

Chile

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CHILE PRESIDENT NAMES NEW CENTRAL BANK CHIEF

Chilean President Ricardo Lagos named renowned economist Vittorio Corbo as president of the Central Bank, effective May 1, Minister of Finance Nicolás Eyzaguirre said. Corbo, a former World Bank consultant with a Ph.D. from the Massachusetts Institute of Technology, is politically independent but widely viewed as having a closer affinity to the rightist opposition than to Lagos' center-left coalition.

"I have the pleasure of announcing that Professor Vittorio Corbo has been designated as president of the Central Bank of Chile", Eyzaguirre told reporters. Corbo, 60, will replace outgoing Central Bank President Carlos Massad and inherit an institution whose credibility has been damaged by information leaks.

Massad submitted his resignation on March 31 after his secretary confessed to selling confidential financial data via email from Massad's computer to a private brokerage firm. The now bankrupt brokerage, Inverlink, is also the subject of a court probe for alleged illegal trading of securities stolen from the state development bank, Corfo, in one of the worst financial scandals the country has ever witnessed. Massad himself has not been accused of any wrongdoing, but was pressured to resign amid criticism for alleged negligence.

In his first public remarks after his designation, Corbo - currently a professor at the prestigious Catholic University and a consultant to Spanish banking giant Banco Santander - hailed his predecessor's firm control over inflation and pledged to continue to target low inflation rates. "The Central Bank has had great success in reducing inflation and now the challenge for

the next few years is to maintain inflation in a range of 3.0% and at the same time continue improving the system of internal and external payments", Corbo said. Inflation was 2.8% in 2002 and the Central Bank's target for 2003 is 2.1%.

Corbo said Chile's export-reliant economy would get a leg-up from the swift conclusion to the war in Iraq and economic upturns in neighboring Argentina and Brazil. "If the world economy begins to recover earlier than we thought and if, thanks to progress in Brazil and Argentina, we have a more favorable external environment, then Chile will benefit from that", he said.

A former advisor to several Latin American governments and one of Chile's most respected economists, Corbo was welcomed in both government and opposition circles as "the best man for the job".

Reuters, April 24

LATIN AMERICAN HEADQUARTERS OF UNILEVER BESTFOODS TO BE BASED IN CHILE

The Anglo-Dutch company will become the first multinational to locate a regional management headquarters in Chile.

As from July, Unilever Bestfoods will manage its Latin American business from Chile, after moving its regional presidency from New Jersey in the US to Santiago. This initiative, as a result of which the top executives of Unilever's Latin American Food Division will use the Chilean capital as their base of operations, transforms the company into the first multinational to choose Chile as the regional headquarters of its Latin American business.

Alberto Sobredo, President of Unilever Bestfoods for Latin America, said that the move reflects the need to operate from a

country within the region itself and will make it easier for the company to gain swift access to the different markets. Besides the President of Unilever Bestfoods for Latin America, the six regional vice-presidencies will also be based in Chile. These are Finance, Controllershship, Marketing, Research and Development, Supply Chain and Human Resources.

Alberto Sobredo said that the new regional base was first mooted in May 2002, following his appointment as President of Unilever Bestfoods for Latin America. "As well as Chile, the alternatives we looked at included Mexico, Brazil and Argentina; Chile was chosen due to its advantages in terms of security and economic and legal stability, along with its technological development and the high level of its professionals. In addition, these factors are leveraged by Chile's policy of opening up commercial trade, which led to the signing of three free trade agreements in 2002".

Karen Poniachik, Executive Vice-President of the Foreign Investment Committee, said that "it is a privilege that a company like Unilever Bestfoods has chosen our country for its regional presidency headquarters. This is also a milestone for Chile's bid to be a platform country. Up to now, twenty companies, including Unilever, have decided to set up a shared-service center in Chile, but being chosen as the Latin American headquarters of Unilever Bestfoods is undoubtedly a great achievement".

Unilever Bestfoods is Unilever's Food Division and generates over half of the company's worldwide sales. Its main brands include Hellmann's, Maizena, Lipton, Knorr, Bertolli, Ben & Jerry's and Slim Fast, among others. The best-known brands in Chile are Malloa, Té Club, Dorina, Bonella, Ades and Chef.

Unilever Bestfoods (Press Release), March 17

CHILE-US FTA TEXT ONLINE

The text of the Chile-US FTA, reached December 11, 2002 is available in English at the Office of the United States Trade Representative's (USTR) website. Please follow this link: www.ustr.gov/new/fta/Chile/text/index.htm. The Spanish version can be downloaded from the Ministry of Foreign Relations' Division for International Economic Affairs website: www.direcon.cl/html/acuerdos_internacionales_estadosunidos_12.php.

CHILE, ARGENTINA PRESIDENTS SIGN TAX DEAL

On April 23, Chilean President Ricardo Lagos and Argentine interim President Eduardo Duhalde signed a tax deal that eliminates a 0.5% tax on Chilean investments in Argentina.

The two Presidents signed the deal in Santiago after recent Argentine measures raised taxes for Chilean companies already reeling from the plunge in value of their Argentine assets due to the economic crisis in the neighboring country. The two were also scheduled to discuss closer trade ties.

Argentina and Chile share a 5,000-kilometer border, but the two countries' economic fortunes have differed starkly.

During a brief press conference, Duhalde said Argentina's first-half economic growth would reach 4%-5%. That outpaces the 3%-4% growth estimated for its Chilean neighbors, but follows a historic economic meltdown while Chile was able to raise its gross domestic product 2.1% last year.

Dow Jones Newswires, April 23

SANTIAGO IS LATIN AMERICA'S SECOND MOST ATTRACTIVE CITY FOR BUSINESS

Santiago is the second preferred city for doing business in Latin America by Latin executives, according to *AméricaEconomía* magazine's 2003 *City Ranking*. Miami

maintained its top position for the fourth year in a row, while Chile's capital climbed from the third place in 2002, and appeared tied with Sao Paulo this year. The survey ranked 38 Latin American cities, including Monterrey (4th), Buenos Aires (9th), Rio de Janeiro (12th) and Caracas (28th), among others.

After interviewing 1,600 Latin American executives, the magazine points out that "the most interesting thing about Santiago is an unusual aggressiveness that promises to add further competitiveness to the region's city market".

Another reason that accounts for Santiago's positive image is its overall sensation of safety, backed up by the low score (2 out of 4 points) it obtained in the study's danger perception item, along with San José (Costa Rica). Although both cities went up a notch from 2002, the two enjoy a "no danger" status. As for crime rates, Santiago and Santo Domingo in Dominican Republic are deemed the safest cities in Latin America. Both obtained the highest score, followed by Miami, San Juan and Monterrey.

AméricaEconomía magazine's study also asked the executives which Latin American city adds more value to a business, and which one has the best combination of quality of life and business potential. In both cases Santiago obtained the highest scores: 38% and 44% respectively.

AméricaEconomía, April 24

MOODY'S: CORFO-INVERLINK AFFAIR LEAVES BANKS STABLE

In a recent special report, Moody's says that its ratings for the Chilean banks remain stable in the wake of the CORFO-Inverlink affair. The rating agency explains that the banks should be able to manage the contingent liabilities they have identified to date: "Contagion to the system appears to have been contained, because systemic concerns were addressed in a swift and coordinated fashion by both the banks and the regulators", noted the agency. "However, we will continue to monitor how the affair could still affect the individual rated banks, particularly if they are found to be complicit

in the alleged illegal transactions".

The report, entitled *The CORFO Inverlink Affair: From Damage Control to Reform*, highlights the potential impact on the financial system of the disruption in the mutual fund market, and the need for, and efforts of, the authorities to implement further capital market reforms. The full text of the report is available at www.moody.com.

Reuters, April 23

CHILE, EFTA REACH FREE-TRADE DEAL; SEEN EFFECTIVE JAN 1/04

Chile and the European Free Trade Association-whose members are Liechtenstein, Iceland, Norway and Switzerland- reached a Free-Trade Agreement on March 25.

The deal with Chile covers all major areas of trade relations including goods, services and investment, government procurement, competition and intellectual property. It also contains stipulations on dispute settlement. EFTA and Chile also initialed bilateral agreements on agriculture.

EFTA and the European Union share a free-trade area. Chile last year concluded a free-trade agreement with the EU that took effect February 1, as well as deals with South Korea and the US that are at present being ratified. The deal with Chile is EFTA's second free-trade agreement with a country in the Americas. It reached an agreement with Mexico in 2000.

With the Chilean deal, the EFTA members will have FTAs with 20 countries, representing a population of 340 million, in addition to the FTA with the EU, comprising a population of 375 million, EFTA said.

Negotiations on the EFTA-Chile FTA were launched at the end of 2000 and were concluded after six rounds. The deal is to be signed in Kristiansand, Norway, in June, and to come into effect next January 1.

Last year, EFTA countries exported goods worth US\$ 124 million to Chile while importing goods worth US\$ 136 million from it. Chile is also seeking a FTA with Andean neighbor Bolivia.

Dow Jones Newswires, March 25

CHILEAN ECONOMY: AN ANCHOR OF STABILITY IN LATIN AMERICA

Chile's GDP will edge up to 3.1% in 2003, forecasts the International Monetary Fund (IMF) in its latest *World Economic Outlook* report, while scaling Latin America's growth rate down to 1.5% from 3% in its September evaluation.

In a context in which "Latin America, as a whole, experienced in 2001-02 its worst downturn in two decades, and prospects are still uncertain", the IMF estimates that Chile's GDP will grow 4.8% in 2004, thanks to an economic performance "underpinned by generally sound policies and high degrees of integration with the world economy".

While Latin America's turnaround is driven primarily by net exports, "as the substantial real exchange rate depreciations earlier in the year boosted exports and curtailed imports", Chile's economic fortitude remains a guarantee of security for foreign investors. The IMF explains that "given the still-large investor allocations to Latin America, an adverse development -such as a disorderly debt default- could result in broad-based selling of many Latin American assets, though investment-grade borrowers like Chile and Mexico would be largely insulated".

In a region that contracted 0.1% in 2003, Chile's "public debt is low, monetary policy is based on an inflation-targeting regime and floating exchange rate, official international reserves are high, and the banking system is sound... The budget for 2003 allows room for automatic stabilizers and incorporates employment support programs, while appropriately maintaining an unchanged structural balance".

The IMF report ties up its review on Chile's economic performance stating that "the policy interest rate was reduced during the course of 2002, help-

ing domestic demand to begin to recover. While inflation stayed in the bottom half of the target band, the medium-term credibility of the inflation target was apparent in the low spreads seen on new, unindexed paper issued by the Central Bank".

IMF (Press Release), April 9

CHILE'S LAGOS SAYS Q1 ECONOMIC GROWTH NEAR 4%

Chilean President Ricardo Lagos said the South American nation's economy would expand by about 4% in the first quarter of 2003 against the same period last year. At the inauguration of three factories in northern Chile, Lagos said "These (companies) are proof of what can be attained in a country that is growing and has serious monetary policies which permit us to affirm that in the first quarter of this year, we are going to have a growth level close to 4%.

Chile posted its strongest monthly economic growth rate in 20 years in February of 4.6%, bringing the average growth for the first two months of the year to 3.6%. Those figures are based on the monthly economic activity index called Imacec, which represents 90% of gross domestic product.

The world's No. 1 copper producer expanded 2.1% last year and the government expects it to grow between 3 to 4% in 2003.

Reuters, April 21

CHILE GOVERNMENT, CENTRAL BANK NET DEBT CONTINUES HISTORIC FALL

The consolidated net debt of Chile's central government and the Central Bank continued its historic downward trend in 2002, ending the year at its lowest level since 1989. As of December 31, net debt reached 8.3% of the South American country's GDP, down from 9.4% a year earlier, Budget Director Mario Marcel said.

In 1989, it stood at 40.4% of GDP.

At the end of 2002, net debt totaled about US\$ 5.22 billion at present exchange rates, when weighed against the country's foreign currency holdings. "Consolidated net assets in foreign currency exceed the consolidated liabilities" of the government and monetary authority, Marcel said.

At the end of the year, foreign currency reserves stood at US\$ 15.35 billion, from US\$ 14.40 billion a year earlier. The peso, meanwhile, depreciated 8.5% to CLP712 from CLP656 in the same period, exerting a strong influence on the overall debt figures. "The depreciation explains a significant part of the increase in net debt to GDP of the central government, while it reduces that of the Central Bank", overall lowering debt, Marcel said.

Due to anti-cyclical policy as the central government tried to boost sluggish growth via moderate deficit spending, its debt rose to 10.8% of GDP from 8.8%, with part of that rise explained by the depreciation effect. It also reduced assets to finance spending.

The Central Bank's debt meanwhile swung to a net creditor position from 0.6% of GDP at the end of 2001, in part because it is a foreign currency creditor and its reserves rose, as did other assets, Marcel said.

Debt of Chile's state-owned enterprises and banks' debts to the Central Bank weren't included in the consolidated data, but accounted for separately.

Chile's Ministry of Finance late last year began publishing consolidated debt figures and appending state-owned companies' debt after criticism from some economists that debt statements weren't transparent enough in light of the turbulence that hit other countries' debt in the region, particularly Argentina and Brazil.

Dow Jones Newswires, April 1

CHILE'S MINISTER OF FINANCE APPOINTED MAN OF THE YEAR

Nicolás Eyzaguirre is Latin America's most successful Minister of Finance, and not just because he has kept Chile, the region's most successful economy, on a firm footing through the worst economic crisis to hit Latin America in 20 years. He also deserves considerable credit for the country's new bilateral FTA with the US. Eyzaguirre's last minute trip to Washington in December was crucial in dealing with the final sticking points of the landmark agreement that had taken almost 10 years to negotiate.

And as a lifelong socialist, Eyzaguirre is living proof that it is possible, indeed vital, to reconcile sound money policies with social reform. He is showing the rest of Latin America and the developing world as a whole that many of the increasingly discredited ideas of the 1990's – deregulation, trade liberalization and strong public finances – can in fact improve the lot of poorest, as well that of the wealthiest. Eyzaguirre embarked on a daring policy initiative. He is running modest budget deficits to help keep Chile's economy growing, but has promised to run a surplus again when growth picks up satisfactorily. Few developing countries are strong enough to attempt this. If Eyzaguirre's counter-cyclical policies succeed, they will be further proof that well-managed, orthodox policies are infinitely preferable to improvisation and chaos that characterize the economies of many of the region's countries.

The 50-year-old Eyzaguirre is no mere number-crunching technocrat. Certainly, he is ferociously intelligent. He was still a teenager when Salvador Allende, Chile's last socialist President, was deposed in a 1973 coup led by General Augusto Pinochet. "The drama of 1970-1973, when all the economic balances were completely lost and (then) the cruel coup, made us, the democratic forces, (understand) that there are some limits that you must never cross, like jeopardizing fiscal balances. If you cross those limits, you lose control".

Lessons Learned: The coup, combined with a severe banking crisis in the early 1980's taught Chilean society a lesson in fiscal rectitude that it has never forgotten. There was no

noticeable change in 1990 after Pinochet transferred power to a democratically elected government, or when Ricardo Lagos took over in 2000.

Lagos is Chile's first socialist leader in 30 years, and although he threatened no deviation from the long-established economic policy consensus, many people in the markets in Chile and abroad had their misgivings. Eyzaguirre says that, "Realizing everyone was going to look back at the Allende years, we started with a very strict (policy) framework to reassure the markets and because we believed in this framework". Although the economy is struggling with weak growth now, Eyzaguirre is probably right in saying that, "If we had started with a very expansionary policy in 2000 and say that our sovereign spread was 500 basis points instead of 150 basis points, we would be in a recession now, no doubt".

Eyzaguirre still is very much a socialist, and says the government must fulfill its commitment to those at the bottom of the social pyramid. Business leaders attacked last year's labor legislation, which makes it more expensive to fire workers. He says, "We believe that to have a sustainable economic strategy you need to have social cohesion and the power of labor unions to bargain and fight for their rights was (insufficient)". In any case, he says Chile still has one of the most flexible labor markets in the world.

Chile's social indicators, such as real wages, literacy, and ranking in the United Nations Human Development Index, have all showed a marked improvement over the years.

A Country Apart: Robert Rubin, Chairman of Citigroup's executive committee and Treasury Secretary during the Clinton Administration, says, "Chile had a very good public policy regime for a very great (period of) time". It also stands apart from most other countries in the region, says Rubin, because although, "Globalization and market-oriented policies swept across the region, to this day the problem is that while that is very positive, it is not sufficient. We need systems in which leaders can be effective. If (institutions) work, you can get done what needs to get done".

Chile has shown that its institutions do work. This is why the transition from dictatorship to democracy went smoothly and why economic policy has remained so stable.

Strong institutions are crucial for Eyzaguirre to successfully execute an ambitious and highly controversial policy innovation. Growth has slowed and the government has responded by running budget deficits for three successive years to pep up the economy. Very few development countries can allow themselves the luxury of running counter-cyclical policies because they invariably have excessive budget deficits and debt loads. Chile, of course, is different.

Eyzaguirre announced that he would aim to run a "rules-based" fiscal policy, which aims to deliver a budget surplus of 1% of GDP through the economic cycle. He says, "With our low spreads, the Central Bank could reduce interest rates and have quite an aggressive monetary policy. We have a fiscal policy, where you have a commitment in advance that government spending will (fall) when the economy is growing above potential output and you are forced to save". This means markets must trust him to run a deficit when the economy is weak and run a surplus when growth recovers. This trick is hard enough to pull off in developed countries, let alone in a South American Republic, albeit one with Chile's record for fiscal restraint.

Hot Bonds: Eyzaguirre has had no trouble raising finance, even though few other Latin American governments have access to the international bond market. In January, Chile sold a US\$ 1 billion, 10-year bond at a yield of 5.62% the lowest rate ever achieved by an emerging market issuer.

Chile has borrowed US\$ 2.61 billion with five issues on the international bond market since October 2001. In contrast, it raised just US\$ 542.7 million with two bonds between 1980 and 2001.

Eyzaguirre wants to raise Chile's relatively poor education standards. Better education is the key to a strong service sector and knowledge-based economy. But he is not impressed by people on the left agitating for the State to resume a leading role in the economy. "We believe that a private sector that risks its capital is better equipped to see where the opportunities lie than bureaucrats who work with other people's ideas, who can be creative with out using their money".

CHILE IN THE EYES OF WALL STREET

The following are excerpts from Wall Street Investment Banks' reports on Chile:

From JP Morgan Chase's "Emerging Markets Outlook", April 4

- **Economic fundamentals in Chile remain the strongest in Latin America:** The Central Bank reported better-than-expected GDP data for 2002, and an upward revision to 2001 results. The economy grew 2.1% last year, off a higher base than previously thought since 2001 growth was revised up from 2.8% to 3.1%. **Domestic demand closed last year particularly strongly, with fourth-quarter growth of 4.1% YOY to deliver 1.9% growth for the year as a whole.** The primary sectors of the economy were the most dynamic: the fishing sector expanded 8.4% last year; power, gas, and water grew 4.3%; and the livestock and forestry sector grew 4.2%.

- **The Chilean economy continues to show signs of steady recovery.** Unemployment dropped from a year ago to 7.9% in the quarter to February, and industrial production climbed 7.8% YOY in the same month. Meanwhile imports jumped 30% YOY in February, while exports continued to jog along at a steady growth rate of around 10% YOY for the sixth month in a row. **JPMorgan's 3.5% growth forecast for 2003 matches the Central Bank's 3-4% projection, and assumes that activity will build on the strong momentum evident at the start of the year.** This pace of growth still leaves an output gap that allows for modest fiscal stimulus (under the structural surplus rule). The persistent output gap also likely soothes the Central Bank's concerns over a pickup in headline and core inflation in February, which was driven primarily by supply-side

shocks including the rise in oil prices and peso depreciation. The subsequent recovery in the currency also eases pressure on import prices, but the real exchange rate adjustment enjoyed over the last five years is likely to remain intact. Given the more robust demand picture, we do not expect the authorities to cut rates again, however, unless oil prices fall substantially and the growth outlook falters.

- **We do not expect the direction of monetary policy or success of the robust inflation-targeting regime to be significantly affected by Carlos Massad's departure from the Central Bank.** Massad initially resisted efforts to blame him personally for the misconduct of his secretary, who was revealed in February to have been forwarding internal Central Bank memos to a local brokerage from his e-mail account, but eventually tendered his resignation on March 31 after political pressure became irresistible.

- The Chilean peso will likely be driven by external factors: namely oil prices, copper prices, and the global geopolitical concerns. **The departure of Carlos Massad from the helm of the Central Bank is unlikely to have an effect on the peso.**

From UBS Warburg's "Latam Macro Forecasts", April 9

- **We expect growth around 3.4% this year, compared to the 2.1% growth registered in 2002, but rebounding to close to 4.5% growth in 2004, supported by recent trade agreements** with the US (congressional ratifications needed), Europe, and Korea. While recent data point to a somewhat firmer domestic demand, with February unemployment

at 7.9%, February industrial production rising an impressive 7.8% y/y, and the external sector (both exports and imports), showing continued dynamism, growth this year is likely to remain fitful and precarious, as the economy remains dependent on world growth and commodities. The volatile copper price movement thus far this year points to a fickle and uncertain global growth prospects.

- Moreover, while productive sectors show steady rises, the bout of domestic scandals over the course of late 2002 and this year has maintained the consumer cautious, leading to lower consumption than would have otherwise been the case. However, **the government's credibility and commitment to cautious fiscal and monetary policy remain well positioned, and the resulting capacity to run moderately counter-cyclical fiscal and monetary policy will continue to buffer the economy from a still generally unfavorable external sector. We expect the economy to gain momentum by year-end.**

- We expect the currency to continue its appreciation throughout the year, meaning real exchange appreciations both in 2003 and 2004 after the weakening observed since the '98 Asian crisis. **We now expect the currency to end the year at 707, slightly higher than our previous estimate because, among other things, higher inflation in 2003.** On the inflation front, our new 3.65% Dec/Dec forecast is driven by the recent price performance which, although fully driven by rises in fuels and hence transitory in nature, will be difficult to revert to our previous 2.9% estimate. **Note, however, that our inflation forecast remains within the 2-4% Central Bank target.**

CHILE IN THE EYES OF WALL STREET

From BBVA's "Monthly Economic Analysis", April 21

CHILE IN 2003 AND 2004: AN IMPROVED OUTLOOK

Although forecasts for world economic growth have dropped slightly over the last six months, the outlook for growth in Chile shows an improvement over our Monthly Economic Analysis, published in January 2003. This change is explained by several factors:

- **More dynamic consumer spending:** The Central Bank's recent revision of its national accounts for 2001 and 2002 has altered the diagnosis of the Chilean economy. The revised figures not only showed that growth was higher than had been anticipated, but also introduced a fundamental change in the composition of this expansion, with domestic factors playing a much larger role than external factors. In particular, the revised figures indicate that, over the last two years, consumer spending was more dynamic than previously believed, while exports were much less dynamic. This is good news for at least three reasons:

1. If, after the recession in 1999, consumption and employment fell into a vicious circle -with consumption dropping for fear of job loss and the labor market remaining weak because of the lack of consumer demand- in the light of the new figures, this now appears to be reverting.
2. If, after the recession, monetary policy seemed ineffective, the revised figures give the impression that, at least in 2002, its impact was greater than initially thought.
3. In a context in which growth in the rest of the world will slow in the

near future, the greater dynamism of consumer spending suggests that the Chilean economy may be at least marginally less dependent on external events.

- **More favorable terms of trade:** Due to the short duration of the war in Iraq and the absence, at least for the moment, of wider consequences in the surrounding area, the price of oil has rapidly dropped back to US\$ 27/barrel, while the price of copper, despite its marked volatility, has averaged 75 cents/lb so far this year, exceeding forecasts for the first quarter.

- **In view of these factors, BBVA's Research Department considers that Chile's growth prospects have shown an important improvement.** This is especially true for 2004, when growth is now expected to reach 4.4%, up from a previous forecast of 3.7%. However, the growth outlook for 2003 has not changed significantly. Although the improvements outlined above -as, for example, in Chile's terms of trade -will be apparent as from the second quarter, there will be a lag of two or three quarters before they have an impact on the economy. As a result, the improvements seen in 2003 will be reflected in the economy's performance as from 2004 and, in 2003, growth is still forecast to be 2.8%.

In both 2003 and 2004, domestic spending is forecast to rise ahead of GDP and, as a result, the current account deficit is expected to increase, although still maintaining a favorable level.

- **Both consumer spending and investment are forecast to accelerate:** In the case of consumption, the increase will be largely the result of a positive combination of expansive monetary policy and a drop in unemployment

to more normal levels. Investment is forecast to show a marginal increase as a percentage of GDP, driven by both external and domestic factors.

- **Higher demand will be accompanied by a slight increase in inflation:** This forecast - a year-end rate of 3.0% in 2003 and of 3.2% in 2004 - is based on the assumption that the Central Bank will begin to tighten monetary policy in the last quarter of 2003 and maintain this policy in 2004.

From Salomon Smith Barney's "Economic and Market Analysis", April 3

- A rare scandal engulfed the Central Bank of Chile resulting in the resignation of its respected president, Carlos Massad. We believe that the impact of this scandal will fade and Chilean economic prospects should not be affected. The scandal involved a leak of confidential information from the Central Bank and fraudulent issuance of CDs involving a state-owned financial institution. **To their credit, authorities have moved quickly to address the underlying issues** and President Carlos Massad of the Central Bank accepted the political responsibility for the incident.

- While sluggish growth in the global economy creates significant drag for Chile, **the economy is expected to grow by more than 3% in 2003 rising to more than 5% in 2004.** Export growth has been strong, influenced by a rise in the price of copper. The Central Bank has been easing interest rates in Chile to spur growth, but recent adverse inflation readings may convince the Bank to keep this policy on hold. Interest rates are expected to rise as the economy recovers into 2003. Fiscal policy remains slightly pro-cyclical.

CHILE IN THE EYES OF WALL STREET

From Santander's "Inside Latin America", April 24

CHILE: MAINTAINING STABILITY IN A VOLATILE ENVIRONMENT

• **GDP - We maintain our projection for this and next year of GDP growth of 3.4% and 4.1%, respectively.** 2002 was another year of disappointments, with growth below expectations and an actual rate of growth one percentage point below that seen in 2001. This situation has again damaged economic sentiment, bringing a reduction in GDP growth expectations for 2003 and 2004. The main driver behind the reduction in GDP growth in 2002 was a lower rate of growth in exports, which in turn was explained by the cuts in copper production implemented by several mines due to the low copper prices at the end of 2001.

• **We are increasing our expectations for private consumption growth this year from 1.6% to 2.7% and from 3.6% to 4.0% in 2004.** However, we maintain our projection of total demand growth in 2003 of 3.0%, which means that we are lowering our expectations for inventory accumulation. This change in projection is due to the revision of past figures by the Central Bank. The Central Bank recently released revised data for the 2000-02 period, which showed a cut in export figures and an increase in demand figures. For example, the revised figure for consumption in 2001 shows growth of 2.7% instead of 1.4%. In 2002 consumption increased 1.7%, well above our estimate of 0.8%. Consistent with our expectations of a moderate recovery in consumption in 2003, we revised our expectation for this year's consumption growth from 1.6% to 2.7%, and for 2004 from 3.6% to 4.0%. In terms of inventory

accumulation, we still expect significant growth in inventories in 2003 owing to increased copper production.

• **We are increasing our projection for gross fixed capital formation in 2003 from 1.0% to 2.0%.** For 2004 we maintain our target of 4.0%. We expect a moderate recovery in terms of capital formation this year from the 1.4% growth in 2002. In terms of total investment, we are expecting growth of 3.8% this year and 1.4% in 2004, as we see strong growth in inventories during 2003 due to higher copper inventories, an effect that is likely to be partially reversed in 2004. We expect only moderate growth in investment in 2003, as consumption has had slow growth in the last four years, which creates excess capacity in the economy, and the long-term prospects for economic growth have diminished in the last two years.

• **We maintain our expectations of a recovery in exports in 2003 on higher copper production.** We expect that exports would be the second most dynamic spending component after inventories this year. We maintain our projection of 5.4% growth, increasing sharply from 1.3% in 2002. The recovery in export volume would be explained mainly by the resumption of copper exports after the production cuts implemented by several mines in 2002. It is important to note that part of this increasing copper production, specifically from the state-owned company Codelco, would also increase inventory accumulation, as this company plans to keep about 200,000 tons in inventory. For this reason, **we also expect an increase in export growth to 7.6% in 2004. In terms of imports, we are expecting an acceleration in growth on higher exports and a recovery in internal demand.**

• **In terms of sectors, we expect mining, with a 7.0% increase, to lead GDP growth in 2003 thanks to higher copper production.** We also expect a recovery in industrial production from 2.0% to 4.0% on higher industrial exports, specifically in the pulp and paper sector. We expect that the retail sector will see only a moderate recovery from 2.0% to 2.7% because of the still-low employment level and uncertainties in the external and internal scenario during the first months of 2003. In 2004 we expect a more significant recovery in the retail sector, to 4.0% levels, along with more growth in employment and an improvement in economic sentiment.

• **Interest Rates - We maintain our expectation of an increase in the interest rate of 100 basis points at the end of the year to 3.75%.** Owing to higher economic activity growth prospects for 2004-05, we expect that the Central Bank will increase the current interest rate of 2.75% by 100 basis points in November or December. We believe that the recent increases in CPI have been mostly due to external factors such as oil prices, which we expect to partially reverse themselves in coming months. But growth rates around 4% both in GDP and consumption during 2004-05 would produce more inflationary pressures. In its January 2003 report, the Central Bank said that GDP growth in 2004 would be higher than the potential growth and that internal demand would grow above GDP in 2003-04. All these factors lead us to expect an increase in the interest rate, which currently in real terms is 0 or negative. Regarding long-term interest rates, we expect that the BCU 8-year would reach 2.8% over the UF (an inflation-indexed unit) at the end of 2003 and 4.0% at the end of 2004.

CHILE IN THE EYES OF WALL STREET

• **Inflation - We are increasing our inflation forecast for this year to 2.9% from 2.5%. For 2004 we maintain our projection of 3.0%.** The strong hike in oil prices during 1Q03 has had a significant effect on the CPI, which increased 0.8% in February and 1.2% in March. With the current declining trend in the international oil price, we expect a negative change in the CPI for April and May. Nevertheless, the hike in CPI at the beginning of the year has increased our projection for 2003 inflation to 2.9% from 2.5%. For 2004 we expect inflation of 3.0%, in the middle of the Central Bank target of 2%-4%, assuming that the Central Bank increases the interest rate by 100 bps at the end of this year. The appreciation and stable trend that we expect for the peso in 2003-04 would help to partially counteract the inflationary pressures stemming from a recovery in internal demand.

• **Fiscal Policy - We maintain our projection of a 0.8%-of-GDP fiscal deficit in 2003-04.** The central government posted a deficit of US\$ 526 million (0.8% of GDP) in 2002 on a 3.5% increase (nominal terms) in revenues and a 5.9% hike in spending. Tax revenues increased 6.1%, accounting for 76% of total revenues. Spending growth was focused in capital spending, which showed growth of 8.6%, while current spending increased only 5.4%, significantly down from 9.5% growth in 2001. The latest result shows the commitment of the government to complying with the "1% structural surplus" rule. It is also important to note that US\$ 422 million was withdrawn from the copper compensation fund in 2002, which is treated as revenue under government accounting procedures. If we do not consider this amount, the fiscal deficit in 2002 would be 1.4% of GDP.

• **For 2003 and 2004, we are expecting a fiscal deficit of 0.8% of GDP, as we expect similar growth in revenues and in spending.** The higher average price of copper that we expect for this year, US\$ 0.78 compared with US\$ 0.71 in 2002, should allow the government to avoid using the already somewhat depleted copper compensation fund, which at the end of last year held only US\$ 277 million.

• **Current Account - We are lowering our current account deficit projection for this year to 1.0% of GDP from 2.0% on lower-than-expected services and income payments.** In 2002, the current account showed a deficit of only US\$ 0.6 billion (0.8% of GDP). From the macroeconomic side, internal demand continued to grow more slowly than GDP, keeping the current account deficit at low levels. We expect this situation to continue in 2003-04. From the capital flow side, we expect the trade balance to continue to show strong surpluses (3.8% of GDP in 2003) while the services and income flows are likely to show the usual deficit of around 5% of GDP. **We maintain our view that the main driver behind the low current account deficit that we are seeing is the relatively weak performance of internal demand and not the lack of external financing.** In fact, Chilean sovereign bond spreads diminished from 256 bps on October 2001 to 153 bps on January 2003. **For 2004 we now expect a current account deficit of 0.1% of GDP, as we expect a hike in GDP growth of 4.1% and growth of only 3.2% in internal demand, reflecting a higher jump in exports than in imports.**

• **Currency - We maintain our year-end target of CLP700/USD in 2003 and CLP707/USD in 2004.** After pricing the uncertainties and increases in oil prices from the war, the peso returned to its level of the beginning of the year.

In 2001, the peso depreciated because of the Argentine crisis, and it partially reversed that depreciation later on. The same cycle repeated itself in 2002 in the wake of the depreciation of the real in Brazil. Already this year, as we were again expecting, the story has continued with the war in Iraq. The Chilean economy is strongly dependent on the world economic cycle and commodity prices, so **we expect that external turmoil will continue to affect the peso, but, when such episodes fade, the market's focus returns to internal fundamentals.** The low current account deficit, the positive conditions for external financing and the prospects of new trade agreements cause us to maintain our view that the peso will show a stable trend in 2003-04.

• **External Financing - We expect that weak foreign investment will continue to affect the capital account.** The flipside is that, due to the low deficit in the current account, there is not much need for external financing. The capital account, excluding international reserves, showed a surplus of US\$ 1 billion in 2002, which compares with US\$ 1.8 billion in 2001. The main drop in flows was in direct and portfolio foreign investment, which, combined, diminished from US\$ 3.1 billion of net inflow during 2001 to US\$ 0.7 billion net outflow in 2002. Pension funds brought money out in 2002 for US\$ 1.5 billion, higher than the US\$ 1.2 billion in 2001. The drop in foreign investment was partially offset with higher net commercial credits and loan inflows. The capital account surplus more than financed the US\$ 0.6 billion deficit in the current account. **For this year, we maintain our projection of a relatively low capital account surplus, excluding reserves, of around US\$ 520 million, as we expect foreign investment to be low again.**

ESCONDIDA PHASE IV OPENED

The US\$ 1.05 billion Phase IV expansion at Chilean copper mine Escondida was officially opened on April 1. The project, aimed at boosting production by some 50% to 1.25 Metric tons/year at what is already the world's largest copper mine, will ramp up to full capacity by the end of April. "We see the expansion as an important advance, which guarantees to a certain extent the future of the mine as a major concentrates producer", Escondida president Bruce Turner told journalists.

The expansion, work on which started in November 2000, involves increasing throughput by 85% to 237,500t/d, thanks to the new Laguna Seca mill and concentrator. Even so, the open-pit mine is expected to produce 1.05Mt of copper this year as operations have been scaled back through a combination of lower grade ore processing and maintenance shutdowns at the older Los Colorados mill and concentrator because of weak copper markets.

The increased output from the expansion will go towards meeting existing supply contracts, said Turner. "We have long term contracts for the greater part of our production. We have no problem selling this product either in Chile or abroad and we have increased our contracts with Noranda in Alto Norte and also with Chile's State Copper Company Codelco", he said.

Turner also said Escondida's regional service center plans to attract more users, including companies related to the mine. Now the center serves Escondida, the 130,000 t/y Cerro Colorado mine in northern Chile's Region I and the 35,000t/y Tintaya operation in southern Peru, both of which are also owned by BHP Billiton.

The Phase IV expansion at Chile's Escondida copper mine will provide the basis for further developments that will keep the operation running for at least 40 years. The future developments include the Escondida Norte pit, expected to need at least US\$ 400 million to produce some 110,000t/y copper, and a sulphide leaching project due to turn out 200,000t/y cathodes. But the two new projects "must obviously wait for an improvement in copper markets", Brad Mills, president of base

metals at Escondida's majority-owner, BHP Billiton, told those attending the Phase IV opening ceremony.

Mills said the feasibility study for the Norte project is complete, and the one for the sulphide leaching plant nearly ready. Asked about the market situation, he said BHP Billiton is "wrestling" with the question of whether it would be right to produce yet more copper. Located in northern Chile's Region II, 170 km southeast of the city of Antofagasta, Escondida started commercial production in 1991.

Escondida is 57.5% owned by Anglo-Australian resource group BHP Billiton, 30% by London-based Rio Tinto, 10% by a Japanese consortium led by Mitsubishi and 2.5% by the World Bank's International Finance Corp the other 2.5%.

Business News Americas, April 3

CHILEAN BANKS RANK HIGH IN ONLINE BANKING SURVEY

Two Chilean banks made it into the top 25 overall in Speer & Associates' (S&A) Internet Site Survey. BBVA Banco BHIF went up from 13th to 12th place, while Banco de Crédito e Inversiones (BCI) joined the group by leaping from 26th to 19th in the latest evaluation.

For four years now, S&A has carried out a website analysis examining the business development and transactional capabilities of retail internet offerings deployed by leading financial institutions in the western hemisphere. The study explains that all of the top 25 sites rank above a 4.0 level in transactional functionality, as this has become commonplace since the focus has shifted to business development. "BBVA Banco BHIF" - along with Argentina's Banco de Galicia and Mexico's Banamex- "are in that select group", the report states.

In addition, the survey emphasizes that the Latin American segment has made significant progress in several areas, pointing out that regional "financial Institutions are particularly strong in insurance product offerings, and exceed the transactional capabilities of North American banks in every insurance product provided".

The top five online banking site in Latin America belong to Banco de Galicia (1st),

followed by Banamex. Chile's BBVA Banco BHIF and BCI come in 3rd and 4th respectively. Mexican bank BBVA Bancomer were tied in 5th place.

S&A (Press Release), March 10

REDUCTION OF SOFTWARE PIRACY BOLSTERS CHILE'S IT SECTOR

Chile has Latin America's second lowest software piracy rate (51%), expanding its IT sector into a thriving US\$ 1 billion industry, according to a recent study conducted by the Business Software Alliance (BSA) and International Data Corporation (IDC).

The report also indicates that cutting Chile's piracy rate from 51% to 41% could add another US\$ 200 million to its economy, causing the local IT industry to grow to nearly US\$ 1.6 billion by 2006. Along with creating new opportunities for entrepreneurs and new jobs for Chile's workforce, the report states that a 10 point reduction would create more than 700 high-tech jobs, increase local industry revenues by US\$ 165 million, and contribute an additional US\$ 19 million in tax revenues.

In addition, the study mentions how Chile has reduced its software piracy rate by 11 points since 1996, and it now has ones of the larger IT sectors in Latin America as a share of its total GDP. "Chile's IT sector added US\$ 340 million to the economy and created 11,000 jobs between 1995 and 2001", the report concludes.

Regarding Latin America, the study explains that, despite the global economic slowdown and having the second highest regional piracy rate in the world, its IT sector has grown into a US\$ 24 billion industry that employs more than half a million people, whereas it is already projected that it could expand 31% between 2001 and 2006.

Puerto Rico holds the first place in the regional ranking, with a 47% piracy rate. Third is Colombia (52%), followed by Mexico and Venezuela, both with 55%. The last position is held by Costa Rica (64%).

Business Software Alliance (Press Release), April 3

RURAL POWER COVERAGE INCREASES TO 85.7%

Chile increased its rural electrification coverage to 85.7% in April 2002 from 53.1% in 1992, the respective Undersecretaries for Rural Development and Energy, Adriana Delpiano and Vivianne Blanlot, announced.

A goal of President Ricardo Lagos is to reach 90% rural power coverage by the end of his term in 2006. The Metropolitan Region and Regions V-VII all exceed this target already, while Region IX is at 76% and Region X at 79%, up from 23% and 38% respectively in 1992. The government is using grid extensions as well as renewable power schemes in isolated areas to increase its rural power program (PER) coverage. Renewable schemes include solar power in the north, wind power in Region X, and small-scale hydro in parts of Regions VIII and II.

Business News Americas, April 4

CHILE WATER UTILITY TO INVEST US\$ 150 MILLION IN 2003

Chile's biggest drinking water company, Aguas Andinas, announced it will invest US\$ 150 million this year as part of an US\$ 800 million water treatment plan in Santiago.

Aguas Andinas, owned by French utility giant Suez and Spain's Agbar, said it will invest a total of US\$ 800 million in Chile from 2000-2010 to build three water treatment plants that will treat 100% of the capital's waste water. "Our 2003 budget is for US\$ 150 million. Some 80% of this amount will be used for collecting waste water for the plants", Aguas Andinas Director Josep Bague told reporters.

In December, Aguas Andinas registered plans to issue bonds on the local market for up to US\$ 235 million. A total of US\$ 94 million were issued in December and US\$ 135 million will be issued in May.

Bague said Aguas Andinas's first-quarter results would be down compared with the same 2002 period due to a fall in water consumption in the first three months of the year. The company said this

could have been the result of surprise rainfall in January or a water saving campaign launched by Aguas Andinas.

Reuters, April 16

ENDESA CHILE SELLS TRANSMISSION ASSETS FOR US\$ 110 MILLION

Chilean electricity generator Empresa Nacional de Electricidad SA (www.endesa.cl) has agreed to sell its power transmission assets in far northern Chile for US\$ 110.0 million to Canadian Hydro Quebec unit Transelec Chile SA, Endesa Chile said.

The transaction, which includes lines held by Endesa Chile's Gas Atacama unit, should be completed by the end of May, it added.

The sale of the transition lines is part of an overall refinancing and debt reduction strategy launched in October. Endesa Chile has been hit by a steep decline in asset value at its Argentine and Brazilian units due to those countries' economic troubles.

Endesa Chile is controlled by Chilean electricity holding company Enersis SA, which is in turn controlled by Spanish Endesa SA.

Dow Jones Newswires, April 7

SANTANDER, SANTIAGO TO SERVE PUBLIC AS SINGLE BANK FROM APRIL 21

Chilean banks Santander Chile and Banco Santiago started serving the public as a single bank from April 21, Santander Chile's Chairman Mauricio Larraín said.

"The legal merger began in August and nine months later we're doing the operational merger, which is an international record", an upbeat Larraín added. He said both the operational and technological merger should be completed by June 30.

The merger will bring long-term positive effects in terms of significant cost savings but in the short-term, at least in the first quarter, there is likely to be some negative effects due to higher provisioning related to the "harmonization" of the two banks' loan portfolios, Bear Stearns' analyst for Latin American banks, Jason Mollin, explained

The new bank's legal name is Santander Chile, but the branch network will operate with the Santander-Santiago logo due to the strong recognition of the Santiago brand. Santander Chile and Santiago are both subsidiaries of Spanish financial group SCH, which is the largest financial group in Latin America.

Business News Americas, April 21

CHILEAN B2Bs MOVE US\$ 2.47 BILLION IN 2002

Chile's 22 e-marketplaces transacted US\$ 2.47 billion in 2002, according to a study from the Santiago Chamber of Commerce (CCS). The analysis conducted by the Chamber's Center of Digital Economy Studies noted a tendency toward vertical orientation, with two-thirds of the marketplaces being identified as sector-specific.

Cienpunto, Artikos, Senegocia, Merconet, Quadrem, iconstruye, Mining Directory and Adquira are among the country's principal vertical marketplaces. Some of these B2Bs, according to the study, offer additional industry-related services, such as consulting, agreements with logistics firms, sectoral research, internal systems integration for e-procurement objectives, and sector news.

Regarding systems integration, services can include automated access to purchasing portals, and design of sites to show listings, review tenders and outstanding auctions, and others to track company inventory and procurement needs.

Regarding client attention, most B2Bs simply rely on email, telephone or personal contact. Few view electronic forms or FAQs as being particularly helpful. Security is becoming an increasingly important topic, according to the study, which noted that about half of the country's marketplaces now operate with digital certification systems and advanced encryption procedures. The study also found that a quarter of marketplaces were launched without substantial investment - in the US\$ 200,000-500,000 range.

Business News Americas, April 1

LA POLVORA HIGHWAY TENDER DRAWS 9 GROUPS

Nine groups submitted offers to Chile's national highway directorate for some US\$ 60.4 million contract to build the third and last stretch of the La *Pólvora* highway in central Region V, the Ministry of Public Works said in a statement.

La *Pólvora* will be an alternative access route that will connect capital Santiago and Region V port city Valparaíso.

A total of 11 groups pre-qualified for the tender, which is split into three contractual options: Quebrada las Tortugas T3 tunnel; T1 tunnel connections and coastal route; and the project's entire works. The companies are Brotec; Ferrovial Agroman Chile; Mendes Junior y Asociados; Icafal-Vial y Vives-Echeverria Izquierdo; Tecsa-Fe Grande-Con Pax-Valko; Sacyr Chile; Besalco; Obrascon Huarte Lain-Abengoa Chile; and Constructora Internacional-Raul Gardilic Internacional-Claro, Vicuma, Valenzuela. A committee will be established to review the offers, which should take three weeks, with works possibly beginning end-May.

Business News Americas, April 2

EDS TO PROVIDE OUTSOURCING TO LANCHILE

US-based data outsourcing company EDS (www.eds.com) signed an agreement with Chile's national airline LanChile (www.lanchile.com) to provide outsourcing services to the airline's IT infrastructure, EDS said in a press release. EDS will provide services in the operation and administration of LanChile's centralized systems distributed in

more than 300 servers as well as the centralization of the help desk to support 4,000 users nationwide.

In the long term the agreement will cover LanChile's operations in Europe, the US and Latin America. It also involves the introduction of processes and methodologies including the standardization of desktop environment, equipment supply, tools for information security, real-time monitoring operations and the control of IT assets.

EDS' management assessment consultancy firm AT Kearney will provide the necessary support and collaboration in the outsourcing process with LanChile.

Texas-based EDS came into operation in 1962 and holds strategic partnerships with companies including Cisco Systems, Computer Associates, EMC, IBM, Microsoft, SAP, Oracle and Sun Netscape. Together with AT Kearney, EDS extends its operational reach to include Argentina, Chile, Brazil, Mexico, Europe, the Middle East, Africa and Asia.

LanChile is the principal airline in Chile and has operated a B2C portal since 1997. The portal has been profitable since August 2001 administering airline ticket sales both at home and in the US, Spain, Germany, Peru and Argentina.

Business News Americas, April 2

BRADMARK CONTINUES EXPANSION INTO SOUTH AMERICA WITH THE ADDITION OF NEW PARTNER IN CHILE

US-based Bradmark Technologies, an established provider of enterprise monitoring and database administration tools, announced the addition of a new reseller in Chile: Multisystem, headquartered in the capital city, Santiago.

Multisystem is an industry leader in software sales and support. Its clients include some of the largest banking, manufacturing, service and telecommunications companies in South America. "We are excited about our new relationship with Multisystem", said Mike Sweeney, Bradmark Channel Sales Manager. "They have an excellent reputation in Chile for providing best-of-breed products for distributed systems environments. We are delighted to bring them on as one of our Distributors and are looking forward to expanding our Latin American distribution through such a well respected software vendor".

Renato Sandoval, Gerente General, of Multisystem said, "We chose Bradmark as our partner for database administration and monitoring tools because of their state-of-the-art products and outstanding technical support. We are looking forward to a long, mutually beneficial relationship".

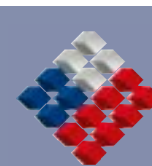
As a Bradmark reseller, Multisystem will add NORAD to its complement of software products. NORAD is a fully integrated suite of tools designed to maintain database and system availability. Bradmark marketing and sales VP John Mitchell recently announced the company would initiate a new expansion plan to include Chile and Argentina. Its goal in Latin America in 2003 is to grow 10 times more than last year and to become one of the top three companies in its software market niche.

Bradmark (www.bradmark.com) provides database management tools for Oracle, Sybase, Microsoft SQL Server, IBM DB2 and Hewlett-Packard IMAGE databases, with 10,000 user licenses sold to date. Multisystem (www.multisystem.com) distributes software and hardware solutions, and also offers a series of professional services. In Chile, Multisystem has 100 clients covering all areas of the corporate market.

Bradmark (Press Release), April 3

Between January and February of 2003, materialized Foreign Direct Investment reached US\$ 196 million, as compared to US\$ 292 million for the same months of 2002. The Foreign Investment Statute (D.L. 600) channeled 69.2% of the inflows. The main

recipient sectors were Electricity, Gas & Water (43.7%), Transport & Communications (25.9%), and both Mining and Services (14.1% each). During those months, materialized FDI came mainly from the US (61.6%), Spain (21.3%) and Canada (13.8%).



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FOREIGN DIRECT INVESTMENT REPORT / January - February 2003 (in nominal US\$ million)

Instrument / Period	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	Jan-Feb 2002	Jan-Feb 2003	Growth rate
Foreign Investment Statute (1)													
- Capital Contributions	894,3	1.544,6	1.802,1	3.948,6	3.825,5	4.382,8	8.606,9	2.541,3	4.320,2	2.243,0	180,3	135,6	-24,8%
- Associated Credits	839,8	976,7	1.238,5	873,3	1.404,3	1.589,9	478,7	436,0	527,5	1.079,1	32,0	0,0	-100,0%
Materialized Investment F.I.S. (D.L. 600)	1.734,1	2.521,3	3.040,6	4.821,9	5.229,8	5.972,7	9.085,6	2.977,3	4.847,7	3.322,1	212,3	135,6	-36,1%
Chapter XIV (2)													
- Capital Contributions	204,2	410,2	409,5	441,6	920,6	539,3	688,8	735,6	775,2	446,3	79,8	60,4	-24,3%
Total F.D.I. Capital Contributions (F.I.S. + Chapter XIV)	1.098,5	1.954,8	2.211,6	4.390,2	4.746,1	4.922,1	9.295,7	3.276,9	5.095,4	2.689,3	260,1	196,0	-24,6%
Total F.D.I. Materialized (Materialized F.I.S. + Chapter XIV)	1.938,3	2.931,5	3.450,1	5.263,5	6.150,4	6.512,0	9.774,4	3.712,9	5.622,9	3.768,4	292,1	196,0	-32,9%
Capital Remittances													
- Foreign Investment Statute (1)	174,1	59,5	396,1	333,6	375,5	443,8	281,7	541,4	963,8	1.741,2	32,8	34,3	4,6%
- Chapter XIV (2)	173,2	49,4	392,6	303,4	354,9	119,9	233,9	462,7	674,4	1.708,8	27,9	28,4	1,8%
	0,9	10,1	3,5	30,2	20,6	323,9	47,8	78,7	289,4	32,4	4,9	5,9	20,4%

(1) Source: Foreign Investment Committee - Chile. Provisional figures as of February 28, 2003.

(2) Source: Central Bank of Chile. Provisional figures as of February 28, 2003.

FOREIGN INVESTMENT UNDER THE FOREIGN INVESTMENT STATUTE (D.L. 600) BY SECTOR 1974 - 2003* (in nominal US\$ million)

SECTOR/PERIOD	MATERIALIZED INVESTMENT									
	74-95	1996	1997	1998	1999	2000	2001	2002*	2003*	Total
Agriculture and Livestock	163	16	14	12	21	22	10	2	0	260
Construction	303	26	114	280	216	29	165	138	0	1.271
Electricity, Gas & Water	93	406	1.395	495	4.560	860	908	490	59	9.266
Fishing and Aquaculture	129	21	12	9	1	94	5	0	0	271
Forestry	133	20	29	37	19	4	1	1	0	244
Industry	2.731	917	593	530	779	191	754	209	3	6.707
Mining	8.558	999	1.705	2.393	1.221	242	1.024	1.935	19	18.096
Services	2.686	1.958	1.197	2.006	1.910	665	700	212	19	11.353
Transport and Communications	906	459	171	211	359	870	1.281	335	35	4.627
TOTAL	15.702	4.822	5.230	5.973	9.086	2.977	4.848	3.322	135	52.095

Note: Materialized investments include amounts authorized each year and in all forms accepted under the Foreign Investment Statute.

Source: Foreign Investment Committee - Chile. *Provisional figures as of February 28, 2003.

MATERIALIZED FOREIGN INVESTMENT UNDER THE FOREIGN INVESTMENT STATUTE (D.L. 600) BY REGION OF ORIGIN 1974-2003* (in nominal US\$ million)

REGION	VALUE (in US\$ million)	SHARE
North America	23.530	45.2%
European Union	19.289	37.0%
Other European countries	930	1.8%
Pacific Asia and Oceania	3.933	7.5%
Other Asian countries	10	0.0%
Central America & the Caribbean	1.578	3.0%
Africa	1.405	2.7%
South America	1.168	2.2%
International Organizations	252	0.5%
TOTAL	52,095	100.0%

Source: Foreign Investment Committee - Chile
*Provisional figures as of February 28, 2003.