile telephony. Penetration of mobile telephony in Chile is almost twice the world average and on a par with rates in industrialized countries. In the early part of this decade, its growth rate reached 50% and the number of subscribers rose from 5 million to 14.8

million in 2008, representing a penetration of 88 per 100 inhabitants.

Internet: Chile also has a high level of Internet penetration. The number of users continued to expand in 2008, reaching 8 million people or 48% of the population. In other words, almost one in two Chileans is now an Internet user. This development is explained by a number of factors: a high level of computer penetration, a sustained drop in access charges, the development of local content, and an increase in business connectivity.

The main trends in Internet use include more widespread broadband access even among lower-middle sectors of the population, an increase in average connection time, the massification of social networks, and the greater use of Internet for transactional activities. Internet will become progressively more important as a source of information and entertainment and as a tool for consumer decisions.

The challenge in the coming years will be to increase broadband capacity and to provide wireless services. To this end, the Digital Agenda 2008-2012, drawn up by the government of President Michelle Bachelet, seeks to promote intensive use of information and communications technologies (ICTs) in Chile, facilitating entrepreneurship and the development of the ICT industry while also increasing equity and social inclusion. Its goals include two million broadband connections, doubling the present number, with particular emphasis on rural and remote areas where the aim is to provide 95% coverage. In addition, it seeks to expand the ICT industry and to position Chile as the main Latin American center for the offshoring of technology services.

Mobile telephony in Chile

Year	N° of subscribers	Annual growth	Penetration (per 100 inhabs.)	Penetration (% of households)
2000	3,401,525	-	21.97	87.18%
2001	5,100,783	49.96%	32.57	129.28%
2002	6,244,310	22.42%	39.44	156.51%
2003	7,268,281	16.40%	45.41	175.97%
2004	9,261,385	27.42%	57.24	210.64%
2005	10,569,572	14.13%	64.65	250.43%
2006	12,450,801	17.80%	75.39	287.08%
2007	13,955,202	12.08%	83.66	316.70%
2008	14,796,593	6.03%	87.83	330.53%

Source: Undersecretariat for Telecommunications, Subtel (www.subtel.cl)

Telephone penetration, 2008 (%)

	Fixed-line	Mobile
Switzerland	66.8	108.2
Denmark	51.2	114.7
United States	57.2	83.5
Canada	64.5	57.6
Germany	65.1	117.6
United Kingdom	55.4	118.5
France	55.8	89.9
South Korea	48.3	90.2
Australia	47.1	102.5
Italy	46.3	135.4
Japan	35.8	78.6
New Zealand	40.8	101.2
Spain	41.9	110.2
Uruguay	28.9	89.9
Chile	21.0	87.83
Brazil	20.5	63.1
Argentina	24.0	102.2
World	19.2	49.3

Sources International Telecommunication Union, UIT (www.uit.int) and Subtel

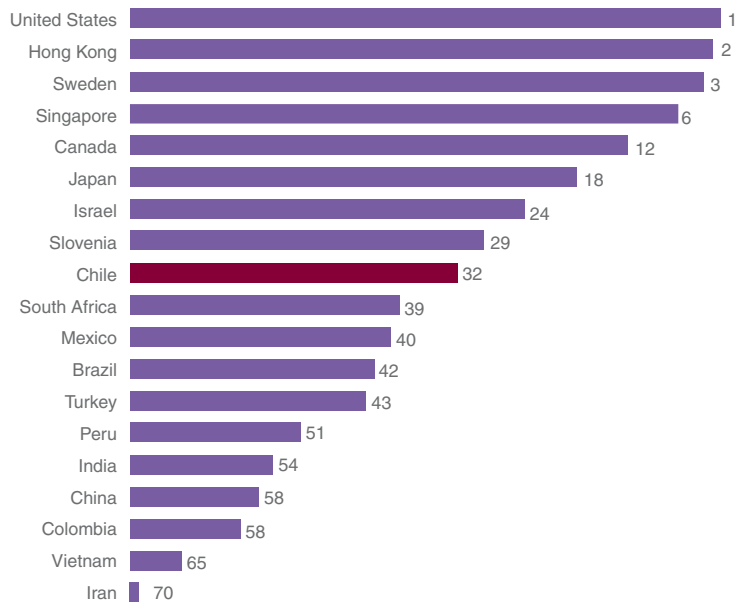
Information technologies

Numerous studies by international institutions underline Chile's status as a "wired" country. In its 2008 e-Readiness Rankings, the Economist Intelligence Unit (EIU) identified Chile as Latin America's most e-ready market.

The EIU's ranking compares the e-business environment of different countries, using almost 100 quantitative and qualitative criteria. Chile obtained

an overall score of 6.57 (on a scale of 1 to 10), taking 32nd position out of 70 countries. Its scores in all the categories analyzed were the highest in Latin America: Connectivity and Technology Infrastructure (4.5), Business Environment (8.07), Social and Cultural Environment (6.6), Legal Environment (8.0), Government Policy and Vision (7.1).

E-readiness Rankings, 2008 (selected economies)*



*Out of 70 countries
Source: Economist Intelligence Unit (www.eiu.com)

In the Networked Readiness Index 2008-2009, published by the World Economic Forum (WEF), Chile took 39th place out of 134 economies, ahead of all other Latin American countries and of countries that include Thailand (47th) and India (54th). The Networked Readiness Index - which was first released in 2000 - assesses a country's degree of preparation to participate in, and benefit from, developments in information and communications technologies (ICTs) and reflects the increasing influence of ICTs on the economic and social development of both industrialized and emerging economies.

The Index considers three main components: the environment that a country or community provides for ICTs, the readiness of its main stakeholders (individuals, businesses, and governments) for the use of ICTs, and the level of ICT usage amongst these stakeholders.

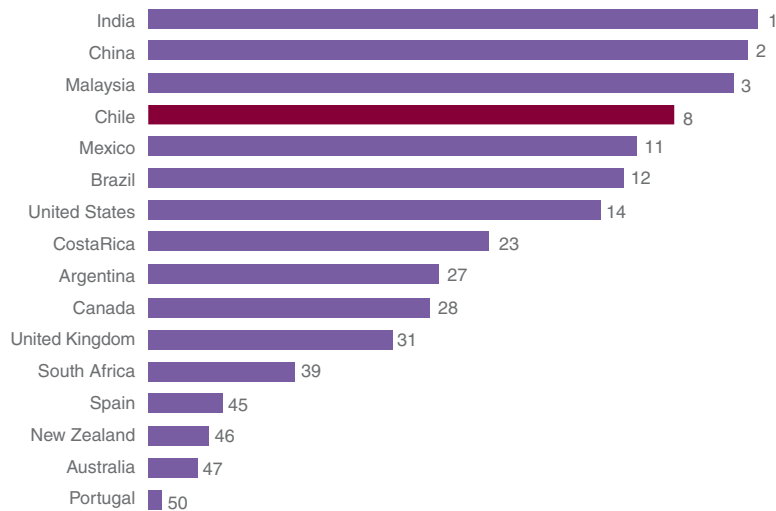
In the case of Chile, the study found that the country's strengths lie in efficient government use of ICTs, the availability of public services online, local competition, the vision of the government in fostering technological development and the

availability of telephone lines. Chile's main weaknesses, according to the ranking, are a low level of technology exports, expenditure on education and private investment in R&D and the cost of mobile telephone calls.

Offshoring

The Economist Intelligence Unit (EIU) has ranked Chile as one of the 15 most attractive locations for offshoring out of 60 of the world's main economies. In the study, the EIU used a model that compares nine separate criteria of attractiveness, including proximity, political and security risks, macroeconomic stability, regulatory environment, tax regime, labor regulation, labor costs, labor skills, and infrastructure. The report emphasized that "Chile outshines its neighbors, luring investment with educated workers and strong IT skills", adding that "according to UNCTAD's data, Chile is currently the strongest performing Latin American country, with 0.9 projects per million people, and it is the only Latin American country to make it into the top 15 countries in the rankings model".

Global services location index 2009
(Selected economies; position)*



*Out of 50 countries
Source: A. T. Kearney (www.atkearney.com)

A.T. Kearney, a US-based management consulting firm, also found that Chile scores well as an offshore location for multinational companies. In Kearney's 2009 Global Services Location Index, Chile ranked 8th out of a total of 50 destinations in the world and was the most attractive in Latin America.

Digital economy and e-commerce

E-commerce is now an established part of the international economy, offering an opportunity to do more and better business at lower transaction costs and through new distribution channels. According to the Santiago Chamber of Commerce (CCS), around 20% of Chile's Internet users - or some 1.6 million consumers - make purchases online.

The CCS estimates that Chile's digital economy accounted for sales of over US\$23.5 billion in 2008, up by 15% on the previous year. The market can be divided into three distinct segments: infrastructure, software and services; telecommunications; and e-commerce. The latter segment was the largest, with estimated sales of US\$14.5 billion in 2008, representing an increase of 20% on 2007.

The majority of these operations were business-to-business and business-to-government transactions. According to the CCS, which classifies

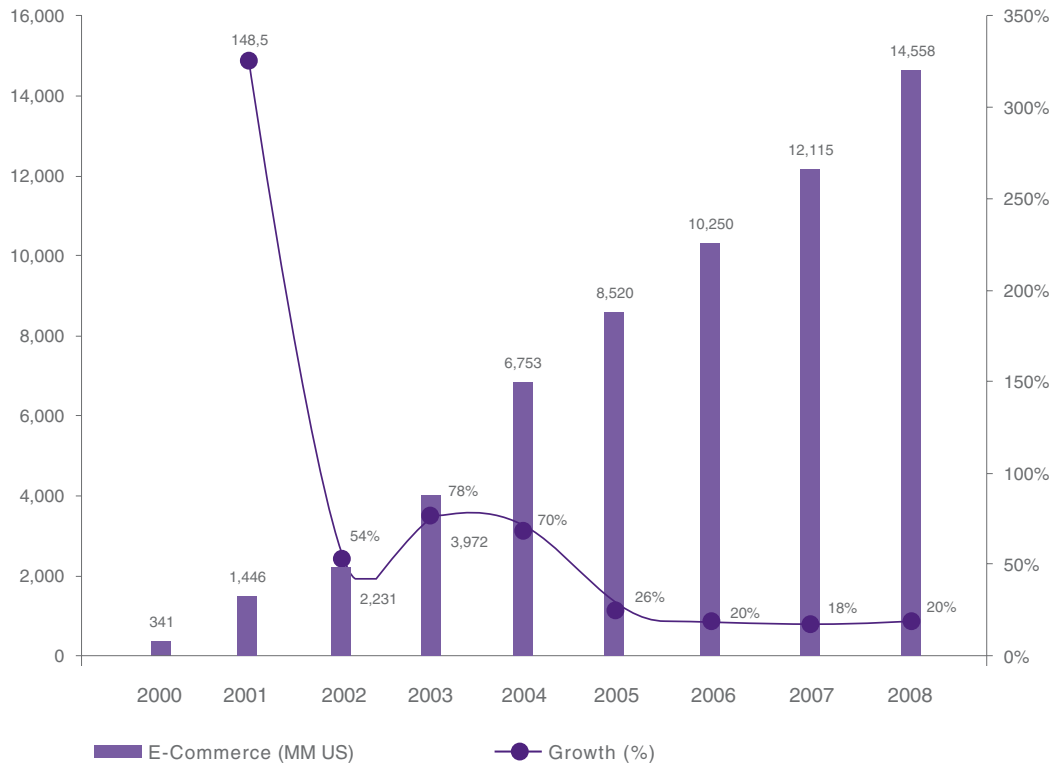
both types of transaction as business-to-business, they totaled over US\$14 billion while business-to-consumer sales of goods and services reached around US\$380 million.

Sales of telecommunications services totaled around US\$5.9 billion in 2008, led by newer segments of the market such as broadband and mobile telephony, while infrastructure, software and services are estimated to have accounted for sales of almost US\$3.2 billion.

The use of Internet has been incorporated very rapidly by Chile's banking industry where it is becoming a standard tool. According to a study by the Superintendency of Banks and Financial Institutions (SBIF), the percentage of low-volume banking operations carried out online rose from 0% in 1998 to 17% in 2008 while the use of remote systems, such as ATMs, increased from 26% to 49%.

However, in this field, Chile remains behind industrialized countries. For example, although 60% of Chilean firms were carrying out operations online by 2008, up from 40%, this remains below the 70% seen in industrialized countries.

E-Commerce in Chile



Source: Center for Digital Economy Studies, CCS

Over the next few years, e-commerce is expected to continue to show high growth. In the medium term, the outlook is also extremely promising as the market incorporates the generation that grew up with computers, mobile telephones and online social networks.

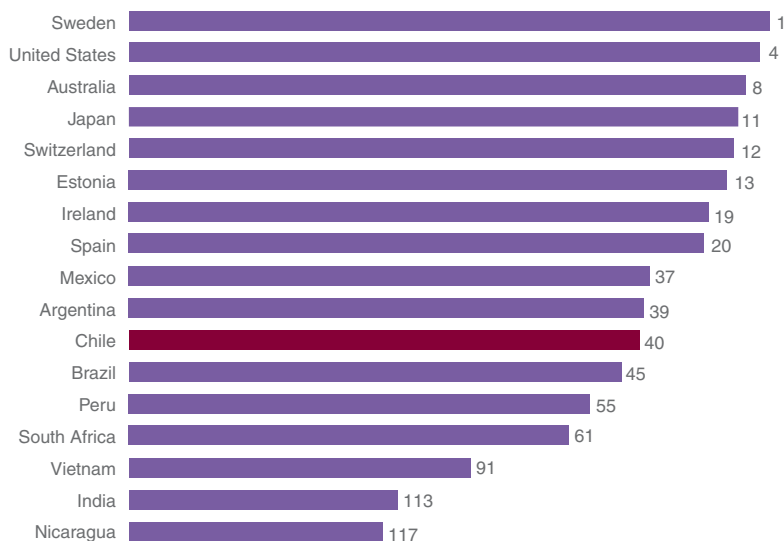
E-Government

Over the past two years, Chile has achieved encouraging progress in modernization of the state apparatus. An increasing number of public institutions have not only begun to use Internet as a platform for the delivery of services to the community but have also improved their capacity for carrying out online transactions. Emblematic examples of e-government

include the Internal Revenue Service (SII), the government's ChileCompra electronic procurement service and the Civil Registry. Through the adoption of information technologies, these government services have facilitated interaction between the state and its citizens.

The United Nations E-Government Survey 2008 examines the willingness and capacity of governments to move forward in e-government and the use of ICTs as a tool for delivering services, and monitors the progress of different countries in providing digital public services. In the ranking, led by Sweden, Denmark and Norway, Chile took 40th position out of 192 countries and, in Latin America, ranked third after Mexico and Argentina.

E-Government Readiness Index (position)*



*Out of 192 countries
Source: United Nations (www.un.org)

Road and airport infrastructure: new challenges

In 2008, Chile's build-operate-transfer (BOT) infrastructure concessions system celebrated the 15th anniversary of the award of its first contract. This model of public-private partnerships is at the root of a transformation of Chile's road, port and airport infrastructure and of services in general. It has, at the same time, proved a magnet for investments by different international operators.

According to the Association of Public Infrastructure Concession Companies (COPSA), seven of the world's largest developers of transport projects are present in Chile. Moreover, private companies have invested US\$10 billion through the system, representing a saving of US\$6 billion in fiscal resources.

In view of the positive results of these contracts, under which companies recover their investment in a period of up to 30 years, the system has also been extended to new areas such as agricultural irrigation and the construction of new prisons.

The modernization of Chile's inter-city highways and of road infrastructure in the capital, Santiago, is perhaps the most evident sign of the system's benefits. These projects have not only reduced journey times but have also meant compliance with the highest international safety standards.

Between 1992 and 2008, private investors were awarded and developed 52 projects under the concessions system. Some of the most important projects are:

Panamerican Highway: Under the concessions system, over 1,500 km. of the Panamerican Highway - the backbone of Chile's road system - have been upgraded, bringing them up to high international standards. These contracts represented a total investment of more than US\$3.7 billion.

As a result, the Panamerican Highway is now a four-lane highway from La Serena in the north (Coquimbo Region) to Puerto Montt (Los Lagos Region) in the south. New high-speed highways also connect Santiago to nearby cities, including the main ports and beach resorts.

Urban highways: Five urban highways were also built in Santiago under the concessions systems, making Chile the first country in the world to have five interconnected highways using the same electronic tolling device (TAG). In April 2005, the first stages of the Costanera Norte and Autopista Central highways started operation, followed by upgrades to the northern and southern segments of the city's Américo Vespucio beltway. Two of these highways - Costanera Norte and Vespucio Express - have significantly reduced journey times between Santiago's airport and the main business and residential neighborhoods in the eastern part of the city.

The challenge now is to extend the concessions system to roads outside the capital that are currently managed by the state. Through long-term contracts, this program seeks to transfer the maintenance of paved roads to private companies. Contracts would be for 15 or more years and establish service standards for aspects that include safety, aesthetic appearance and the conservation of state property.

In the first half of 2008, the Ministry of Public Works prequalified bids for the first 500-km. project representing an investment of US\$160 million. The second stage of the program involves the prequalification of companies for improving roads in the O'Higgins and Los Ríos Regions.

Airports: Over the past two years, Chileans have increasingly used air travel for journeys within the country. In 2008, domestic passengers reached 4.8 million, up by 17% on the previous year, while international passengers rose by 0.5% to 4.9 million.

A total of 18 international airlines operate in Chile, offering 80,000 flights a year and the following weekly services out of Santiago:

- 156 flights to Argentina (Buenos Aires, Córdoba and Mendoza)
- 86 flights to Brazil (São Paulo, Río de Janeiro and Porto Alegre)
- 56 flights to Peru (Lima)
- 24 flights to Mexico City
- 69 flights to other Latin American destinations (Asunción, Bogotá, Caracas, La Paz, Montevideo, Panama, Quito, Santa Cruz and San José)
- 16 flights to Canada (Toronto)

- 102 flights to the United States (Miami, Atlanta, New York, Dallas and Los Angeles)
- 12 flights to Australia and New Zealand (Sydney and Auckland)
- 57 flights to Europe (Madrid, Frankfurt, Paris and Zurich)

In 2008, nine million passengers passed through Santiago's Arturo Merino Benítez (AMB) airport, making it the 9th busiest in Latin America and one of the 50 busiest in the world. In 2008, it was also selected as the third best South American terminal by the World Airports Awards, which identified Hong Kong as the best in the world for the seventh time in ten years.

AMB's position partly reflects the expansion and modernization of the airport under the concessions system. Since the concession contract was awarded in 1997, investment in the airport has reached US\$190 million.

Prisons: One of the main characteristics of the concessions system is the flexibility it offers for the incorporation of new types of projects. Examples of this include its use for the construction of new prisons, public buildings, irrigation reservoirs and infrastructure for public transport. The first prison developed under the system opened in Rancagua in November 2005 and has been followed by prisons in Iquique, La Serena, Santiago, Valdivia and Puerto Montt. With a total capacity for 9,960 inmates, these projects represented an investment of US\$175 million.



A GUARANTEE OF TRANSPARENCY

In Transparency International's 2008 Corruption Perceptions Index, released in September 2008, Chile obtained a score of 6.9 on a scale from 0 (highly corrupt) to 10 (highly clean). This gave Chile 23rd place in the index of 180 countries, tying with Uruguay as the best-ranked Latin American country.

Over recent years, Chile has implemented a number of initiatives to consolidate transparency in the public sector. In 2003, a new public administration statute (Law N° 19.882) came into effect, designed to lay the foundation of a professional civil service. It introduced new performance-based incentives and increased the opportunities for in-service promotion on merit, rather than seniority. In addition, under the new law, there has been a gradual reduction in the number of political appointees in public posts, for which a new merit-based selection procedure was established.

A bill currently before Congress seeks to further increase the number of heads of public services appointed on merit and to strengthen audit controls. In addition, all top-level public officials and those who are responsible directly or indirectly for acquisition of goods or services must now provide statements of assets and interests, which are posted on both the corresponding agency's website and that of the Comptroller General's Office.

In 2005, Law N° 20.054 on campaign financing was approved. This regulates political party financing and, as well as introducing new disclosure requirements on the source and amount of contributions, makes some direct public financing available to political parties and establishes caps on election spending.

In 2006, President Michelle Bachelet went on to announce an Agenda on Probity, Transparency, Quality of Politics and Modernization of the State. This seeks to increase access to public information, reduce administrative irregularities and infringements of probity standards, and improve hiring mechanisms and systems of control. Under instructions issued by the President, public services must post details of all the goods and services they acquire and the monetary transfers they make on their websites under a special "Transparent Government" link.

They must, in addition, publish on their websites all norms, regulations and decisions that affect third parties. Similarly, all public services must publish and periodically update information about contractors and other persons receiving remunerations from the state, including their tax identification number and those of their main partners and shareholders.



Law on Public Transparency and Access to Public-Sector Information

In August 2008, President Bachelet promulgated Law 20.285 to regulate transparency in the public sector and the right of access of the country's citizens to information held by public services. This law, which came into force on 20 April 2009, means that nearly all information about the decisions of state agencies is now public and seeks to foster closer ties between the state and its citizens, facilitate constructive citizen participation and strengthen accountability.

The Council for Transparency, an autonomous body, was created to supervise the law's implementation and is empowered to issue instructions, apply sanctions and settle disputes when a person requesting information is not satisfied with the response. The Council is also responsible for public education about the new law, for training in its use and, in general, for fostering transparency in the public sector.

Transparent management of public resources

In September 2006, a new Fiscal Responsibility Law came into force, creating two new investment funds: the Economic and Social Stabilization Fund (FEES) and the Pension Reserve Fund (FRP). The first, a short and medium-term fund, is designed as a savings mechanism against possible future fiscal deficits during cyclical downturns, isolating social spending and public investment from the swings of the international economy. Any fiscal surplus in excess of 1% of GDP is paid into the FEES.

The FRP is a medium and long-term fund set aside to cover future expenditure on minimum pensions and other benefits established under a social security reform, which is one of the pillars of the Bachelet government's program. This reform's gradual implementation began in July 2008.

Under the Fiscal Responsibility Law, a Financial Committee, formed by independent experts of recognized prestige in economic matters, was established to oversee the sustainable management of these funds. The work of this

Committee and the institutional framework created by the Fiscal Responsibility Law were reflected in Transparency International's ranking as well as in the Scoreboard for Sovereign Wealth Funds published in April 2008 by the Washington-based Peterson Institute for International Economics. In this Scoreboard, the FEES took 8th place out of 34 funds, positioning Chile as the highest ranked emerging economy.

ChileCompra marketplace

Chile's e-government system is considered one of the most advanced in Latin America and a model of best practices, not only because of the variety of services and range of information it provides but also because of its high level of use, efficiency and transparency. This is particularly the case of the public sector's e-marketplace, ChileCompra (www.chilecompra.cl), a centralized system for procurement of goods and services launched in 2003, which benefits both public services and their private suppliers.

Over 900 state institutions, including ministries, municipal governments, hospitals and the armed forces, use the marketplace along with around 80,000 companies, carrying out some 1.6 million transactions each year for a value of US\$4.5 billion. The system can also be used for international tenders in which overseas companies participate.

Governance indicators

In relation to transparency and good practices, the World Bank publishes every two years a report on governance indicators. According to the World Bank, governance - defined as the traditions and institutions under which authority is exercised for the common good of a country - is reflected in six dimensions or criteria: Voice & Accountability, Political Stability, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. In order to measure these criteria, the World Bank condenses several hundred individual variables drawn from data sources constructed by 35 different organizations.

Chile: World Bank Governance Indicators, 2007

Governability Indicator	Percentile (0-100)	Score (-2,5 a +2,5)
Voice & accountability	76.9	+0.98
Political stability	65.9	+0.55
Government effectiveness	85.8	+1.22
Regulatory quality	91.3	+1.45
Rule of law	88.1	+1.17
Control of corruption	90.3	+1.35

Source: World Bank (www.worldbank.org)

The World Bank's 2007 Governance Indicators, released in June 2008, cover 212 countries or territories and ratified Chile's status as one of the world's most transparent countries. Moreover, Chile showed a marked improvement on Control of Corruption on which it ranked in the 90.3% percentile, ahead of Japan (84.5%) and Italy (71.0%) and on a level similar to the average for OECD countries (90.5%).

Chile also performed well on Regulatory Quality (91.3%), putting it on a par with Germany (92.7%) and the average for OECD countries (91.1%) and ahead of countries that include France (85.9%), Spain (85.4%), Japan (83.5%), Portugal (83.0%) and South Korea (78.6%). This indicator measures the incidence of market-unfriendly policies, such as price controls or inadequate bank supervision, as well as perceptions of the burdens imposed by excessive regulation in areas such as foreign trade and business development.

On Government Effectiveness, Chile ranked in the 85.8% percentile on a level similar to South Korea (86.3%), France (88.6%) and Japan (89.1%) and ahead of Spain (80.6%), Portugal (79.6%)

and the Czech Republic (80.1%) while on Voice and Accountability, it was placed in the 76.9% percentile, ahead of South Korea (66.8%) and Japan (75.5%). This latter indicator reflects the extent to which a country's citizens are able to participate in the selection of governments as well as the independence of the media in monitoring the authorities and calling them to account.

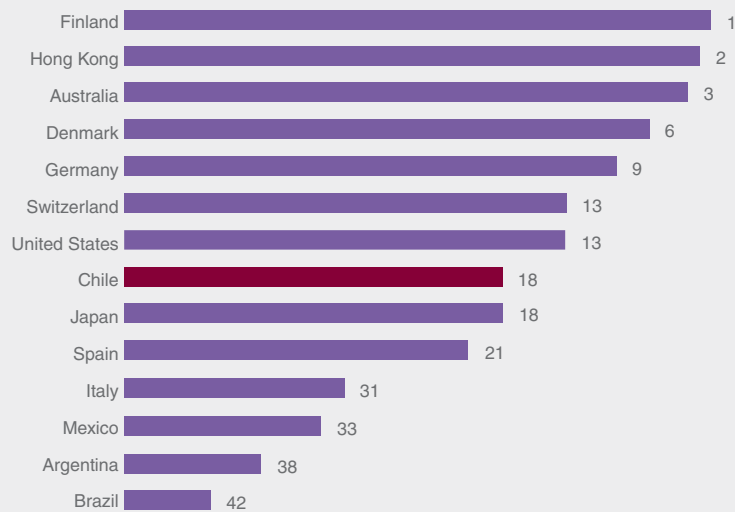
Chile's position on Rule of Law (88.1%) was also close to the OECD average (90.3%) and ahead of Spain (84.8%), Portugal (82.4%) and the Czech Republic (73.8%). This indicator measures the extent to which agents have confidence in and abide by the rules of society, including the quality of contract enforcement, property rights, the police and the courts as well as the likelihood of crime and violence.

Finally, in the case of Political Stability, Chile ranked in the 65.9% percentile, ahead of South Korea (62.0%), France (64.9%) and Spain (45.2%). This indicator measures the likelihood that the government will be destabilized by unconstitutional or violent means, including terrorism.

Opacity Index 2009

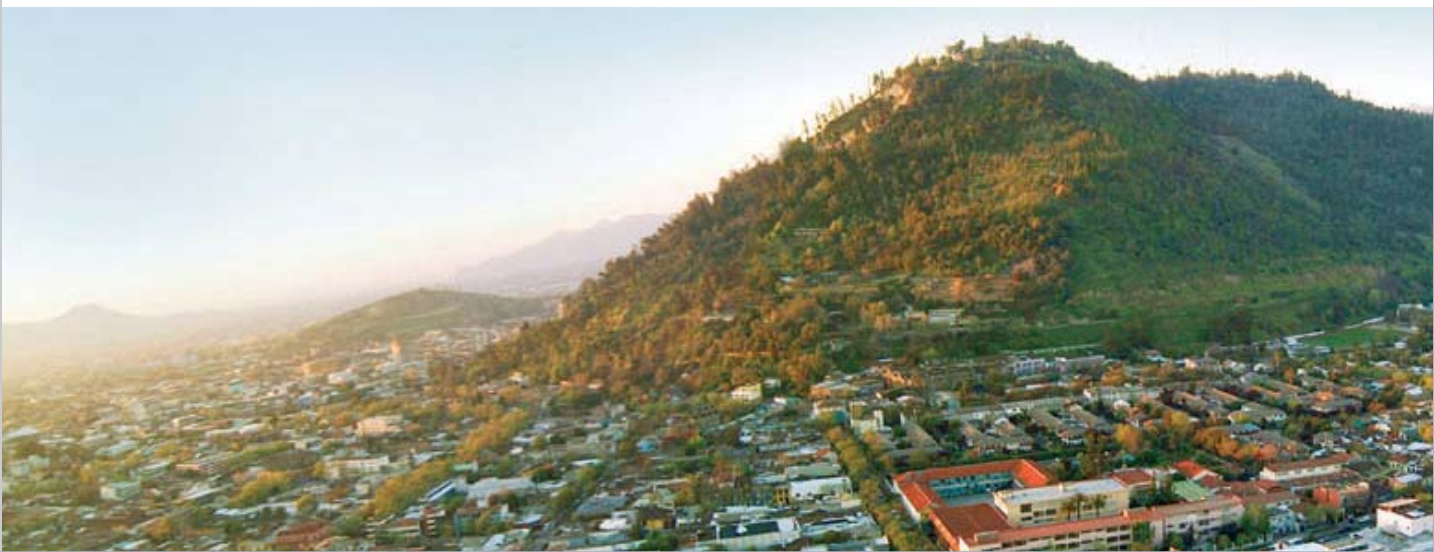
Chile's standing as a transparent country was also confirmed by the 2009 Opacity Index published by the US-based Milken Institute. Chile emerged as the best-performing Latin American country, ranking 18th out of 48 economies around the world. This Index, published since 2000, defines "opacity" as lack of transparency in a country's legal, economic, regulatory and governance structures.

Opacity Index, 2009
(selected economies; position *)



*Out of 48 economies.

Source: Milken Institute (www.milkeninstitute.org)



PROVEN LEGAL CONFIDENTIALITY

The rules regulating foreign investment establish in a harmonic and systematic manner the commitments and provisions applying to foreign capital entering Chile. This framework comprises both constitutional and legal provisions.

Principles governing foreign investment in Chile

The principles on which regulation of foreign investment is based are enshrined in Chile's Political Constitution and include equality before the law, economic freedom and non-discrimination.

1.- Non-discrimination: This principle derives from the constitutional guarantee of equality before the law and ensures that, in economic matters, foreign investors receive the same, or no less favorable, treatment as local investors from the state and its agencies.

2.- Non-discretionary treatment: Procedures relating to foreign investment must be clear and transparent and administrative decisions cannot be in any way subjective, thereby providing a guarantee that foreign investors will receive fair treatment.

3.- Economic freedom: Free access to all sectors of the economy is guaranteed and only the law can, in exceptional circumstances, reserve a certain sector for domestic investment. Article 19 N° 21 of Chile's Political Constitution guarantees the right to develop any economic activity within the framework of the corresponding regulation, providing it is not contrary to morality, public order or national security.

Investment regimes

Foreign capital entering Chile must use one of two mechanisms envisaged under the country's legislation: Chapter XIV of the Chilean Central Bank's Compendium of Foreign Exchange Regulations or the Foreign Investment Statute established in Decree Law 600 (DL 600). Foreign investors can freely choose which mechanism to use and must then comply with the legal requirements of the chosen mechanism.

Chapter XIV of the Chilean Central Bank's Compendium of Foreign Exchange Regulations

This mechanism establishes the general regime for the entry of foreign capital into Chile, guaranteeing its free access to the country's formal foreign exchange market. In the case of operations of more than US\$10,000, or the equivalent in other currencies, the entry of currency under Chapter XIV must be channeled through the formal foreign exchange market.

Capital entering Chile under Chapter XIV is subject to the corresponding general regulation regarding access to the foreign exchange market and the repatriation of capital, as well as any other right or obligation established in this regulation. Capital brought in under Chapter XIV cannot subsequently apply to be subject to the provisions of DL 600.



DL 600 Foreign Investment Statute

The origins of DL 600 date back to the 1970s when Chile radically modified its foreign investment policy, abandoning a restrictive regime established within the framework of the Andean Pact in favor of one anchored in non-discrimination and limits on the discretionary powers of the administrative authorities. This new regime offered foreign investors greater guarantees and incentives through Decree Law 600, the Foreign Investment Statute, which came into force in its original form in August 1974.

This regime is based on legal and economic principles enshrined in Chile's Political Constitution. This has the maximum legal hierarchy and, on matters referring to economic public order, guarantees economic freedom and private property rights.

The original text of DL 600 was ratified by Congress in March 1993, with only minor modifications. The ongoing existence of this law over time reflects the importance that Chile attaches to a stable, long-term foreign investment policy.

Since 1974, the majority of foreign investors have chosen to use this mechanism. By 2008, foreign investment worth almost US\$70 billion had been materialized through DL 600, representing 67.3% of the foreign capital effectively entering Chile during that period. One of the key reasons why foreign investors prefer DL 600 is that, as well as including the principles of non-discrimination, non-discretionary treatment and economic freedom, it also provides legal certainty and stability.

A Foreign Investment Contract is a formal contract signed by a foreign investor and the State of Chile, setting out the rights and obligations of investors using DL 600 and the commitment of the State of Chile to authorize the transfer of foreign capital under the terms of this law. Under DL 600, a foreign investment is only considered as such - and the foreign investor only acquires the status of foreign investor - once the corresponding capital has been transferred to Chile.

The Foreign Investment Committee may set a minimum amount for applications for a Foreign

Investment Contract. This stands at US\$5 million for investments in currency and US\$2.5 million for investments taking other forms.

Requirements for signing a DL 600 contract

DL 600 can be used by:

- a. Foreign individuals
- b. Foreign legal entities including:
 - Companies (in all their legal forms)
 - Corporations and foundations
 - Foreign States
 - International organizations
- c. Chilean individuals and legal entities resident and domiciled abroad.

Investor rights under DL 600

• **Signing of a foreign investment contract:** Under this optional regime, foreign investors bringing capital, tangible assets or other forms of investment into Chile request to sign a Foreign Investment Contract with the State of Chile. This contract establishes rights and obligations for both parties and cannot be modified or rescinded unilaterally by either party.

• **Access to the formal foreign exchange market:** An investor is guaranteed access to the formal foreign exchange market, both for incoming capital and for acquiring the currency to remit capital or profits.

• **Capital and profit remittances:** In order to encourage investment in the production of goods and services, investors are entitled to remit capital one year after its entry. No tax or other levy applies to such remittances up to the amount of the investment materialized.

Foreign currency for these remittances can only be acquired with the proceeds of the total or partial sale or liquidation of the shares or rights corresponding to the foreign investment.

Profits can be remitted at any time, once the investor has paid the corresponding taxes as demonstrated with a payment receipt.

For the remittance of both capital and profits, the investor can use the most favorable exchange

rate available on the formal foreign exchange market after obtaining a certificate from the Executive Vice-Presidency of the Foreign Investment Committee.

• **Free access to all sectors of the economy:**

Within the limits established by Chilean law, investors can undertake any type of economic activity.

• **Right of appeal in case of discrimination:**

Article 9 of DL 600 establishes the principle of non-discrimination, guaranteeing that, in the exercise of their business activities, foreign investors operating under this law will be subject to the same laws and regulation as local investors in the same sector of activity.

In order to ensure the effectiveness of this guarantee, Articles 9 and 10 of DL 600 establish an administrative procedure to prevent or overturn decisions that are at odds with the principle of non-discrimination. Article 10 of DL 600 regulates this procedure and requires that appeals be filed against "legal regulations" that can be "deemed discriminatory". The first condition refers to whether an appeal is admissible and the second to the grounds on which it can be accepted.

• **Tax regime:** All persons domiciled in Chile must pay taxes on income wherever it is generated, while non-residents are liable to tax only on income generated in Chile. All Chilean companies must pay 17% corporate tax. Foreign investors are liable for an additional tax on profit remittances and may choose between one of two regimes:

- **Standard regime:** The additional tax on profit remittances is currently 35%, against which investors can credit the 17% corporate tax. As a result, the additional tax paid by an investor cannot exceed 35%.

- **Special regime:** Foreign investors can choose to use an invariable tax regime under which the rate of additional tax on profit remittances is 42%, but that cannot be modified during a period of ten years. An investor can exit from this regime at any time in favor of the standard regime in force

at the time of the remittance (currently 35%), but cannot subsequently return to the special regime.

- **Indirect taxes:** Foreign investors can request that their investment contracts stipulate that, during the investment's implementation, they will not be liable for changes in taxes on sales and services and import tariffs on machinery and equipment not produced in Chile and included in a list compiled for this purpose by the Ministry of Economy. Goods that comply with these conditions will be exempt from payment of the corresponding value-added tax (VAT).

- **Invariability of specific mining tax:** On 16 June 2005, Law 20.026 was published in the Official Gazette, establishing a specific tax on mining activities. This modified DL 600 by incorporating Article 11 ter, locking in the rate of this tax for investors signing new Foreign Investment Contracts for mining projects worth at least US\$50 million. Investors with existing Contracts who wish to use this special regime cannot be making use of the invariability regimes established in Articles 7 and 11 bis of DL 600 or must cease to do so when applying to use Article 11 ter.

Types of capital contribution under DL 600

• Freely convertible foreign currency, brought in through its sale to an entity authorized to operate in the formal foreign exchange market; this can be converted at the most favorable rate available to the investor;

• Tangible assets, in all their forms or states, brought in under the general norms applying to imports without exchange-rate coverage and valued according to the general procedures applying to imports;

• Technology, in its different forms provided it may be capitalized. This will be valued by the Foreign Investment Committee on the basis of its real price on the international market within a period of 120 days. If the valuation is not completed within this period, the value given by the investor in an affidavit will be used.

Ownership or rights to the use of technology that forms part of a foreign investment cannot be sold separately from the company to which it was contributed, nor can it be considered for amortization or depreciation;

- Loans associated to an investment. The general norms, terms, interest and other conditions applying to an overseas loan as well as the charges that may be made as part of the total cost paid by the borrower, including commission charges, taxes and expenditure

of any type, must be those currently authorized or authorized in the future by the Central Bank of Chile. These associated loans may not exceed 75% of the total value of the authorized investment;

- Capitalization of loans and foreign debt, in freely convertible currency, providing these have been obtained with due authorization;

- Capitalization of profits, which the investor is entitled to remit overseas.



FOREIGN INVESTMENT IN CHILE

Over the past quarter of a century, Foreign Direct Investment (FDI) has played a decisive role in Chile's economic growth and development. Incoming FDI has maintained an upward trend, helping to increase Chile's competitiveness through not only resources and new markets but also technological development and specialized know-how.

Chile has achieved widespread international recognition for its success in attracting FDI. According to the 2008 World Investment Report, published by the United Nations Conference on Trade and Development (UNCTAD), the stock of FDI in Chile reached 64.4% of GDP in 2007, up from 48.1% in 1990. By comparison, the world average in 2007 was 27.9% and, in developing countries, 29.8%.

Stock of FDI/GDP (selected economies, %)			
Economy	1990	2000	2007
Brazil	8.5	19.0	25.0
Chile	48.1	60.8	64.4
China	5.1	16.2	10.1
Korea	2.0	7.4	12.3
Czech Republic	-	38.2	57.7
Hungary	1.5	47.7	70.5
India	0.5	3.7	6.7
Indonesia	6.9	15.2	13.6
Ireland	79.4	131.9	73.6
Malaysia	23.4	56.2	41.1
Mexico	8.5	16.7	29.7
South Africa	8.2	32.7	30.2
Australia	23.2	28.6	34.4
Canada	19.4	23.9	36.5
Spain	12.7	26.9	37.4
United States	6.8	12.8	15.1
France	7.9	19.6	40.1
New Zealand	18.1	47.3	55.6
United Kingdom	20.6	30.4	48.6
Developing countries	13.6	25.2	29.8
World	9.1	18.1	27.9

Source: World Investment Report 2008, UNCTAD (www.unctad.org)



Between 1974 and 2008, gross materialized FDI in Chile totaled US\$103,792 million, of which 91.7% entered the country after 1990, while the net figure for the 34-year period covered by the Foreign Investment Committee's registers reached US\$69,075 million.

Chile's position as a highly attractive destination for foreign investment is due mainly to its political and economic stability, its excellent communications, its broad network of trade agreements and the legal security and stability that it offers. These conditions have stimulated the interest of overseas companies in investing in Chile and, among foreign investors, have given it a reputation as a safe and reliable country.

This is a particular advantage during crises as was seen in 1999 - in the wake of the Asian crisis - and in 2008 with its international economic uncertainty. In both cases, FDI in Chile reached record levels, consolidating the country's position as a safe place to which to commit foreign capital.

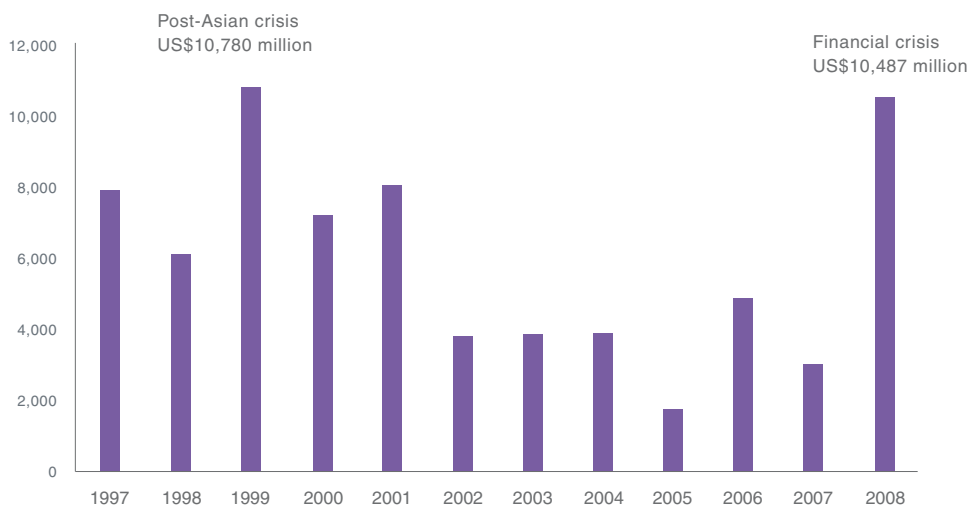
In 2008, FDI authorized to enter Chile under the DL 600 Foreign Investment Statute reached

US\$10,487 million, up by 254.5% on 2007. In December, the second largest company in the United States, Wal-Mart, announced its entry into Chile through the acquisition of control of the D&S supermarket chain for over US\$2,000 million.

FDI in 2008

During 2008, FDI worth US\$12,157 million was materialized in Chile, representing an increase of 64% on 2007. Of this total, US\$5,243 million was channeled through the DL 600 Foreign Investment Statute and US\$6,914 million through Chapter XIV of the Central Bank's Compendium of Foreign Exchange Regulations (CFER). The mining sector attracted 45.1% of FDI through DL 600 in 2008, followed by the electricity, gas and water sector (26.7%) and transport and communications (13.5%). The important investments that Chile's electricity, gas and water sector received in 2008 included the acquisition of water companies by the Ontario Teachers' Pension Plan of Canada and the investment of GV Cayman Trust, a subsidiary of Australia's Challenger, in Empresa de Gas de la V Región S.A. Investments in the

Foreign Investment Statute (DL 600)
Authorized investment (US\$ million)



Source: Foreign Investment Committee (www.foreigninvestment.cl)

mining sector were led by the expansion of the operations of Canada's Barrick and the development of the Esperanza copper project by Antofagasta Minerals in association with Marubeni Corporation.

In the case of business services, France's Bureau Veritas International invested US\$32 million in the acquisition of Centro de Estudios, Medición y Certificación de Calidad (Cesmec) Ltda. Other important investments included the entry into Chile of Norway's DnB NOR Bank and an investment in financial services by Merrill Lynch Chile.

In the wine sector, Portugal's Sogrape acquired the Chateau Los Boldos and Santa Amalia vineyards while, in forestry, Foralco bought shares in Masisa through Grupo Nueva. Other new initiatives in this latter sector were launched by the GMO Long Horizons Forestry Fund and Fund 7 Foreign, both based in the United States, as well as by Japan's Mitsubishi Corporation.

Other important investors included Italy's Ritrama in the paper industry, France's Nexans and its acquisition of Madeco Cables, and the Chilean debut of Synthon, a Netherlands-based pharmaceutical company.

FDI trends

During the 1990s, FDI represented an annual average 6.4% of Chile's GDP, rising to an annual average of 8% between 1995 and 2000. After this surge, the amounts entering Chile dropped significantly. However, this did not reflect a

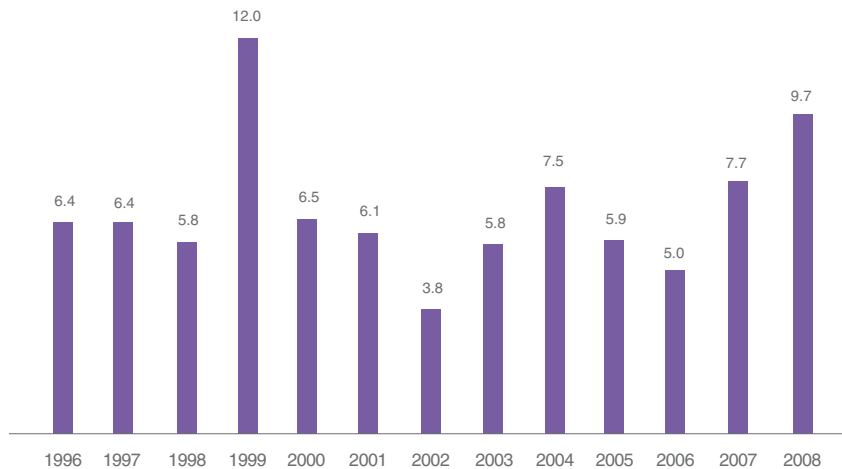
change in Chile's competitiveness but was the consequence of a sharp downturn in international economic conditions, which affected FDI in almost all countries, with the exception of China.

Between 2001 and 2003, the mergers and acquisitions (M&A) market - previously the driving force of FDI around the world and in Chile - collapsed globally while a drop in share prices and weaker corporate earnings led many multinational companies to suspend or cut back expansion plans. To some extent, this trend represented a return to more sustainable and realistic FDI levels, after the so-called "investment bubble" of the 1990s during which global capital flows reached record levels.

Moreover, FDI flows into Latin America were also heavily affected by instability in some of the region's countries and the heavy losses sustained by a number of investors. As a result, risk aversion - accentuated by shareholder pressure in firms that experienced difficulties - also helped to explain weak FDI in the region.

In the case of Chile, FDI figures were also distorted by a trend towards greater use of the local capital market by foreign investors. Encouraged by the high liquidity and dynamism of the country's financial sector and historically low interest rates, ever more overseas companies sidestepped exchange rate risk by raising finance locally, either by borrowing in local currency or placing bonds on the local market. This trend, although very positive for Chile's financial market, was reflected negatively in figures for incoming FDI.

Foreign Direct Investment in Chile* (% of GDP)



*Includes investments through Chapter XIV, Chapter XIX and the Foreign Investment Statute (DL 600).
Source: Central Bank of Chile (www.bcentral.cl)

In 2004, FDI inflows into Chile again began to show an increase that reflected a fresh surge in M&A activity as well as the development of new projects in mining, telecoms and infrastructure. However, in 2005, these sectors were less successful in attracting new investments and saw mainly a continuation of projects that had already been initiated. Between 2006 and 2008, the M&A market recovered its dynamism in Chile in line with an international trend.

It should be noted that, as from 2002, there was a marked increase in reinvestment of profits by foreign investors in Chile and, according to figures published by the Central Bank of Chile, this became the single most important component of FDI. In 2002, it represented 53.6% of FDI and then showed a sustained increase through to 2006, when the figure reached almost 98%, before dropping back to 81% in 2007. In 2008, it then fell to 44%, due mainly to the impact of lower copper prices on the earnings of mining companies.

Investment mechanisms

Since 1974, when Chile's DL 600 Foreign Investment Statute came into force, most large foreign investors have chosen to use this mechanism under which an investor signs a contract with the state of Chile for the transfer of capital or other forms of investment and receives a number of specific guarantees and rights. Between 1974 and 2008, investments worth US\$69,900 million, representing 67.3% of total gross FDI inflows, used this mechanism.

An alternative investment mechanism, Chapter XIV of the Central Bank's Compendium of Foreign Exchange Regulations (CFER), also exists under which foreign investors must comply with registration procedures.

**Foreign Direct Investment, 1974-2008
(US\$ million)**

Mechanism/Period	1974-2003	2004	2005	2006	2007	2008
Equity						
Foreign Investment Statute (DL 600)	53,682	4,637	1,799	3,181	1,359	5,243
- Equity	40,241	4,025	1,646	2,067	1,293	4,598
- Other capital (associated credits)	13,441	612	153	1,114	66	645
Chapter XIV (CFER)	10,311	2,118	2,130	2,764	6,054	6,914
- Equity	7,897	1,140	1,531	2,465	5,683	5,731
- Other capital	2,414	978	599	299	371	1,183
Total FDI materialized (DL 600 + Chapter XIV)	63,993	6,755	3,929	5,945	7,413	12,157
Remittances						
Foreign Investment Statute (DL 600)	13,095	4,880	2,578	3,314	1,017	813
- Repatriation of capital	5,340	3,185	1,996	1,986	594	502
- Repayments	7,755	1,695	582	1,328	423	311
Chapter XIV (CFER)	2,724	1,020	913	1,448	1,317	1,596
- Repatriation of capital	906	462	294	94	875	1,340
- Repayments	1,818	558	619	1,354	442	256
Total remittances (DL 600 + Chapter XIV)	15,819	5,900	3,491	4,762	2,334	2,409

Sources: Foreign Investment Committee (www.foreigninvestment.cl) and Central Bank of Chile (www.bcentral.cl)
Provisional figures as of 31 December 2008.

Chile: One of the most successful economies in FDI attraction

According to the 2008 World Investment Report, published by the United Nations Conference on Trade and Development (UNCTAD), Chile holds third place among the ten most successful Latin American and Caribbean countries in attracting foreign direct investment (FDI).

The study reported that, in 2007, Chile attracted FDI worth US\$14,457 million, ranking immediately after the much larger Brazilian and Mexican economies, with US\$34,585 million and US\$24,686 million, respectively.

Chile was followed by the Cayman Islands (US\$11,743 million), Colombia (US\$9,028 million) and Argentina (US\$5,720 million).

According to the study, Latin America received total FDI of US\$126,266 million in 2007, representing an increase of 36% on the previous year. UNCTAD also anticipated a further increase in 2008, principally in South America, due to the impact of high commodity prices and the region's solid growth on the earnings of multinational companies.

Foreign Direct Investment by inflow mechanism, 1974-2008
(%)

Investment mechanism	1974-2008	2004	2005	2006	2007	2008
Foreign Investment Statute (DL 600)	67.3	68.6	45.8	53.5	18.3	43.1
Equity	51.9	59.6	41.9	34.8	17.4	37.8
Other capital (associated credits)	15.4	9.0	3.9	18.7	0.9	5.3
Chapter XIV (CFER)	29.2	31.4	54.2	46.5	81.7	56.9
Equity	23.6	16.9	39.0	41.5	76.7	47.1
Other capital	5.6	14.5	15.2	5.0	5.0	9.8
Chapter XIX (CFER)	3.5	0.0	0.0	0.0	0.0	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Sources: Foreign Investment Committee (www.foreigninvestment.cl) and Central Bank of Chile (www.bcentral.cl)

A third mechanism, Chapter XIX of the CFER, played an important role between 1985 and 1991 when it was used for investments totaling US\$3,600 million, mainly in the manufacturing and services sectors.

Investment by sector

Between 1974 and 2008, the mining sector accounted for 33.7% of gross inflows of FDI materialized through DL 600. It was followed by the electricity, gas and water sector (20.6%), services (19.1%), manufacturing (11.6%), transport and communications (11.5%), construction (2.0%) and agriculture, forestry and fishing (1.5%). In the services sector, the most important segments were investment companies (21.8%), banks (20.0%), insurance (15.9%), retail (11.9%) and other financial services (10.1%).

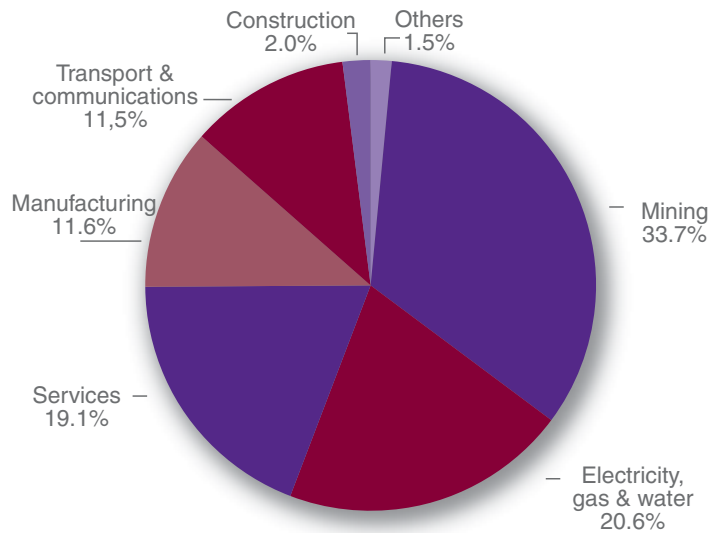
Due to Chile's decision to eliminate restrictions on private investment in exploration and exploitation of mining deposits, the mining sector accounted for 47% of investment through DL 600 through to 1990. Similarly, investment in financial services began to increase following the sector's deregulation.

Since 1990, however, other sectors have gained in importance and mining's share gradually diminished to an average of 15% in 1999-2001.

However, in 2002, it again increased to 59.2% of materialized FDI - due mainly to the US\$1,100 million acquisition of Exxon's La Disputada mine by UK-based Anglo American - while, in 2003, it represented 30% of the total inflow. In 2004, the mining sector received FDI worth US\$350 million and this figure increased to US\$587 million in 2005 and US\$1,120 million in 2006, due to new copper and gold projects. It dropped again in 2007, although still accounting for 22.9% of the total inflow, but rose again to US\$2,366 million in 2008 when it represented 45.1% of materialized investment.

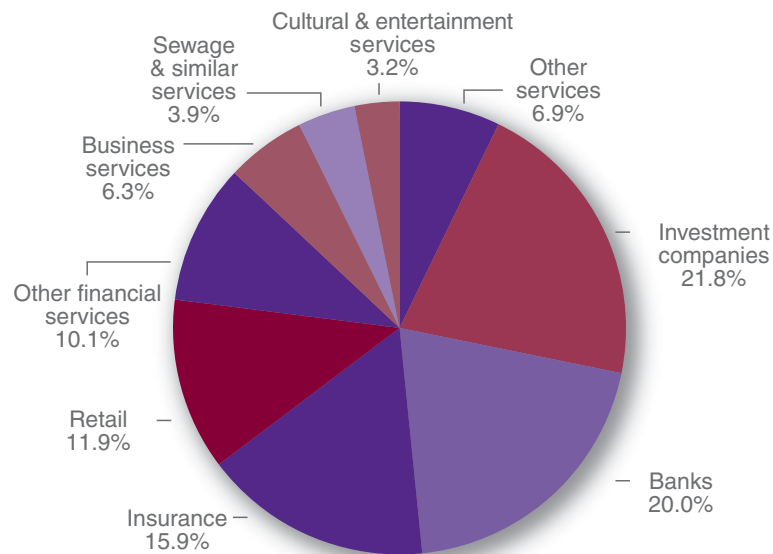
The relative decrease in the preeminence of mining investments has been counterbalanced by higher investment in the electricity, gas and water sector and in the transport and communications industries. This was mainly the result of privatizations in these sectors and of the intense competition that followed the deregulation of mobile and long-distance telephone services. In addition, an infrastructure concessions program, launched in 1995, opened the way for the participation of private capital, mostly from abroad, in the construction and operation of highways and airports. In recent years, water distribution and treatment privatizations have also captured important inflows of FDI and, most recently, foreign investors have also been attracted by a number of new incentives introduced for the development of alternative renewable energies.

Foreign Investment Statute (DL 600)
Breakdown of gross inflows by sector,
1974-2008



Source: Foreign Investment Committee (www.foreigninvestment.cl)

Foreign Investment Statute (DL 600)
Breakdown of gross inflows to Services sector, 1974-2008
(Total: US\$13,375 million)



Source: Foreign Investment Committee (www.foreigninvestment.cl)

From 1997 to 2001, in line with a worldwide trend, Chile saw a dramatic surge in M&A activity, mainly in the services, electricity and telecommunications sectors. In 1999, for example, Spain's Endesa paid US\$3,200 million for local electricity company Enersis, while other large M&A operations included the acquisition between 2000 and 2001 of the Gener power producer by US-based AES Corp. and, in 2001, Telecom Italia's acquisition of the Entel telecommunications company.

As from 2001, the trend in FDI again changed, shifting towards projects requiring smaller amounts of capital but with a high impact in terms of job creation and the transfer of technology. Projects of this type have reinforced Chile's position as a regional business center from which to export goods and services to other countries. This has, in turn, attracted new investment in services sectors such as the hotel and real estate markets.

These smaller, high-impact projects are numerous and diverse, ranging from software development, call centers and shared services centers to new investment in the manufacturing and agribusiness sectors. Examples of the latter were seen in 2008 with the installation of a plant by Italy's Ritrama in Curauma in the Valparaíso Region to produce self-adhesive materials of which over 80% will be exported to other Latin American countries. Similarly, Synthon, a Netherlands-based pharmaceutical company, is building a facility in Chile to produce generic drugs of which 95% will go to export markets.

During 2004, again in line with global trends, the M&A market regained its dynamism and the Chilean market experienced a surge in acquisitions of local companies by foreign firms. However, in a new trend, Chilean companies also started to buy the assets of foreign firms operating in the country and market analysts anticipate that this trend will continue as Chilean firms, with ample financial backing, seek to extend their market and become more global.

In 2003, the UK's Anglian Water, for example, sold its controlling stake in the Esva water company to a local consortium while, in 2004, Dresdner Bank sold its operations to the locally-owned Banco Security. In addition, in early 2005, a local group bought Telecom Italia's controlling stake in the Entel telecommunications company.

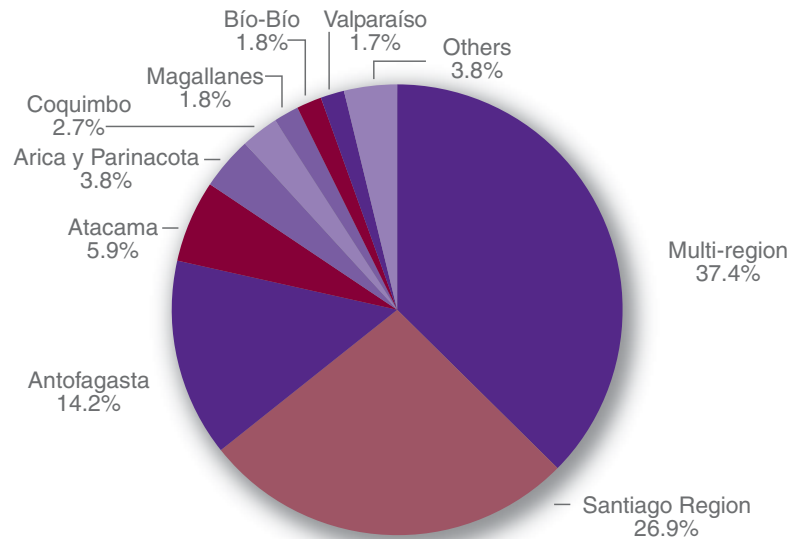
However, the most important operation in the telecoms sector in 2005 was the acquisition of Smartcom by América Móvil. This marked the start of the Mexican company's expansion in Chile, which continued in 2006. In line with international trends and reflecting strong competition in the local market, investments by operators such as Spain's Telefónica and VTR showed a shift towards the integration of telephony, broadband and entertainment services (digital and satellite television and IP services).

In 2006, foreign investment was led by acquisitions and corresponded principally to the purchase of Transelec by Canada's Brookfield Asset Management for US\$1,123 million, of Sal Lobos by Germany's K+S, of Essbio by Southern Cross, and of Concesionaria Costanera Norte by Italy's Autostrade.

Investments in 2007 also corresponded mainly to acquisitions in different sectors of the economy. Colombia's Terpel acquired the Repsol YPF fuel distribution chain, bringing in a total of US\$189 million during 2007, while a tender share offer for Esva went to Canada's North York Global, controlled by the Ontario Teachers' Pension Plan Board, which brought in US\$105 million. In addition, US-based Samsonite acquired Saxoline.

As regards the geographic destination of FDI within Chile, 37.4% of the investment materialized between 1974 and 2008 was devoted to multi-region projects while 26.9% went to the Santiago Region, followed by northern Chile's Antofagasta Region (II), Atacama Region (III) and Arica and Parinacota Region (XV), which accounted for 14.2%, 5.9% and 3.8% of the total inflow, respectively. The amounts invested in these regions reflected their importance in the mining industry while multi-region investments corresponded mainly to projects in the energy, telecommunications and financial services sectors.

Foreign Investment Statute (DL 600)
Breakdown of gross inflows by region of Chile,
1974-2008



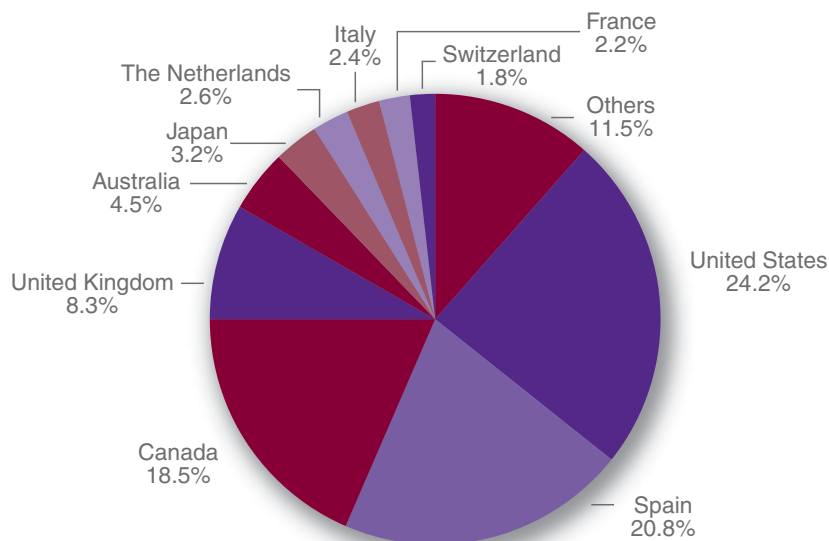
Source: Foreign Investment Committee (www.foreigninvestment.cl)

Origin of FDI

Between 1974 and 2008, 24.2% of DL 600 investments originated in the United States, followed by Spain (20.8%), Canada (18.5%), the United Kingdom (8.3%), Australia (4.5%) and Japan (3.2%).

During this period, the member states of the enlarged European Union accounted for 39.6% of total FDI through DL 600 while the OECD countries, as a group, accounted for 94.5% of the total.

Foreign Investment Statute (DL 600)
Breakdown of gross inflows by country of origin,
1974-2008

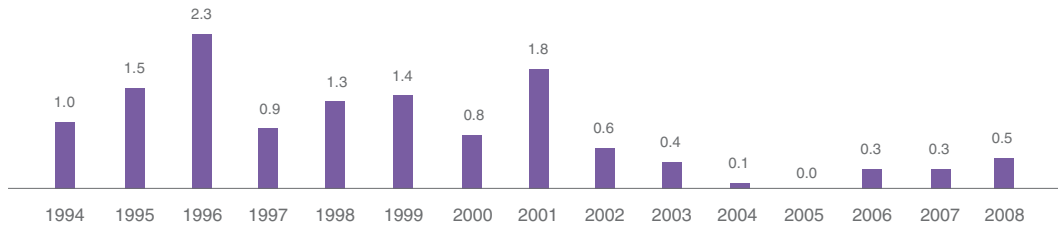


Source: Foreign Investment Committee (www.foreigninvestment.cl)

FDI from the United States

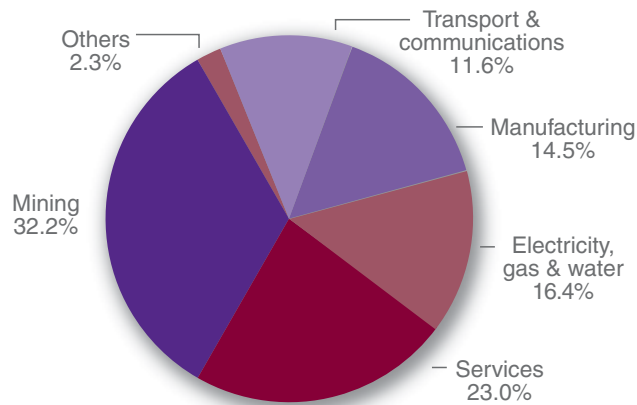
Between 1974 and 2008, materialized FDI from the United States reached US\$16,944 million, accounting for 24.2% of gross inflows under DL 600.

United States: FDI materialized under DL 600 (US\$ billion)



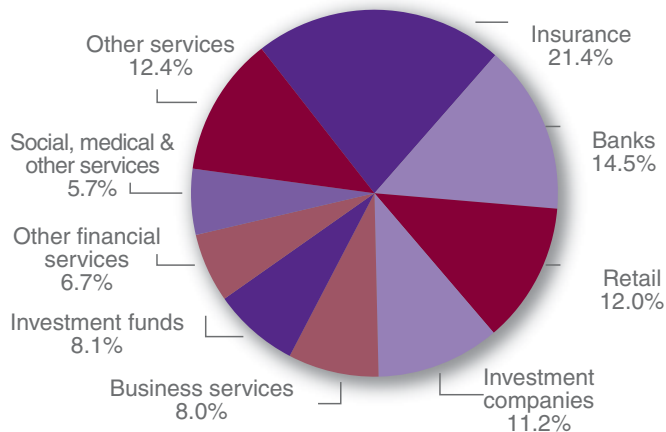
Source: Foreign Investment Committee (www.foreigninvestment.cl)

United States: FDI materialized under DL 600
Breakdown of gross inflows by sector, 1974-2008



Source: Foreign Investment Committee (www.foreigninvestment.cl)

United States: FDI materialized under DL 600
Breakdown of gross inflows to Services sector, 1974-2008
(Total: US\$3,894 million)



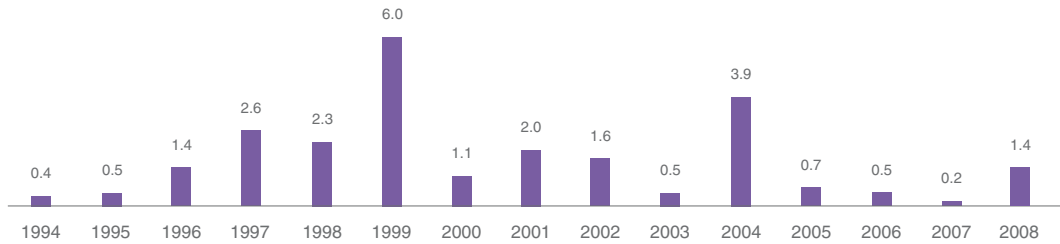
Source: Foreign Investment Committee (www.foreigninvestment.cl)

FDI from the European Union

Between 1974 and 2008, materialized FDI with its origin in the present member states of the European Union -of which 17 have made DL 600 investments-

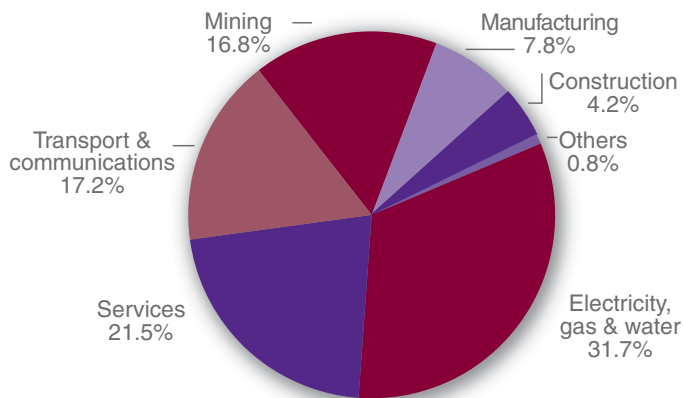
totalled US\$27,652 million and accounted for 39.6% of gross inflows under DL 600.

European Union: FDI materialized under DL 600 (US\$ billion)



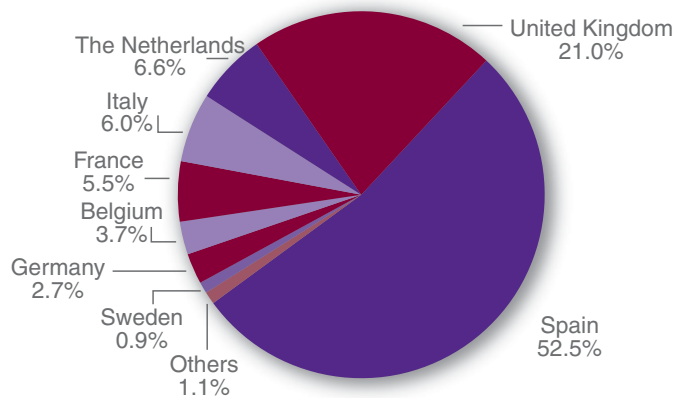
Source: Foreign Investment Committee (www.foreigninvestment.cl)

European Union: FDI materialized under DL 600 Breakdown of gross inflows by sector, 1974-2008



Source: Foreign Investment Committee (www.foreigninvestment.cl)

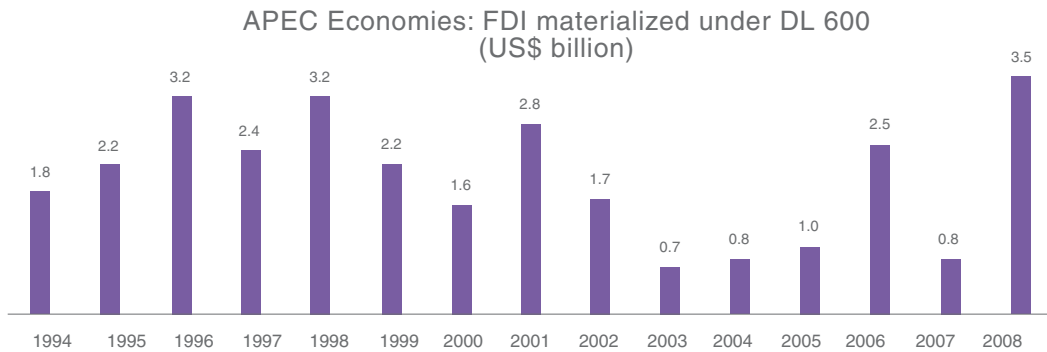
European Union: FDI materialized under DL 600 Breakdown of gross inflows by country of origin, 1974-2008



Source: Foreign Investment Committee (www.foreigninvestment.cl)

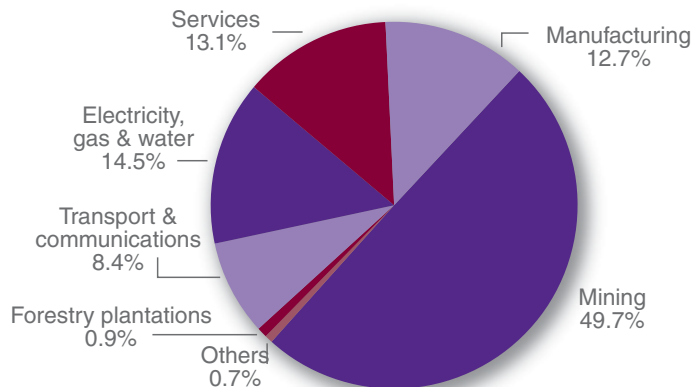
FDI from APEC economies

Between 1974 and 2008, materialized FDI in Chile from the other twenty APEC economies reached US\$36,858 million, representing 52.7% of gross inflows under DL 600.



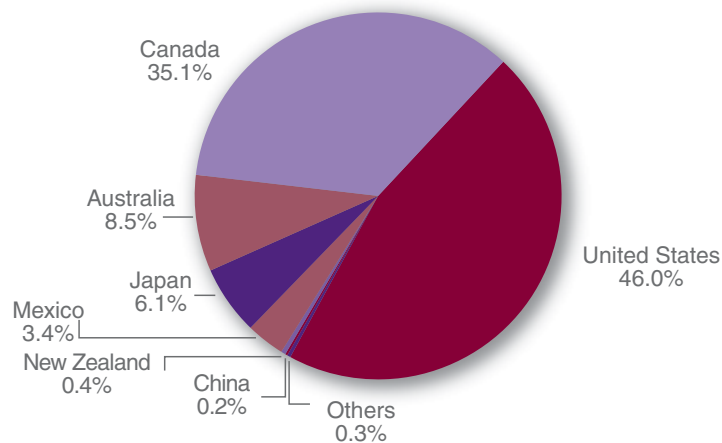
Source: Foreign Investment Committee (www.foreigninvestment.cl)

APEC Economies: FDI materialized under DL 600
Breakdown of gross inflows by sector, 1974-2008



Source: Foreign Investment Committee (www.foreigninvestment.cl)

APEC Economies: FDI materialized under DL 600
Breakdown of gross inflows by country of origin, 1974-2008



Source: Foreign Investment Committee (www.foreigninvestment.cl)

Net accumulated DL 600 investment

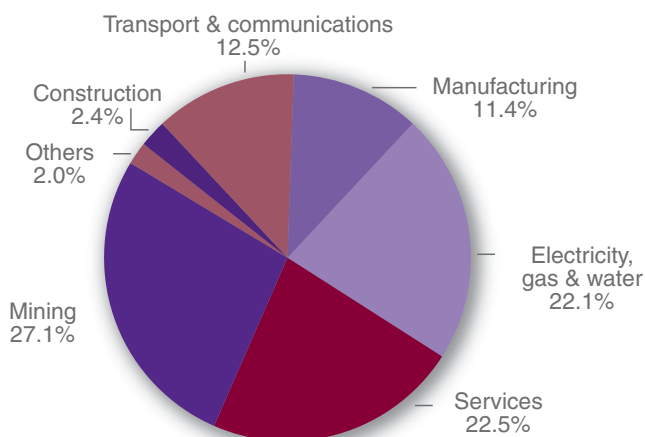
Since 2005, the Foreign Investment Committee has published figures for net accumulated FDI through DL 600 in order to take account of factors that, as well as gross inflows, include remittances abroad resulting from investors' repatriation of capital and the repayment of loans associated with FDI projects as envisaged under the foreign investment contracts signed with the state of Chile.

Between 1974 and 2008, net accumulated FDI under DL 600 totaled US\$44,203 million of which

27.1% corresponded to the mining industry, followed by services (22.5%), electricity, gas and water (22.1%), transport and communications (12,5%) and manufacturing (11.4%).

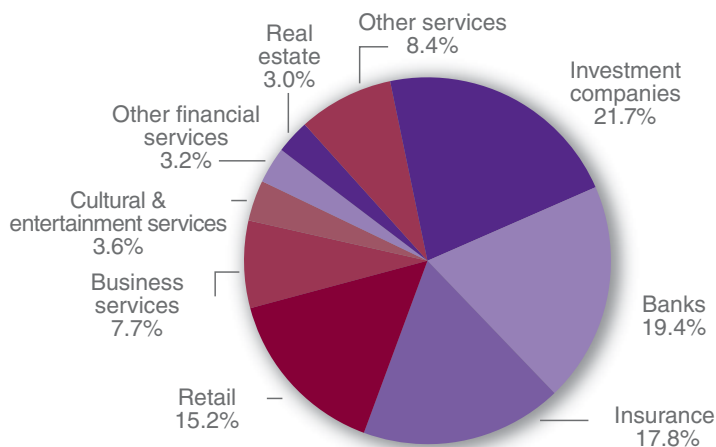
Within the services sector where net accumulated FDI reached US\$9,961 million between 1974 and 2008, the most important segments were investment companies (21.7%), banks (19.4%), insurance (17.8%) and retail (15.2%).

Foreign Investment Statute (DL 600)
Breakdown of net inflows by sector, 1974-2008



Source: Foreign Investment Committee (www.foreigninvestment.cl)

Foreign Investment Statute (DL 600)
Breakdown of net inflows to Services sector, 1974-2008
(Total: US\$9,961 million)

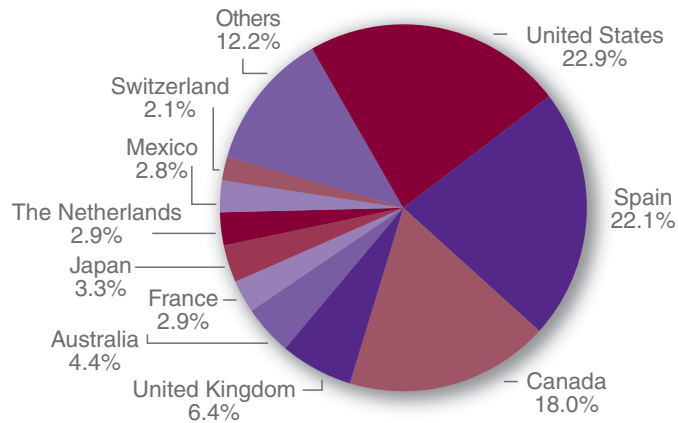


Source: Foreign Investment Committee (www.foreigninvestment.cl)

In terms of country of origin, net FDI between 1974 and 2008 was led by the United States, which accounted for 22.9% of the total inflow, followed by

Spain (22.1%), Canada (18.0%) and the United Kingdom (6.4%).

Foreign Investment Statute (DL 600)
Breakdown of net inflows by country of origin, 1974-2008

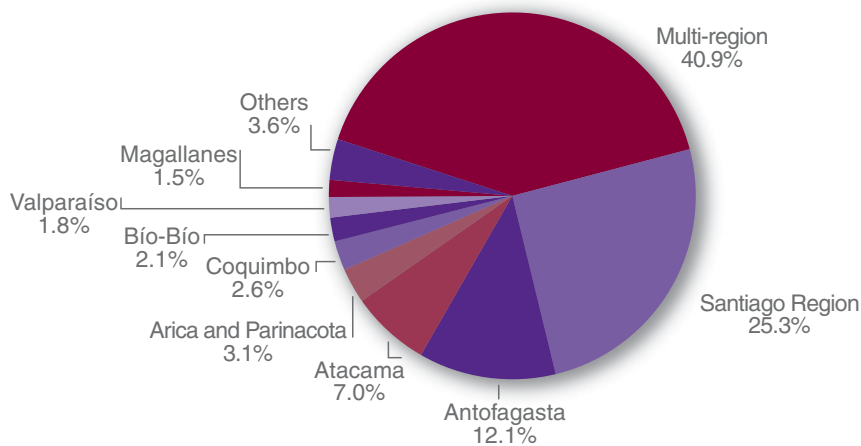


Source: Foreign Investment Committee (www.foreigninvestment.cl)

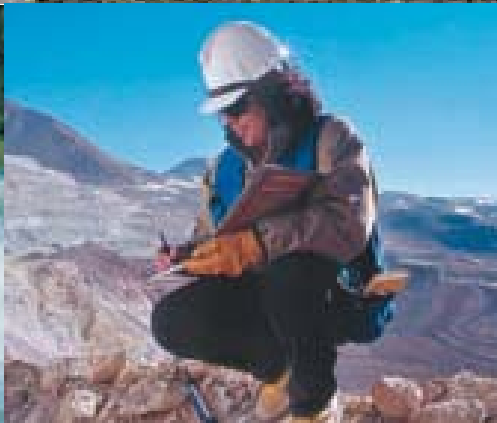
As regards the geographic distribution of net FDI within Chile, multi-region projects were worth US\$18,093 million or 40.9% of the accumulated inflow between 1974 and 2008. These were followed

by projects in the Santiago Region (25.3%), the Antofagasta Region (12.1%), the Atacama Region (7.0%) and the Arica and Parinacota Region (3.1%).

Foreign Investment Statute (DL 600)
Breakdown of net inflows by region of Chile, 1974-2008



Source: Foreign Investment Committee (www.foreigninvestment.cl)



THE EXPERIENCE OF INVESTORS

Opinion column

Diego Hernández

President of BHP Billiton Base Metals

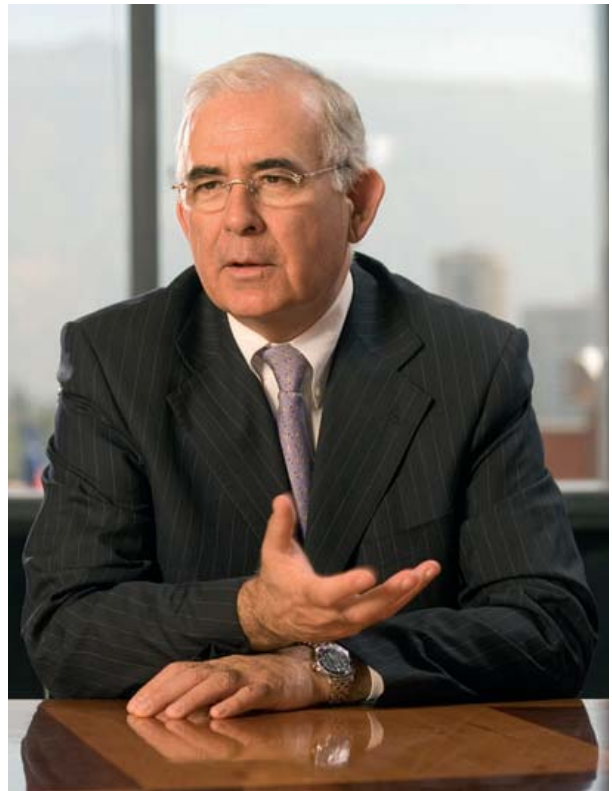
Mining: the new challenge for foreign investment

In Chile, the mining sector has been the main recipient of foreign direct investment (FDI). Between 1974 and 2008, it accounted for 33.7% of gross FDI materialized under the DL 600 Foreign Investment Statute. In this column, BHP Billiton Base Metals President Diego Hernández - widely recognized as the most important Chilean executive in international mining - talks about the challenges that mining poses for Chile and the world.

Chile is a leading player in the world's copper mining industry. This reflects the great wealth hidden beneath the country's surface, which it has been possible to extract thanks to investment by Codelco and, in recent decades, by international mining companies using an institutional framework that facilitated the entry of foreign capital in the context of the country's political normalization.

In the 1990s, foreign investment took the lead in mining projects, accounting for 70% of total investment in the sector. Taking the long-term view characteristic of the industry, companies opted for Chile and - as in the case of Minera Escondida, the first large investment project implemented under the new framework - they did so with the high standards of world-class mining companies. In 2004, Escondida's operator, BHP Billiton, moved its Base Metals Division to Santiago because, although it also has operations in Peru and Australia, around 80% of its earnings have until now been generated in Chile. That is just one more sign of the value that BHP Billiton attaches to the conditions offered by our country.

Given the time that has elapsed since the boom of the 1990s, around 70% of the production capacity



Diego Hernández, president of BHP Billiton Base Metals

of Chile's copper mining industry has now reached maturity and a significant percentage - 35% - has, indeed, been in operation for over half a century. In mining, the consequences of maturity include a decline in ore grades and an increase in the distances that mineral has to be transported within the worksite and in the complexity and cost of exploiting deposits and processing these minerals.

For mining companies, this means higher operating expenses as well as investment in the expansion of processing plants, fleets of trucks and other infrastructure, including particularly water and energy supply. And all this merely to maintain production levels.

Despite facing the challenges of an already mature industry, Chile does, however, have a solid and competitive production base that should allow us to maintain a significant market share for many years to come. But it will not be easy. Chile will clearly need to make a great effort if it is to continue producing 5.6 million tonnes of copper content a year, and an even greater effort to maintain the 35% market share that has positioned us as the industry's undisputed leader.



We are confident that Chile will maintain this leadership for several years and that mining will continue to be a pillar of our economic growth. We are confident that this will be possible because Chile has proved its ability to create the conditions for this development and understands the need to maintain the competitiveness of its mining industry.

Moreover, we believe that Chile should now take advantage of this leadership, not only as an exporter of copper but also as a supplier mining goods and services, thereby fostering the development of its mining cluster. This would require a greater effort in terms of investment than during the past twenty years, with the foreign capital that Chile should be able to attract once again playing a key role.

Interview

Stephen Dowd

Senior vice-president of infrastructure,
Ontario Teachers' Pension Plan

"Our investment in Chile has fulfilled our expectations."

With assets under management worth more than 87 billion Canadian dollars, Ontario Teachers' Pension Plan (OTPP) is Canada's largest single-profession pension fund. It invests around the world and has a diversified portfolio that includes infrastructure and forestry investments for 10 million Canadian dollars, comprising the power, water and gas industries, highways, gas pipelines, airports, ports and hospitals.

Selecting a country and sector in which to invest is not a task that Teachers' can take lightly; it is, after all, responsible for administering the pension fund assets of 284,000 active and retired teachers in the Ontario province and ensuring their pensions.

Teachers' first invested in Chile in 2007 when it acquired a controlling stake in the Essbio water company in the Bío-Bío Region of southern Chile and in Aguas Nuevo Sur Maule (ANSM), another water company. It then went on to invest in two other Chilean water companies - Esval in the Valparaíso Region and its subsidiary Aguas del Valle - emerging as the second largest investor in the country's water industry. In June 2008, it also added Saesa, an electricity distributor, to its Chilean portfolio.

In this interview, Stephen Dowd, Teachers' senior vice-president of infrastructure, talks about his view of Chile.

-What was your impression of Chile before Teachers' invested here?

Before taking the decision to invest, we spent quite a long time researching the country and concluded that it offered many of the features that, as investors, we seek: an open economy, a favorable climate for foreign investment, and a stable political environment. In addition, its regulatory systems



Stephen Dowd, senior vice-president of infrastructure,
Ontario Teachers' Pension Plan

for the sectors we're in - electricity and water - are mature, comprehensible and predictable. All those factors are extremely important when deciding where to invest.

-Is it usual for Teachers' to invest abroad?

More than half of our investments are in other countries. Depending on our investment strategy, we're in emerging markets or developed countries. The strategy we adopted in the case of our investment in Chile was to focus on stable and relatively low-risk businesses.

-For Teachers', how significant is the size of your investment in Chile?

We've invested 1.4-1.5 billion Canadian dollars in Chile. That represents almost 2% of our total portfolio of 87.5 billion Canadian dollars, which is a good percentage for an emerging market.

-What's your assessment of your investment in Chile?

Very positive. Both Chile and our investments in Chile have fulfilled our expectations, for which we are happy.

-In the decision to invest in Chile, how important was the country's political and economic stability?

There's no question that it was extremely important; we're long-term investors who represent the interests of 284,000 active and retired teachers. We look for opportunities in countries offering assets that are stable and predictable over decades.

-In general, what weight do foreign investors give to a country's political and economic stability and legal security?

For us, as long-term investors, those are factors to which we attach great importance, and the stability that a country offers is key. Before investing, we also look very closely at the level of risk that exists in a sector and the country as a whole. Countries go through phases and cycles but, if we know that these cycles will be more moderate and that there is a solid legal and regulatory system and political stability, then we feel more comfortable.

-Did you look at other markets before choosing Chile?

Certainly, that's part of our investment strategy and we also continue to look at other markets. From that perspective, our view is that Chile is doing very well.

-How would you describe the business climate in Chile?

It has everything we look for: an open and transparent business environment that welcomes

foreign investment. And, as I just said, it has a good and healthy political environment and its regulatory regimes are well-established and predictable.

-If a potential foreign investor asked you about Chile, what would you say?

That's easy - it's a great place to invest. We're very happy with our experience so far and think that Chile compares well with any of the other countries and markets we look at around the world, whether in Latin America, among emerging markets in general or developed economies. In that sense, Chile has been a good country for our business.

-Given the current international economic situation, do you see Chile as a safe place to invest?

We continue to see it as a stable country in which to invest. Inflation was a bit higher last year but our businesses are well protected against that. Moreover, Chile appears to be more resilient than many other countries.

-Are you looking at new investments in Chile?

We are in the electricity and water sectors and continue to seek good investments wherever they may be in the world.

“We’ve invested 1.4-1.5 billion Canadian dollars in Chile. That represents almost 2% of our total portfolio of 87.5 billion Canadian dollars, which is a good percentage for an emerging market”, says Stephen Dowd.

Report

Alejandro Bottan

General Electric's president for Chile, Argentina, Uruguay and Paraguay.

"Greater stability means greater investment."

The history of General Electric in Chile began with the sale of locomotives in 1927 and the company has since gone on to accompany the country in its development, expanding into sectors that include energy, healthcare, water, transport and the oil industry. Today, it has a 200-strong local workforce and is looking at the possibility of installing a technological platform in Chile, similar to that which it possesses in India.

According to GE's president for Chile, Argentina, Uruguay and Paraguay, Alejandro Bottan, Chile has long passed the initial threshold at which investors need to wonder whether or not it is in their interests to invest in the country. "Now's the time to promote the business opportunities Chile offers, identify areas of interest, and get to grips with their development and implementation," he says.

Bottan, who has worked at GE for 23 years, first in the United States and then in Latin America, says that Chile has demonstrated its ability to achieve political and economic stability and create high-quality transparently-managed institutions, and has public and private leaders who are both prepared and eager to participate and compete in the global economy. From that point of view, GE is very satisfied with its investments in the country, he says.

In his opinion, Chile's political and economic stability has been one of the most important factors in GE's decision to make those investments. "It's a very important factor because it's related to the level of risk that one's prepared to run. GE is a publicly traded company so we have a conservative policy as regards where to commit our investors' money," he says. "There's a direct correlation between, on the one hand, economic, political and legal



Alejandro Bottan, president of GE for Chile, Argentina, Uruguay and Paraguay.

stability and, on the other, investment; the more stability, the more investment. This has been evident in Chile for a number of years in the level of foreign direct investment it has attracted."

In its 130 years of history, GE has acquired vast experience in investing in many, very different economies to which it has been capable of adapting. In the case of Chile, its sales have grown at an average annual rate of 40% to US\$300 million.

"Chile has developed the conditions needed for global companies like GE to consider using it as a business platform, taking advantage of local skills to access global markets on competitive terms," says Bottan. "Chile's policy of insertion into international markets through its many free trade agreements is another aspect of its attractions for the development of opportunities of this type," he adds.

Opinion column

Ricardo Rink

Managing partner
Ritrama

Chile, a platform for the Americas

Ricardo Rink, managing director of Italy's Ritrama, a manufacturer of specialty self-adhesive materials, talks about Chile's role in his company's business plan as a platform from which to export to other countries.

"December 12, 2008, was a very emotional day for me. I was once again in Chile but, this time, with a very particular mission - to inaugurate Ritrama S.A. in Curauma in the Valparaíso Region. As a family, we were not only witnessing a dream come true; we were also laying the first stone in another dream, one that may prove far greater because Ritrama Chile marks the start of our roll-out to all of the Americas.

The Ritrama group has over 750 employees around the world and eight factories for the production of self-adhesive materials: two in the United States, three in Italy and the others in the UK, Spain and, now, Chile. In 2009, we will also be opening our first factory in China.

How did we get to Chile? And why did we choose it?

We knew we wanted to expand to Latin America and to manufacture there at local costs. We looked at Brazil, Mexico and Chile, and finally opted for the latter because of its network of free trade agreements (20 accords with 58 countries), its political stability and its prospects for economic development. In particular, we liked its dynamic and prosperous food and wine industries and the fact that it exports many different consumer goods and, of course, we should not forget its cultural and financial openness. There was, moreover, the advantage of the support offered to us by the Foreign Investment Committee and CORFO, Chile's economic development agency.



Ricardo Rink, managing partner of Ritrama.

All these factors converged in our decision to install a factory in Chile not only to supply the domestic market but also to target the rest of Latin America as well as North America and other countries. Our decision was, in other words, to use Chile as our business platform. Indeed, since the plant started operations, 80% of its output has been exported to the United States, Mexico, Costa Rica, the Dominican Republic, Ecuador, Peru, Argentina and Brazil.

Ritrama Chile is part of our company's project for global expansion and we are extremely proud that all our efforts have been amply rewarded with market recognition. Today, Ritrama is the largest private company in its sector.

It is moving to see a dream come true, a dream that perhaps has its origins back in 1940 when my grandfather Arnold Rink arrived in Venezuela from Austria. From that moment on, Latin America has held a special place in the heart of the Rink family. And, thanks to its political and economic stability, Chile has now given us the opportunity to consolidate that dream".

Report

Charlie Sartain

Chief executive, Xstrata Copper.

Xstrata Copper's focus on sustainable development in Chile

Swiss diversified mining group Xstrata plc has operations in copper, coking coal, thermal coal, ferrochrome, nickel, vanadium and zinc in 19 countries worldwide. In Chile, Xstrata's copper business unit, Xstrata Copper, has corporate offices in Santiago and divisional and project offices in Antofagasta, Coyhaique and Vallenar. Xstrata's acquisition of Canadian miner Falconbridge in 2006 positioned Xstrata Copper as the world's fourth largest copper producer, with an annual output capacity of over 1 million tonnes from operations in five countries.

Xstrata Copper's chief executive, Charlie Sartain, who is also a director of the Australia-Latin America Business Council and of the International Copper Association (ICA), says that his company knew Chile very well before investing there. He attributes that to Chile's mining tradition - it is the world's largest copper producer - and to the fact that the main international copper mining companies either already operate there or are considering doing so.

Xstrata Copper did not want to be absent from this important center. "Chile has some of the world's most important copper resources and that made it a candidate for Xstrata Copper's growth strategy, but it also has other advantages such as the conditions it offers for the sustainable development of projects and operations as well as the economic, political and institutional stability that help to create an optimum and transparent business environment for everyone," notes Sartain.

Moreover, although Xstrata Copper has been in Chile only since 2005, it does not consider it a small country in terms of mining, but rather of strategic importance. "We have operations around the world but Chile is important for us, precisely because it offers conditions for the



Charlie Sartain, chief executive, Xstrata Copper.

development of innovative and sustainable projects in which we hope to base some of our future growth," says Sartain.

"We want to be in Chile because it offers an excellent platform from which to establish key synergies for our business and because, with Chile's and Peru's large copper reserves, it positions us to take advantage of the opportunities that arise and to continue growing."

Xstrata Copper's rapid growth is explained partly by the company's acquisition in 2006 of Canada's Falconbridge which, in Chile, included the Lomas Bayas mine and the Altonorte smelter as well as 44% of the Doña Inés de Collahuasi mine. Thanks to that acquisition, it found itself with a team of very technically skilled professionals, giving it a further reason for rapid expansion.

"Given the scale of the business, we looked at all the relevant factors, with particular emphasis on the country's potential for the future growth of operations and projects. Of course, Chile's potential as a business platform, as well as significant opportunities for organic growth, were relevant factors in our decision," recalls Sartain.

Xstrata's mission is to maximize returns to shareholders through the growth and successful management of its operations and projects. In that context, the company has been helped by its confidence in Chile.

"Here we can work with institutions and the authorities as strategic allies, focusing on the management of sustainable development, which requires legal stability in terms of environmental, social and labor issues," says Sartain.

This is an important consideration for foreign investors when selecting a country in which to commit their capital. Institutions that work optimally help companies and projects to perform properly and are an important factor when analyzing the feasibility of any new project and, particularly, entry into a new market, notes Sartain.

"Thanks to its solid economic fundamentals and the way in which its institutions work, Chile is very attractive to foreign investors," he says. "So much so that, in this field, it is considered an example in Latin America; if you add to this its mining profile, you have a country that is ideal as a potential business platform."

While recognizing that the international business climate has been adversely affected by the economic crisis, Sartain says that even considering the different external scenarios that Chile could face, its business climate remains optimum. "Its institutions and authorities are respected internationally, thanks to its regulatory framework, supervisory agencies and macroeconomic policies".

One example of the latter, he adds, is its countercyclical fiscal policy under which government revenues from past high copper prices were saved or used to pay down debt. "This puts Chile on a very strong footing to face the challenges posed by the current situation and makes it a place that warrants investor confidence," says Sartain.

If a potential foreign investor asked you about Chile, what would you say?

I'd talk about the positive experience we've had in Chile. Since we arrived four years ago, we've felt very welcome and have found conditions - from very competent professionals to cutting-edge mining technology - that allow us to grow our business. We aim for the highest sustainable development standards and in Chile we've found a country that allows us to implement initiatives of this sort.

For example, our El Morro project will include a seawater desalinization plant and other important technological innovations in its design as a result of proactive consultation with the local community, positioning it as an emblematic project in terms of sustainability.

Personally, my experience in Chile has been extraordinary. In my opinion, it's a fascinating country with enviable geography, and one in which it's worth investing.

"We have operations around the world but Chile is important for us, precisely because it offers conditions for the development of innovative and sustainable projects in which we hope to base some of our future growth," says Sartain.

Interview

Jeffrey Blidner

President of Transelec

"Our business in Chile is an example we seek to replicate."

In 2006, Brookfield Asset Management, a Canadian asset management company, paid US\$1,685 million for Transelec, Chile's largest electricity transmission company with operations from the Antofagasta Region in the north to the Los Lagos Region in the south. The acquisition was very selective in that the ultimate goal of investors like Brookfield is to find not only a very clear business opportunity of a significant size but one that is also in a country that offers stability and clear rules. After several years in Chile, Transelec's president Jeffrey Blidner has no doubt that "our current businesses in Chile are an excellent example of what we would like to be able to replicate in other countries".

What was your view of Chile before investing in the country?

Before making our most recent investment in the national electricity transmission grid in 2006, we already knew that Chile was a welcoming jurisdiction to foreign investments and that it was probably offering the most stable political and regulatory climate in Latin America. We have invested in Chile for a number of years. For instance, some of our company's affiliates invested heavily in Chile's resource sector, participating in the development of some of the country's largest mining and metallurgical projects, Dona Ines de Collahuasi and the Altonorte smelter, in the mid-1990s. These projects gave us a very good insight in the way the country manages its affairs and supports business initiatives.

What was the evaluation of the country your company made before deciding to invest? In the beginning, what turned out to be the most difficult and the most gratifying?

Before deciding to invest, we engaged in a close examination of all aspects of the Chilean business environment, including the relative position of Chile in the world economy. We looked at exchange rates, the country's credit rating, the



Jeffrey Blidner, president of Transelec

current political situation, the tax framework and, most importantly, the regulatory framework in which Transelec would continue to operate. Since the time of our investment, we have remained very pleased with the business environment and have encountered no negative surprises.

How much was the country's economic and political stability a factor in your decision-making process?

The country's economic and political stability was a key factor in our decision making. We tend to make very long-term investments, providing most of the capital upfront and waiting for years before we make a return. That explains why political, economic and legal stability are all important factors for us.

When you are to invest in a country, how important is economic stability and the rule of law?

For us, they are sine qua non conditions. Without them we could not commit to making our type of long-term investment. Before making any investment decision, we need to have a high level of confidence not only in the institutions of

the country but also in the country's ability to provide us with a favourable operating environment as well as with a well-trained, high-quality workforce.

Have there been cases when Brookfield decided not to invest because of the lack of political stability?

Yes. There are many countries that offer resources or investment opportunities that will simply not make it to our list of desirable countries where to invest.

Is Chile seen as too small a country for the businesses conducted by your company?

No. The types of business activities we already conduct in the country are not dependent on the geographic, demographic or economic size of the country. We feel quite comfortable with Chile the way it is.

If we are a small country, can the concept of "platform" help us in any way?

That depends on the business model of the respective investors. In our case, we find our current business in Chile an excellent example of what we would like to be able to replicate in other countries: acquiring ownership of leading organizations with solid market positions in countries with a welcoming political and regulatory framework.

Have you been able to use Chile as a business platform for your activities?

In some modest way, yes, we have been able to utilize our business position as a platform for growth. We are hopeful that we will be able to do a lot more as we grow our business and broaden our base in the country over time.

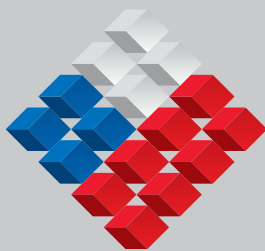
How would you describe the business climate in Chile?

The business climate in Chile is excellent. We are getting strong support from the government and its various agencies. We find the culture of doing business in Chile not dissimilar to that of Canada.

What would you tell a foreign investor about doing business in Chile?

We are very pleased with our decision to invest in Chile. Not only is our investment on track with our initial plans, we are now starting to monitor other opportunities in different operating platforms. Our success will ultimately depend on the availability of investment opportunities and their relative merits compared to investment projects in other markets.

*“Before deciding to invest, we engaged in a close examination of all aspects of the Chilean business environment, including the relative position of Chile in the world economy. We looked at exchange rates, the country’s credit rating, the current political situation, the tax framework and, most importantly, the regulatory framework in which Transelec would continue to operate. Since the time of our investment, we have remained very pleased with the business environment and have encountered no negative surprises”,
says Jeffrey Blidner.*



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