Chile INVESTMENT REVIEW

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Foreign Investment Committee • Teatinos 120, 10th Floor, Santiago • Telephone: (562) 698 4254 • Fax: (562) 698 9476 • www.doingbusinessinchile.cl

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ENERGY-CHILE: HOME-GROWN BIOFUELS - BIG-TIME?

In July 2006, the Chilean government announced plans to boost national biofuels production to increase the country's energy independence. At present Chile imports 72 percent of its fuel as oil, gas and coal.

With such heavy dependence on foreign energy, Argentina's decision to implement cuts in its natural gas exports to Chile, starting in 2004, and to raise the price of the fuel, was a decisive factor in seeking alternative energy sources.

With a view to developing a policy on biofuels, which are derived from plant crops and are renewable sources of energy and less polluting than fossil fuels, the Bachelet administration last year set up an interministerial commission and a mixed public-private advisory commission made up of representatives of public agencies and business, academics, farmers and environmentalists.

On January 19, the advisory commission released a report containing a large number of recommendations, including two basic requirements for the viability of the industry: exemption of biofuels from specific taxes, and making their use obligatory to ensure demand.

For many countries, especially those with temperate climates (like Chile), it may be more cost-effective to continue to use fossil fuels, or to import biofuels from countries that are able to produce them more competitively, the document said.

But voices of dissent have already been raised. Jorge Rodríguez Grossi, former Economy and Energy Minister in the Ricardo Lagos administration (2000-2006), criticized the proposal to enforce consumption of biodiesel and ethanol.

Grossi told the on-line newspaper El Mostrador that he was against any coercion, as a matter of principle, and was not in favor of including biofuels in the energy base on that condition. He would only be in favor if it became economical to do so, he said.

Biofuels, including biodiesel and ethanol, are produced from agricultural or forestry raw materials such as sugarcane, beetroot, maize, herbaceous plants, oil-bearing seeds (like rape), agricultural waste, lumber residue and dung.

According to the government's preliminary estimates, there are 170,000 hectares in Chile that could be farmed to produce the raw materials for biodiesel and ethanol.

The non-governmental Sustainable Societies Foundation (FSS) and the United Peasant and Ethnic People's Movement of Chile (MUCECH), both members of the advisory commission, believe that the programme will start with rapeseed biodiesel, and in the medium term will switch to lignocellulose materials (such as agricultural waste and wood).

"All the participants on the public-private commission agreed with biofuel development," but with their respective caveats, FSS head María Isabel Manzur told IPS. She was categorical in stating that the FSS would only support national biodiesel or ethanol production if it were carried out sustainably.

"We believe biofuels should not threaten food production in this country. We are also concerned about plantation forestry and crops replacing native forest, and about excessive concentration of land ownership and displacement of rural workers. In addition, overuse of water resources must be prevented, and it is essential that biofuel production be for domestic consumption and not for export," the environmental activist said.

Environmentalists fear that farmers will give up growing food and turn their fields into monoculture plantations for the biofuels industry, which is why they insist that ethanol and biodiesel production should be solely for national consumption and not for export.

According to Manzur, large companies must be prevented from buying up excessively large tracts of land to jump on the biofuel bandwagon, in order to protect small farmers. The availability of water for new areas to be cultivated must also be examined, FSS said.

The government had carried out several feasibility studies on producing ethanol from wheat, oats, maize, potato and beetroot, and biodiesel from native oil-producing plants like sunflower and rapeseed, and animal fats.

It has also considered using native wood, which is underutilized, for bioenergy purposes.

Another of FSS's concerns involves the technological aspects associated with biofuels. It is particularly worried about the pressure some producer sectors are exerting to introduce transgenic species, modified by the introduction of genes from other plant or animal species, as raw materials.

However, the report clearly stated that given that Chile does not have national guidelines authorizing the use of transgenic crops for domestic commercial purposes, it would be inappropriate to create them for the special case of biofuels. Transgenics should be treated as a separate issue, by other experts, it said.

The National Director of MUCECH, Omar Jofré, told IPS he was "hopeful" about the prospects for small rural producers who join the biofuel industry. Jofré pointed out that 85 percent of the country's farms are small family farms. A total of 278,000 families - 1.2 million people- make a living in the small farming sector, he said.

"If we take part in this business, we believe that small farmers' incomes will increase, our quality of life will improve, we will have access to technology, and there will be more development in the regions," Jofré said.

But this is contingent on "guaranteeing inclusive participation of all those involved: producers, processers, sales agents and consumers," he said.

The report reflects the view of MUCECH and other groups that incentives and subsidies are essential to producing biofuels in Chile, as has been the case in countries like Brazil.

The report said that, with present levels of taxation and costs of raw materials, biodiesel would be competitive with diesel if the price of crude were about US$ 72 a barrel, assuming that biodiesel were not subject to specific taxes.

In spite of the optimistic outlook, FSS's Manzur was surprised that the government should have decided to pursue this energy source before having received a clear account of all the relevant information.

In regard to pollution, for example, the government's National Commission on the Environment (CONAMA) is still working on a study investigating whether biofuels will effectively alleviate the serious problem of air pollution in the capital.

The advisory commission's report is being studied by President Bachelet, who will decide the next step, according to Agriculture Minister Álvaro Rojas.

But Rojas did announce that by 2010, vehicles will most probably be using biofuels to some extent. His aim was to develop the capacity for bioenergy to supply five percent of Chile's total energy consumption by then. The market itself would decide whether biodiesel or ethanol was best, he added.

The report recommends that diesel of fossil origin be mixed initially with two percent biodiesel, which could then be increased by increments of 1.5 percent. According to estimates by the government's National Energy Council, consumption of petrol and diesel in 2010 will stand at 3.3 and 7.6 million cubic metres, respectively.

Meanwhile, the public-private commission sowed doubts about the future of this energy source by posing a key question for formulating a national biofuel policy: how much is society willing to pay for the perceived benefits of biofuels?

Inter Press Service News Agency, February 5

CHILE EYES GEOTHERMAL BOOST

The Chilean Government said it plans to locate geothermal energy sources within the country and help develop them as an alternative to oil and natural gas.

The move -in response to high oil and gas prices and uncertainty about imports from Argentina- may eventually enable mining companies such as Codelco to tap into cheaper energy supplies.

In an interview with Bloomberg last Friday, Chile's Energy and Mining Minister, Karen Poniachik, said: "There's huge potential that hasn't been explored...We have huge amounts (of geothermal energy). We're looking for ways to attract investors."

Mining Journal, January 8

CHILE OPENS TIERRA DEL FUEGO FOR OIL/GAS EXPLORATION

Chile will call an international bid for the exploration of hydrocarbons in the extreme south of the country during the first half of this year, announced Karen Poniachik, the country's Minister of Energy and Mines.

“We're working in the final details for the public bid of ten blocks which will be announced in the first half of 2007”, said Poniachik.

“We trust a significant number of international corporations will participate in the bidding process because there's great interest in exploring for oil and gas in Magallanes Region, in the extreme south of the country”, she added.

In 2006 the Chilean government confirmed the existence of natural gas and oil in the Lake Mercedes area in Chilean Tierra del Fuego, but also split the area into ten blocks “to optimize exploration tasks”.

Chile's government owned oil corporation Enap is also involved in exploration in the area and is legally authorized to associate with foreign private companies.

Chile is a net importer of fuel and is desperately looking for new sources of energy to cover the growing demand and overcome the significant dependency on natural gas imports from Argentina which in the last few years have become a problem since Argentine president Néstor Kirchner's administration privileges domestic consumption over exports in spite of contracts.

Since 2004, in the peak of winter, Argentina has been limiting the supply of natural gas to Chile, a situation that has worsened, and Santiago estimates will dry up completely in the mid term.

Chilean authorities have warned the population that it must begin to adapt to the idea of having to pay higher prices for energy.

MercoPress, January 22

CHILE COULD HAVE GEOTHERMAL ENERGY BY 2010

Despite occasional volcanic eruptions and earthquakes, Chile is fortunate to be a volcanic country. Recent research has revealed that heat generated by Chile´'abs underground lava reserves could provide an environmentally acceptable solution to the nation’s energy needs in this age of global warming.

Underground lava heats the ground water that surrounds it. With proper conversion facilities, the warm water and steam that escapes from the earth’s surface can be converted into electric energy.

Two years ago the Chilean geothermal company Geotermia del Pacífico won exploration rights in the Curacautín zone, located between Regions VIII and IX (the south central part of Chile, near Temuco). Their efforts were supported by the National Call for Unconventional Renewable Energy through the state-run Corporation for Industrial Development (CORFO).

Results of the study are promising: Initially, two thermal areas could be developed to provide energy to 36,000 homes by 2010. This project would require construction of a nine megawatt plant. Investment in this initiative is projected at up to US$ 8 million.

The two areas Geotermia del Pacífico researched are San Gregorio, near the Tolhuaca Springs on the border of Regions VIII and IX, and Tripan, near the Río Blanco Springs in Region IX.

The San Gregorio site consists of nine thousand hectares, spanning an altitude of 3,445 to 9,186 feet. The area’s geothermic system, which is created by lava from the Tolhuaca Volcano, includes four sites with significant geothermic activity. Research into the Tolhuaca site, which covers 4,200 hectares, has received support from the German government’s Federal Institute for Geosciences and Natural Resources.

Water springs and gas emissions at both sites have temperatures greater than 428 degrees Fahrenheit; the minimum temperature required for a geothermic plant is 302 degrees. According to Geotermia del Pacífico, this heat surplus could potentially feed a 100 megawatt plant.

Such a project would require an investment of around US$ 20 million. Negotiations with investors and foreign banks are already underway to fund it.

Project developers have used New Zealand’s geothermal energy system as a model for Chile. New Zealand is recognized for working towards socially responsible development that benefits citizens. The indigenous Maori communities for example, use plant-generated steam to heat homes and greenhouses. The same could be done for Chile’s Mapuche communities.

Research in the area continues, in order to clarify the exact geothermal conditions below the earth’s surface in rest of Region IX before any groundbreaking is done. Each aspect of geothermal development -including geophysics, geochemistry, detailed geology and technical economic viability- are being considered.

Santiago Times, February 17

CHILE TO LEAD IBERO-AM SUMMIT

Chile assumed the position as pro tempore secretary for the 17th Ibero-American Summit on Thursday, which will be held in Santiago November 8, 9 and 10.

The summit will gather 20 heads of State, and raise the central issue: "Public social and political cohesion to achieve more inclusive societies in Ibero-America."

Chilean Foreign Minister Alejandro Foxley will take over as secretary from his Uruguayan counterpart, Reinaldo Gargajo, in the presence of Ibero-American General Secretary Enrique Iglesias, also from Uruguay.

As a preparation for the summit, there will be ten ministerial meetings during 2007, a parliamentary forum, a civil society meeting, a local government forum, and a businesspeople meeting, the foreign ministry reported.

Chile will be the Ibero-American Summit host for the second time: it was so in 1996 for the fourth summit held in Viñ'96a del Mar.

Prensa Latina, January 11

SONAMI PREDICTS 5.65MT OF COPPER IN 2007

Chile's national mining society Sonami projects the country will produce 5.65Mt of copper in 2007, up 5.6% over the latest 2006 projections, thanks to growth in the private mining sector.

In particular, increased cathode capacity from the startup of the Spence mine and the sulfide leach plant at Escondida, both controlled by Anglo-Australian BHP Billiton, will drive output this year, Sonami president Alfredo Ovalle said during a press conference.

Meanwhile, state miner Codelco is expected to see a slight 0.6% decrease in copper production this year to 1.65Mt.

For 2006, Sonami estimates Chile produced 5.35Mt of copper, down from a June forecast of 5.6Mt. Copper output suffered in the second half of last year from a prolonged strike at the Escondida mine as well as a rockslide at Codelco's Chuquicamata, two of the country's largest operations.

Mining sector investments in 2006 rang in at some US$ 2 billion and are due to rise to US$ 2.50 billion this year, Ovalle said.

Sonami expects to see a total of US$ 13.5 billion pumped into the sector in the 2006-10 period, which would lift copper output to 6.2Mt by 2010.

Among the main projects due to receive investments are the tailings dam at Antofagasta's Los Pelambres, Canadian Barrick Gold's Pascua Lama gold-silver project, and Codelco's Gaby mine project and Andina expansion.

The mining society also forecasts Chilean gold production will rise 4.9% to 43,000kg (1.38Moz) in 2007 compared to 2006, while silver output is due to drop 5.4% to 1.4Mkg.

Business News Americas, January 11

CHILE MAY RAISE COPPER PRODUCTION 13% TO MEET INCREASING DEMAND

Chile, the world's biggest supplier of copper, said miners could raise the country's production of the metal 13 percent by 2010 to meet rising demand.

Production could rise to 6.1 million tons in 2010, from 5.4 million tons last year, Eduardo Titelman, Vice President at the Chilean Copper Commission, said today.

Copper prices surged to a record last year as mining companies couldn't expand capacity fast enough and strikes shut down mines. Prices could fall 21 percent this year as supplies increase at a faster pace, the commission said last month.

“We think the trend for this year and next year is to have excess," supplies, said Titelman in an interview at a mining conference in Perth, Australia. Prices will be “oscillating" this year, he said.

Cash prices for the metal have fallen 14 percent this year on the London Metal Exchange to US$ 5431.50 a ton, or US$ 2.46 a pound yesterday.

Chinese manufacturers are likely to restock inventories this year after cutting back imports last year, which will help to sustain demand and prices, Titelman said.

Chinese imports of copper and copper products fell 19 percent from January to December last year, compared with 2005, the Beijing-based customs office said in January.

Long-term copper prices may settle at between US$ 1.10 and US$ 1.30 a pound, Titelman said.

Bloomberg, February 13

CHILE COPPER WINDFALL FORCES HARD CHOICES ON SPENDING

President Michelle Bachelet is learning the hard way that it really is possible to have too much of a good thing. Record prices for copper, Chile’s main export, have given her government a multibillion-dollar windfall but have also produced unexpected economic side effects and set off a sharp political debate about how to use the money.

Within Ms. Bachelet’s center-left coalition -mainly her Socialist Party and the Christian Democratic Party- pressure has been growing to apply the bonanza to the “equality agenda” she has promised. But the President and her cabinet have been hesitant to do anything that may undermine Chile’s reputation for cautious fiscal management.

Chile must apply the unanticipated revenue only “in an ethically and economically sound manner,” Paulina Veloso, Ms. Bachelet’s chief of staff, said in an interview. “You can’t spend a fortuitous bonanza the way you can permanent income.”

During the campaign that preceded her election as President last January, Ms. Bachelet, a former Minister of Health and of Defense, pledged that her government would be even more committed to social investment than those of her predecessors. Voters took her at her word, and when signs of change had not appeared by midyear, hundreds of thousands of students took to the streets to demand an immediate overhaul of the education system.

“Chileans are patient, but one should never abuse that patience,” said Ricardo Ffrench-Davis, a prominent economist who wrote “Economic Reforms in Chile: From Dictatorship to Democracy.” “Ours is a country of great inequalities, and the perception of Chileans is that we need more social justice,” he said.

Driven largely by China’s seemingly insatiable demand for metals of all kinds, the price of copper quadrupled from 2003 through 2006, reaching record levels at midyear before falling to just under US$ 3 a pound at year’s end. That increase helped Chile build its foreign reserves and buttress its budget surplus, which in turn have been factors in the rise in the value of the peso against the dollar.

But that has made Chile’s exports relatively more expensive and less competitive, generating complaints from producers of wine, fruit and other items. Concerns that inflation could be fueled have also emerged, with suggestions -unpopular with consumers and businesspeople alike- that interest rates be raised to prevent an inflationary surge.

To reduce pressure on the peso, some of the windfall has been deposited in banks abroad, in foreign currencies. Some has been designated for an “economic and social stabilization fund” that “you draw on when you need it,” said Andrés Velasco, the Minister of Finance.

Part of the windfall is to help reform the privatized pension system. But Mr. Velasco argues that Chile should maintain discipline and not overspend or assume that the high copper price is permanent.

Unlike other Latin American countries, Chile “spends practically nothing on interest payments, because we have been able to reduce public debt” and instead use the savings for social programs, Mr. Velasco. “This is very important and speaks of the payoff for fiscal responsibility.”

But that is not what many members of Congress want to hear. The Christian Democratic Party, for example, organized a commission that concluded that part of the price increase was in fact permanent and recommended more state investment in projects such as rural water supply, sports facilities in poor areas and programs for the elderly.

“This can be done,” said Mr. Ffrench-Davis, who was a member of the commission. “The Chilean economy continues functioning as if the price of copper were still 99 cents a pound. We need a stimulus. We don't need to go into debt. We have the dollars; we're awash in dollars."

The situation has been further complicated by a law that guarantees the armed forces 10% of government revenues from copper. The statute has been on the books for decades, but it was made more generous during the dictatorship of Gen. Augusto Pinochet and has not been amended since democracy was restored in 1990.

Since the start of the decade, the Chilean military has gone on a buying spree, spending $2.8 billion for weapons, ostensibly to modernize old equipment. The purchases, which have led to expressions of alarm in neighboring Peru and Bolivia, include 10 Lockheed Martin F-16 fighter planes acquired from the United States, eight frigates, two submarines and, most recently, 118 Leopard IIA4 tanks from Germany.

Two years ago, a study done by three international economic research bodies concluded that Chile spent more per capita on the military than any other country in Latin America: US$ 90.88 per inhabitant. According to recent estimates here, the copper law will result in the armed forces receiving nearly an additional US$ 1 billion in 2007, which must be used for "military acquisitions."

In contrast, General Pinochet did not build a single hospital during the 17 years he was in power, Marí'92a Soledad Barrí'92a, the Minister of Health, said. The democratic governments that have governed Chile since his fall have tried, with notable success, to compensate for those and similar lapses in areas like housing, education and pensions. But as the income of Chileans has risen, so have their expectations.

The copper law's largess to an institution with an abysmal human rights record has infuriated "the penguins," as the young students are called in a reference to their uniforms. In the June strike that paralyzed the educational system, student leaders posted a placard on the Ministry of Education building here that listed all of the "toys" the armed forces have been able to acquire and then asked, "What about us?"

The Minister of Defense, Vivianne Blanlot, has been leading a commission to study ways to begin phasing out the law, and Congress is expected to tackle the subject in 2007.

"There are going to be changes," said Ms. Veloso, the presidential aide, but whether they will let more money be salted away or diverted to social investment is unclear.

The New York Times, January 7

CHILE CENTRAL BANK CUTS FORECAST FOR GROWTH IN 2007

Chile's Central Bank cut its forecast for growth and inflation in 2007 after the economy last year expanded less than expected, slowed by a jump in energy costs and disruptions in mining operations.

Gross domestic product is now forecast to expand 5% to 6%, down from a September estimate of 5.25% to 6.25%. The forecast for inflation was reduced to 2.3% in 2007 from the earlier forecast of 3%, the bank said today in its monetary policy report.

Policy makers cut the benchmark lending rate last week for the first time in three years on expectations a slowdown in growth last year would leave excess capacity into 2007. The bank cut its overnight rate by a quarter-point to 5%, and said the economy probably grew 4.2% in 2006, compared with last January's forecast for growth of up to 6.25%.

"There's a gap in capacity that grew in 2006", Central Bank President Vittorio Corbo said today in comments broadcast by TVSenado. "The forecast correction is mainly an effect of the slowdown in growth last year".

In 2006 mining output was constrained by a strike at Escondida, the world's biggest copper mine, and a slowdown in investment caused by the higher energy costs that followed neighboring Argentina's curbs on natural gas exports.

Slower growth and a drop in oil prices helped ease inflation to 2.6% in 2006, below the middle of the Central Bank's target of 3% inflation, plus or minus 1 percentage point.

Corbo defended the Central Bank's decision to lift rates 14 times between September 2004 and July 2006, and said that at the time inflation appeared to be a greater threat.

After prices for copper, Chile's top export, hit a record in May, most economists expected faster growth and inflation, said Miguel Santana, an economist at Banco Santander Chile SA, the country's biggest bank.

"When you raise rates so quickly, you run the risk of overextending", Santana said. "The bank did what it could with the information it had".

He expects policy makers to lower rates once more this year to 4.75%.

The bank said inflation will probably hold around 2% for most of 2007 and into the beginning of 2008. Increased capacity and controlled labor costs may keep inflation at that level for even longer, the bank said. Its official inflation forecast for 2008 is 2.9%.

The Central Bank also lowered its forecast for copper prices after demand for the metal slowed in the U.S. and China, the biggest users of the metal.

Copper will average US$ 2.30 a pound this year, down from a September forecast for average prices of US$ 2.75 a pound in 2007. In 2008, copper prices will average US$ 2.00 a pound, the bank said.

Copper for delivery in March dropped 1.5 cents, or 0.6 percent, to US$ 2.5625 a pound on the Comex division of the New York Mercantile Exchange.

The drop in copper prices and growing demand for imports will cause the trade surplus to fall from a record in 2007, the Central Bank said. The surplus will probably be US$ 14.2 billion this year, down from US$ 23 billion in 2006.

Bloomberg, January 17

BANK PROFITS HIT US$ 1.65 BILLION, LOANS GROW 15% IN 2006 IN CHILE

Chile's banking sector reported US$ 1.65 billion (892 billion pesos) in net profits last year with loans rising 15.4%, the fastest pace in 10 years, according to figures from banking regulator SBIF.

SBIF did not provide comparative profit figures as in June 2006 it started applying new accounting rules and valuing derivatives at fair value.

The system's average after-tax return on capital was 18.6% in 2006 and the efficiency ratio improved to 50.2% from 52.4% at end-2005.

"Last year was particularly good for Chilean banks, mainly due to still-low interest rates, increased consumer confidence and good - albeit slower than expected - economic growth", told Rodrigo Jacob, banking analyst at financial advisor FIT Research.

The sector posted a 970 billion-peso net operating profit in 2006 on the back of 2.21 trillion pesos in net interest income and 530 billion pesos in commission income.

Operating costs increased 7.19% to 1.51 trillion pesos and provision expenses grew 28.8% to 528 billion pesos.

The country's largest bank Santander Santiago was the biggest earnings generator with a 286 billion pesos profit. Locally owned Banco de Chile and Bci followed suit with 195 billion pesos and 120 billion pesos respectively.

Lending in Chile grew at its fastest rate in over 10 years in 2006 to 52.8 trillion pesos led by consumer lending, which increased 21.7% to 6.79 trillion pesos.

"A good chunk of bank profits in 2005 and 2006 was explained by reversals in bad loan provisions, which I do not see as favorable for banks this year as they have increasingly been focusing on the riskier consumer loan segment", Jacob said.

Commercial lending increased 13.2% to 29.9 trillion pesos last year, while mortgage lending rose 14.6% to 10.8 trillion pesos.

Analysts see loans growing 13-15% in 2007, or 2.5-3 times projected GDP growth.

However, banks' stronger focus on retail lending have not taken a toll on asset quality, which remained stellar at 0.75% compared to 0.91% at end-2005.

The system's assets and deposits grew 13.0% to 70.7 trillion pesos and 12.7% to 42.3 trillion pesos respectively last year.

Business News America, January 22

CHILE’S WINE PRODUCERS SEEK BOOST FOR 2007

Chile’s wine producers are predicting a 15 to 20 percent growth in wine exports this year. The growth is set to be brought about by a number of new measures that are to be taken by wine companies, including a drive to boost the sale of more expensive Chilean wine abroad, and an increased degree of competition with neighboring Argentina.

“The goal is to export between US$ 1.1 and US$ 1.2 billion worth of wine every year by 2010,” said Ricardo Letelier, Director of Wines of Chile. “It’s a difficult task, but we’re on the right track.”

The exportation of more expensive wine is one of the industry’s main goals for this year. At the Fourth Annual Wines of Chile Awards earlier this month, judges encouraged winemakers to export more high-end wines to the U.S. market to balance out the image of Chile as a “low-end producer,” and cultivate a different “niche” in the U.S. market. According to Josh Raynolds of Wine Cellar Magazine, the dominance of Chile’s cheap reds “creates a poor image of the country’s entire wine culture.”

Winemakers are also concerned with competing with Argentina, especially in the Latin American market. Chile controls more than 50 percent of the market in all Latin American countries except Brazil, where Argentine wines occupy 32 percent of the market compared to Chile’s 34 percent.

“Chile has a lot of advantages and strategies,” said Letelier. “Argentina is still far inferior when it comes to wine production.”

Total wine production in Chile grew by 7.1 percent in 2006, when 844.9 million liters were produced, compared to 788.6 million in 2005.

The Santiago Times, January 27

CHILE'S UNEMPLOYMENT RATE FALLS TO 6 PERCENT, LOWEST SINCE 1998

Chilean joblessness declined in the fourth quarter to its lowest level since 1998, as farmers and manufacturers increased hiring to meet rising sales.

The unemployment rate fell to 6.0 percent in the fourth quarter, compared with 6.6 percent in the three months through November and 7.9 percent in the fourth quarter of 2005, the government's National Statistics Institute said today in Santiago. A group of 10 analysts in a Bloomberg survey had forecast a median joblessness rate of 6.0 percent.

Manufacturing production rose 1.2 percent in December, the Institute said today, compared with a 3.2 percent gain in November. Eight analysts surveyed by Bloomberg news had a median forecast for a 2.3 percent increase.

Bloomberg, January 30

CHILE 2006 FISCAL SURPLUS A RECORD 7.9% OF GDP

Chile's public-sector fiscal surplus in 2006 was worth a record 7.9% of Gross Domestic Product, the Finance Ministry said on January 31, mainly because of record prices for the country's chief export, copper.

The fiscal surplus for the fourth quarter of 2006 was equal to 1.3% of GDP.

Budget Director Alberto Arenas said at a news conference that the surplus, as a percentage of the GDP, was "the highest in the last 19 years, the period for which there are comparable statistics".

He said the fiscal surplus for the full year 2006 reached 5.984 trillion pesos (US$ 11.285 billion). In the fourth quarter, it was 993.9 billion pesos.

The bumper fiscal surplus largely reflected high prices for copper, which rose to all-time highs last year as demand, notably from China, boomed.

Chile is by far the world's largest producer of copper, accounting for around a third of global supply.

Copper sales account for over half of Chile's export revenue.

Reuters, January 31

CHILE SURPASSES ONE MILLION BROADBAND CONNECTIONS

Chile, known globally for copper, wine, free trade, and its relatively high standard of living, ended 2006 with another distinction – the southern cone country now boasts both the highest rates of broadband connectivity and general internet use in Latin America.

Sponsored by California-based tech company Cisco, the Latin America Broadband Barometer reported in January that Chile ended 2006 with 1,034,000 broadband internet connections, nearly 6.8 dedicated connections per every 100 Chileans and far above the regional average.

The "broadband penetration rate," the number of dedicated, high-speed connections for every 100 residents is currently tracked by a number of international organizations and is frequently used to compare broadband access among nations. The rate tracks physical high-speed connections to the internet, typically DSL, Cable, or dedicated lines owned by universities, companies, and other types of internet service providers.

In Latin America, Chile's 6.8 percent penetration rate is followed by Argentina with a 3.2 percent penetration rate, Brazil with 2.6 percent, Peru and Costa Rica with 1.5 percent, and Colombia with 1.1 percent according to the most recent statistics available from the Cisco Barometer.

While the Cisco Barometer does not track Mexico, the Organization for Economic Cooperation and Development (OECD) reported a broadband penetration rate of 2.8 percent in their most recent report. Other benchmark countries cited in the OECD report include the U.S. at 19.2 percent, Canada at 22.4 percent and Spain at 13.6 percent. Denmark is currently the most connected country on Earth, with 29.3 high-speed connections for every 100 residents.

Broadband connectivity is frequently seen as a key ingredient for a successful, innovative economy, and Cisco launched the Broadband Barometer with exactly that purpose in 2002. First brought to Chile, when only 186,000 high-speed connections existed in the county, the Barometer set a specific goal of reaching the one-million connection benchmark by 2010 and began working with various internet service providers and government organizations.

"We reached the goal in half the time," said Aldo Signorelli, the general manager of the Chilean Association of Information Technology Companies (ACTI). "In short, what we projected for eight years we reached in only four, thanks to an annual growth rate of nearly eighty percent…'c9We can now begin work on increasing the actual speed of the connections and in increasing the amount of families and small businesses that are wired," he continued.

With the one-million mark reached nearly four years ahead of time, the Barometer now hopes to see 1.5 million connections in Chile by 2010, and Barometer organizers hope to replicate the success in other Latin American countries – Cisco launched the Barometer program throughout 2006 in Brazil, Argentina, Peru, Colombia, and Costa Rica.

While broadband connectivity is frequently cited as a key for economic development, businesses are not the only beneficiaries of policies that seek to increase high-speed connections. Internet World Stats, located online at http://www.internetworldstats.com, uses a variety of official information to publish updated statistics on a country's general internet penetration – the total percentage of a country's residents that use the internet, whether it be on a dedicated line or in a cyber café or library.

Chile once again leads the Latin pack with a general penetration rate of 42.4 percent as of January, 2007, supporting the argument that broadband connections do trickle down and increase a population's general internet penetration rate.

Other Latin American countries largely lag behind Chile including Argentina at 34 percent, Costa Rica at 22.2 percent, Mexico at 19 percent, Peru at 15.8 percent, Brazil at 13.9 percent, and Colombia at 12.9 percent. In comparison, 69.6 percent of U.S. residents have access to the internet, while globally, 16.6 percent of the world's 6.5 billion people surf the net.

With the Cisco Barometer being launched in other Latin American countries, Chile is emerging as a regional leader in information technology. What is learned in Santiago can be exported and applied to other emerging Latin American economies, and Chile seems to have perfected the public-private alliances needed for sustained broadband growth.

Chile's President Michelle Bachelet said late last year that ending Chile's digital divide was essential to the country's success, pointing out that there was now one computer for every 30 students in Chile. Bachelet pledged, however, that her government would specifically focus on increasing internet connections in Chile's schools.

"These increases will allow us to develop our economy and increase its competitiveness, something that it is essential not only for generating more jobs, but decent and dignified jobs," said Bachelet.

Cisco's Broadband Barometer took note of these policies, as it found that Chile's educational sector saw the highest growth rate in broadband connections in 2006.

Chile's internet boom is also getting a boost from the private sector. In October, Chile's

Digital Country Foundation (Fundación País Digital) took several high-level Chilean leaders, business executives, and technology prodigies to meet with major Silicon Valley companies including Google. The foundation seeks to promote Chile as a high tech gateway to the rest of Latin America and has already achieved marked success.

Shortly after the foundation's trip, networking company Oracle announced that it would move its Latin American headquarters to Santiago, and Google recently announced it would use Chile as its base for a giant new telescope to map the stars – a sort of Google Earth for the heavens.

As Chile's internet boom takes hold, everyday Chileans are also starting to change their habits. 2006 was a record year for online sales in Chile, with nearly 1.5 million people ordering US$ 250 million of goods in 2006 – an increase of 44 percent from 2005 according to the Santiago Chamber of Commerce (CCS).

The biggest effects of an increasingly wired citizenry, however, are seen in the way the very fabric of society is changing. Cisco's Broadband Barometer found that most of the growth in high speed internet connections in 2006 occurred outside of the Santiago metropolitan region, an encouraging fact in a country –and region– so centralized around the capital city.

Known once as Latin America's most conservative country, Chile is currently undergoing rapid social changes on many fronts. The morning after pills is now distributed by the government, Chile's gay-rights movement is increasingly vocal, and environmental protests are quickly gaining strength against a number of very questionable, climate defacing projects. These include the Pascua Lama gold mine project proposed by Barrick Gold, the Los Pelambres tailings dam project owned by the Luksic family, the Celco paper mill project operated by the Angellini group, and a succession of dam in far southern Chile promoted by various national and international consortiums.

The internet seems to be an integral part of all these changes, and an increasingly wired citizenry is an increasingly vocal one, especially when rural residents now find they have an equal voice.

Sergio Laurenti, the Director of Amnesty International Chile, said that the internet is playing a vital role in all of AI-Chile's campaigns. "Internet use in Chile has grown in an explosive trend in the recent years, and our base of cyber-activism and web visitors expanded significantly," he said, continuing, "Increased access to internet in Chile and elsewhere has allowed many small organizations and individuals in remote areas to become part of an always expanding community of human rights defenders."

In a region plagued with inequality and past human rights violations, Chile is once again emerging as a shining beacon for Latin America. Just as Chile set the standard for democracy and economic policy in the region, the country is now appears tasked with leading Latin America through its digital revolution.

The Santiago Times, February 8

SOVEREIGN RISK INDICATORS IN LATIN AMERICA

According to a report on sovereign risk in Latin America published by Standard & Poor's in January, only two Latin American countries -Chile and Mexico- had investment-grade ratings as of the end of last year, and only eight had foreign currency credit ratings that were higher than in 2000. Moreover, since 2000, credit ratings on the sovereign debt of seven of the region's countries have deteriorated.

According to Standard & Poor's, this reflects the political and economic crises experienced by some countries in the first two years of the decade, which led to a drop in creditworthiness. However, it notes that the region's average creditworthiness has started to improve again since 2004, helped by sharp improvements in terms of trade, more flexible exchange-rate regimes, debt reduction, and more prudent fiscal management in some countries.

Standard & Poor's anticipates that this trend will continue in 2007. "Large countries - such as Brazil, Colombia, Chile, and Peru- now enjoy a positive outlook on their sovereign ratings, indicating the possibility of higher sovereign ratings in Latin America in 2007," it notes in its report.

As well as the favorable impact of high commodity prices on the region's balance of trade, which has been in surplus since 2002, Standard & Poor's also highlighted the fact that the reduction in external vulnerabilities has been accompanied by a significant improvement in fiscal accounts.

In its report, it draws attention to Chile's fiscal surplus, which it estimates to have reached 7 percent -8 percent of GDP in 2006. "Chile is likely to again enjoy the largest fiscal surplus in 2007, even if copper prices continue to decline from their current high levels," forecasts the report.

In 2007, Standard & Poor's expects regional GDP growth to reach 4.6 percent, down from an estimated 5.5 percent in 2006. It anticipates that this will be led by small countries like Panama and Dominican Republic as well as by Peru.

Standard & Poor's, January 17

CHILE BUCKS DOWNWARD TREND IN REGIONAL FDI

According to preliminary estimates released by the United Nations Conference on Trade and Development (UNCTAD), global foreign direct investment increased for the third consecutive year in 2006, reaching US$ 1.2 trillion, up by 34% on 2005. However, this fell short of its record of US$ 1.4 trillion in 2000.

The continued rise in FDI largely reflects strong economic growth in both developed and developing countries, noted UNCTAD. In addition, higher corporate profits and the resulting increase in share prices helped to boost the value of cross-border mergers and acquisitions (M&As), which account for a large part of foreign direct investment (FDI).

However, FDI in Latin America and the Caribbean slowed in 2006, dropping to US$ 99 billion down from US$104 billion in 2005. Mexico and Brazil remained the largest recipient countries, with inflows remaining virtually constant in Mexico and increasing by 6% in Brazil in spite of a fall in cross-border M&As.

By contrast, FDI in Chile increased by a sharp 48 percent to US$ 10 billion. According to UNCTAD, this was largely the result of the reinvestment of earnings in the mining sector, reflecting high prices for copper.

FDI in developed countries also rose by 48 percent in 2006, reaching US$ 801 billion. The United States, with an inflow of US$177 billion, recovered its position as the largest single host country for FDI, overtaking the United Kingdom which was the top recipient in 2005.

In its report, UNCTAD warned of a possible weakening of FDI in 2007. “Continuing global external imbalances, sharp exchange rate fluctuations, rising interest rates, and increasing inflationary pressures, as well as high and volatile commodity prices, pose risks that… could lead to a slowdown in the fast growth in global FDI registered over the past few years,” it concluded.

UNCTAD, January 9

NEW INVESTMENT INCENTIVES

In February, two new tax incentives, designed to promote investment, came into operation in Chile. The measures - related to the acquisition of fixed assets and the avoidance of double taxation - form part of a package of measures announced in November by Finance Minister Andrés Velasco in a bid to stimulate GDP growth.

Under the new law, which was approved by Congress in record time, the tax credit for investment in fixed assets (machinery and equipment) available under Article 33 bis of Chile's Tax Code has temporarily been increased to 6% of the value of the acquisition, up from 4%, while the amount that can be claimed annually has been raised from approximately US$ 30,000 to around US$ 39,000. This measure, which will mean a reduction of some US$ 23 million in annual fiscal revenue, targets particularly small and mid-sized enterprises. In addition, the government is proposing to simplify the tax regime for these firms, authorizing the immediate depreciation of fixed assets.

In addition, the law establishes a uniform 30 percent credit for taxes paid abroad. Previously, those companies paying taxes in countries with which Chile does not yet have a double taxation avoidance agreement in force were only entitled to a credit of 17 percent. By leveling the playing field for companies that wish to use Chile as a base from which to do business in other countries, this measure seeks to foster Chile's development as an investment platform.

Internal Revenue Service, February 16

CHILE CORPORATE INVESTMENT ABROAD HITS 9-YEAR HIGH

Chilean companies invested more money abroad in 2006 than in any year since 1997, with Colombia the leading destination and retail the biggest spending sector, the Santiago Chamber of Commerce said on Tuesday.

Chilean corporate investment abroad totaled US$ 2.39 billion, 59 percent higher than in 2005, it said in a statement.

It was the highest investment level since 1997, when US$ 4.73 billion was invested abroad.

Colombia accounted for 23 percent of the total, followed by Australia with 21 percent and Argentina with 17 percent.

Thirty percent of the total was invested by retailers, including Falabella, Cencosud and Parque Arauco.

Energy companies accounted for a quarter of the total. Electricity generator Enersis was active in Colombia and Peru, and state oil company ENAP invested in Ecuador.

Latin America accounted for 71 percent of all Chilean corporate investment abroad.

"The evident improvement in the economic situation (in Latin America), due to the high price of commodities, acted as a clear incentive to put together new investment plans in local markets, the chamber said. The surprisingly high investment figure for Australia was due almost entire to the activity of London-listed mining company Antofagasta Minerals, and in particular its purchase of Equatorial Mining Limited.

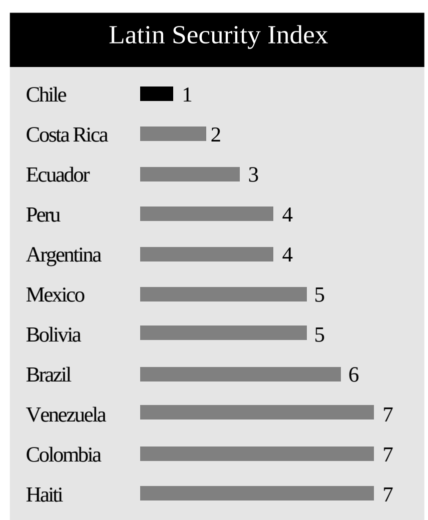
Reuters, February 6

CHILE: LATIN AMERICA'S SAFEST COUNTRY

According to the Latin Security Index, prepared by Holder International, a business risk consultancy firm, Chile is Latin America's safest country for overseas companies and their expatriate staff. The Index developed for Latin Business Chronicle, an online news service, includes 18 countries in the region taking account of their homicide rates and other factors that affect the personal safety of the employees of overseas companies.

The survey found that, although Chile's homicide rate increased to 11.7 per 100,000 inhabitants last year, up from 10.4 in 2005, reports of other serious dropped significantly. The report also concluded that, had the United States been included in the survey, its performance would have been slightly worse than that of Chile.

In the Index, Chile was followed by Costa Rica. According to the report, its homicide rate, at 6.1 per 100,000 inhabitants in 2006, is the lowest in the region, but crime tends to target foreigners, with a negative impact on the personal safety of expatriate employees.



Source: Holder International

CHILE CLIMBS IN ECONOMIC FREEDOM RANKING

In the 2007 Index of Economic Freedom, released in January by the US-based Heritage Foundation, Chile took 11th place out of 161 countries, up from 14th place in 2006, ranking immediately after Switzerland and Canada. “Chile is a regional economic power and receives good scores in virtually all areas of economic freedom,” notes the Heritage Foundation in its report.

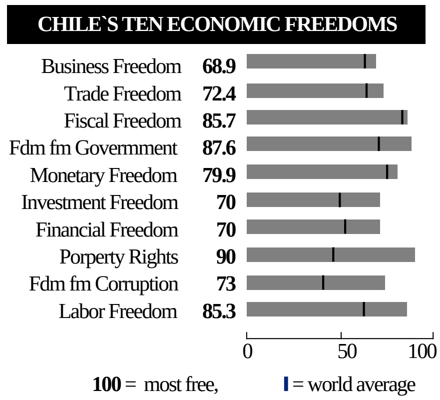
In calculating the Index - led this year by Hong Kong, Singapore and Australia - the Heritage Foundation considers ten broad aspects of economic freedom, including trade, fiscal and monetary policies, labor market flexibility, the role of government in the economy, property rights and freedom from corruption.

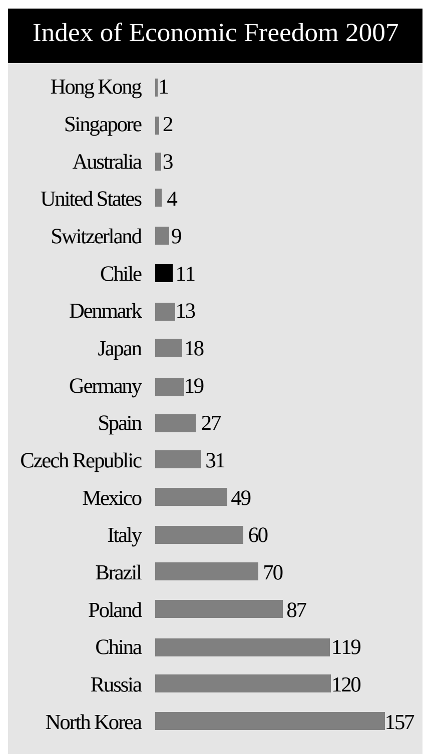
In all ten areas, Chile achieved scores higher than the world average, but its best performance was on protection of property rights while its second highest score was for freedom from government. “Total government expenditures in Chile, including consumption and transfer payments, are very moderate,” states the report. However, as regards fiscal freedom, it found that, although corporate tax rates at 17 percent are extremely low, income tax with a top rate of 40 percent is high.

While describing Chile's overall record as impressive, the report, however, suggests that it has room for improvement on business freedom and trade freedom. Business freedom was the area in which Chile received its lowest score and, although the report notes that starting a business takes an average of 27 days, compared to a world average of 48 days, it found that closing a business can be difficult and that bankruptcy procedures can be cumbersome.

Despite Chile's low tariffs, the report is critical of non-tariff barriers in the form of the need for approval for imports of agricultural products and processed food and a ban on some imports. In addition, it argues that issues related to the enforcement and protection of intellectual property rights increase the cost of trade.

On investment, Chile's score is significantly above the world average and the report highlights the fact that foreign and domestic investors receive equal treatment and that there are no restrictions on repatriation. In addition, it praises Chile's financial system as “among the strongest and most developed among all emerging markets”.





Source:Heritage Foundation

USE US TO SPREAD YOUR WINGS, CHILE TO INDIA INC

Chile, which has emerged one of India's main trade partners in Latin America, has asked Indian corporates to use the country's low corporate tax, tariffs and government subsidies to train people for entering other markets in the region including the United States.

Chile's Economy Minister Alejandro Ferreiro told Financial Express that Indian companies could expand into North and South America by taking advantage of Chilean rules that allow foreign investors to acquire Chilean companies. Chile also gives property rights to foreign companies in the country.

The minister said Chile had been attracting investments from India in the software sector from companies like TCS and I-flex. TCS is developing software for Chilean Capital's integrated public transport system, while i-flex solutions is developing software for banks there. He said: “Chile's corporate tax of 17% is one of the lowest in the region. Besides, Chile has decided to open up further by offering Indians multiple entry visas valid up to six months and also this will be renewable. Chile will continue to be India's reliable partner and will support Indian corporates' activities in the continent and also those which would lead to exploring markets in the United States”.

He said once the Preferential Trade Agreement (PTA) with India - signed this March - came into effect after the ratification by Parliament, tariff rates on both sides would fall further.

This, he said, was because Chile's average tariff is 6% and the effective tariff the country offers to countries with whom it has inked an FTA is just 1.5%. The FTA with Chile was the first such pact India has signed with a Latin American nation.

Pointing out that the bilateral trade has touched US$ 1.7 billion mark last year, the minister said India-Chile trade volume was roughly the same size as that of India-Bangladesh in 2006. But the trade balance is heavily in Chile's favor with exports from the country trebling from the 2005 figures to hit the US$ 1.5 billion-mark last year, including mostly copper, apart from wine, fresh fruit, salmon and wood products. The main reason for this is the huge export of copper to India, which forms 90% of Chile's exports to India. This has resulted in India catapulting from being Chile's 20th largest export market in 2003, to 12th last year.

The Financial Express, January 16

MURAD CALLS FOR BOOSTING TRADE RELATIONS WITH CHILE

Chairman of Amman Chamber of Commerce Senator Haider Murad voiced hope that trade volume between Jordan and Chile would increase through building true and effective partnerships between business leaders from the two countries.

Speaking at a workshop he co-chaired with head of Chilean economic delegation Carlos Mena on Monday, Murad said trade balance between the two countries is still moderate, and didn't exceed JD1.3 million last year. Despite their productive and export potentials, exchanged goods between the countries were limited, he said. Jordan's export to Chile reached JD91,000 by the end of last November whereas imports stood at 141,000, he said.

Mena, who is Chairman of Foreign Investment Committee in Chile, affirmed his country's keenness to strengthen economic cooperation with Jordan as Chile was looking forward to develop relations with the Arab world.

Chile's GDP in 2005 amounted to $112 billion and its foreign trade reached $70 billion, 62 per cent of GDP, he added.

Jordan News Agency, January 29

CHILE AND SOUTH AFRICA IN TALKS TO STRENGTHEN MINING COOPERATION

South Africa's Department of Minerals and Energy and Chile's Ministry of Mining are negotiating a bilateral cooperation agreement in the mining and minerals sectors.

“We are in an advanced stage of the negotiations, the agreement will include technological coope ration and technology exchange,” highlights Chilean Deputy Mining Minister Marisol Aravena, in an exclusive interview with Mining Weekly Online.

“Chile is ahead in certain areas of technology, South Africa in others,” she points out.

“South Africa has huge experience in deep underground mining, and this will be the mining of the future for Chile,” she cites.

“Chile is, on the other hand, a world leader with regard to copper technologies.” This bilateral agreement has a second aspect.

“It is to meet the requirements of the Abuja Joint Declaration, on strengthening South-South cooperation,” cites Aravena.

The Joint Declaration was the outcome of last year's Africa/South America Summit, which was held in the Nigerian capital.

“We Chileans were very happy with the outcome of this summit,” she states.

“President Michelle Bachelet is very committed to fulfilling the aims of the Abuja Joint Declaration,” assures Aravena.

One of the reasons Minister Aravena is currently in South Africa is to attend the African Mining Partnership (AMP) conference, which will be held in Pretoria this week.

“I accepted the invitation of Minerals and Energy Minister Buyelwa Sonjica to be the keynote speaker at the AMP dinner,” says Aravena.

“This is very important for us - we will be the only American country at the conference,” she stresses.

Mining Weekly, January 30

JAPAN, CHILE TO CLINCH FTA BY LATE MARCH

Japan and Chile are expected to sign a free-trade agreement as early as March 27 when Chilean Foreign Minister Alejandro Foxley visits Tokyo, negotiation sources said Saturday.

It will be Japan's first FTA with a South American country.

The two countries are seeking to bring the agreement into effect around September after wining approval from their legislative bodies, the sources said.

Negotiations for the accord began last February and a basic agreement on its framework was reached in September.

Among Japan's previous FTA talks with other countries, the deal with Chile will be struck in the shortest period of time, if the signing between Foreign Minister Taro Aso and Foxley comes off in late March as scheduled.

It will be Japan's fifth such deal. The most recent was last September with the Philippines.

Chile has FTAs with about 50 countries, including China and South Korea, and is trying to have closer ties with Asian countries.

In 2006, Japan's exports to Chile grew 21.6 percent from the previous year to 126.3 billion yen and imports from Chile jumped 37.5 percent to 777.2 billion yen.

After the FTA goes into effect, Chile will immediately scrap its 6 percent tariffs on Japanese vehicles, machines and electronic appliances, which account for more than 50 percent of Japan's exports to the country.

According to the Chilean Foreign Ministry, Japan will immediately do away with its tariffs on 80 percent of Chilean export items.

Tokyo will lower a 17.6 percent tariff on bottled Chilean wine in stages over 12 years, while reducing tariffs on salmon and trout over 10 years.

Japan will also apply low tariff rates to Chilean pork and beef, the main products Santiago has been promoting for export, the ministry said.

Chilean copper and other metal ores, accounting for more than 50 percent of its exports value to Japan, have already been given duty-free market access.

The Japan Times, February 25

GEOCOM AND KINROSS GOLD CORPORATION MOBILIZE FOR THE SOUTH CHILE PROJECTS EVALUATION

Geocom Resources Inc. is pleased to announce that the Company and Kinross Gold Corporation have mobilized their geologic teams to Region Ten of south Chile to evaluate its claims and to develop drill targets.

In November 2006 Geocom and Kinross staked a total of 318 claims in six separate claimblocks in Region Ten, based on anomalous multi-element sample results and prospective geology that exhibited the conditions to develop potentially economic mineral deposits. The total number of hectares acquired is 91,700, which is equivalent to 354 square miles.

Four technical teams have been deployed to conduct mapping and detailed sampling on six high-priority targets: the Chaitén copper-gold-molybdenum porphyry, the Cerro Primero disseminated gold target, the Cerro Vaca gold target, Cerro Mera gold-zinc-copper skarn target, the Cerro Condor gold zone, and the Rio Azulado porphyry copper target.

As part of the Río Azulado evaluation, the Tigre high-grade silver zone will be sampled. Numerous secondary targets will be evaluated after the primary targets have been developed to drill-ready status.

Geocom and Kinross management are pleased with the results to date, and have fast-tracked the development of potential drill targets on the joint venture's claims. Due to the success achieved by the initial reconnaissance program, additional exploration in new areas of Region Ten is planned.

This exploration venture with Kinross is a further implementation of Geocom's business strategy of developing new exploration targets that it considers to have solid development potential, and then forming ventures with solid operating companies for continued development. In the view of management, such ventures will allow Geocom to continue its exploration efforts while maintaining an interest in its developing properties.

Market Wire, January 11

VESTAS WINS CONTRACT TO INSTALL 10 WIND TURBINES IN CHILE

Vestas Wind Systems A/S, the world's biggest wind-turbine maker, won an order to deliver 10 units to a power project in Chile.

Vestas will supply and install V80-2.0 megawatt turbines for the Hualpen Sur project in Chile, the Randers, Denmark-based company said in a statement on its Web site today. The company won the order from Energías Renovables del Bío Bío SA, which is fully owned by Eólica Navarra, Vestas said.

Delivery is scheduled to start in May and the project will be completed in the third quarter of this year, the company said. Vestas will also provide a five-year service contract.

Vestas, which has a policy of not distributing via the stock exchange statements on orders worth less than 500 million kroner (US$ 86.6 million), didn't give a value for the order.

Bloomberg, January 12

IT FIRM i-FLEX PLANS TO OPEN CENTRE IN CHILE

IT company i-flex solutions is looking to strengthen its Latino connection. The financial solutions firm, now majority owned by Oracle, is planning to set up a nearshore development centre in Chile.

According to Rajesh Hukku, CMD, i-flex solutions, “we see a lot of potential in this region in the next five years not just for Flexcube but others like Rev-eleus and Daybreak as well. So we are planning to set up a nearshore centre in Chile to cater to customers in Chile and the Latin American region. Later on, we will extend the support to North America and maybe Europe”. The centre will be a development cum support centre.

Mr. Hukku was speaking to reporters in Bangalore after a meeting with Alejandro Ferreiro, the visiting Economy Minister, Republic of Chile.

Currently, the Latin American region contributes about 4% of total revenues for i-flex while Chile itself accounts for 30% in the region, said A Srinivasan, vice president, global sales operations, i-flex.

The company has 23 customers in 16 countries including Brazil, Venezuela, Panama and Peru in the Latin American region. In Chile, the company has 4 customers - Banco De Chile, Banco Desarollo, Banco Internacional and Banco Security.

i-flex has 14 development centres globally - Bangalore, Mumbai, Chennai, Pune, Singapore, Minneapolis and New York in the United States. It employs about 8,000 people including over 1,000 people in the United States and over 500 staff each in Singapore and London.

The Chilean minister who is in the city with a trade delegation for the CII Partnership Summit, said that they have been in talks with Indian IT companies like HCL, Infosys and Wipro to invest in Chile. “The Indian companies need a base to address the US market and Chile meets that need”, he said. Trade between India and Chile in 2006 tripled to touch close to $1.7 billion.

The Economic Times, January 16

TELMEX BEGINS CHILE WiMAX WIRELESS SYSTEM PROJECT

Mexican telecommunications giant Telmex said it has begun its ambitious wireless Internet system project in Chile with an initial investment of US$ 15 million.

Telmex won the right to operate the WiMax system in December 2005 but the project was delayed because of a legal dispute with dominant telephone company Telefónica Chile.

"Today Telmex has begun the launch of what will be Chile's most modern wireless network, which in less than a year will be capable of covering 90% of the districts of Chile, which means 98% of the population," said Eduardo Díaz, Telmex's chief executive in Chile.

The company, owned by Mexican magnate Carlos Slim, has already begun putting up transmission antennas across the country, each with a range of around 32 miles (50 km), and is preparing the commercial launch of the new project.

Díaz declined to comment on total investment for the project, saying only it represented a fraction of the company's planned investments for Chile this year.

He said in statements to media in Santiago that the WiMax system, which uses wireless local loop services (WLL) and allows in-home or in-office communications through wireless transmission, would be implemented this year.

Industry analysts have predicted the technology will help unlock competition in the local loop by allowing users to bypass existing wireline networks.

Reuters, January 17

ESCONDIDA EYES US$30 MILLION UNDERGROUND WATER PROJECT

Chile's Escondida, the world's largest copper mine, plans to invest US$ 30 million in drilling pits to extract underground water around salt flats in the country's northern Region II, local newspaper reported.

The company plans to drill between 25 and 35 pits to extract underground water some 20km from the Miscanti and Miñiques reservoirs in Los Flamencos national park.

But environmentalists have expressed concern about the project, as the waters are believed to feed the Aguas Calientes II, Tuyajto and El Laco salt flats. The fear is that the initiative could affect the area's biodiversity, which includes endangered and vulnerable species.

According to the environmental impact study submitted by Escondida to regional environmental authority Corema, the project involves extracting some 32.4 million cu/m of water from three sub-basins, translating into 1,027 l/s.

If approved, construction of the pumps would start in 2008, and the initiative would have a 20-year lifetime.

The area where the project is expected to be carried out also contains 54 archeological sites, which led the company to modifying the pipeline network design.

Business News America, January 22

CODELCO, SUEZ TO ANNOUNCE LNG PLANT ACCORD SOON

Codelco, the world's largest copper producer, will announce an agreement with Suez “soon” on a plan to build a liquefied natural gas terminal needed to supply mining operations in Chile, the country's mining minister said.

State-owned Codelco and the local copper mining units of BHP Billiton Plc, Phelps Dodge Corp. and Xstrata Plc “are working towards an important announcement regarding LNG,” said Chilean mining and energy minister Karen Poniachik, who is also Codelco's chairwoman.

Suez and its Chilean partners will reveal the project's cost and other details when they make the announcement, Poniachik said during an interview in Davos, Switzerland, where she is attending a yearly forum of business and political leaders.

Miners in Chile face increased shortages of natural gas needed to run power plants because of reductions in exports from Argentina, prompting the Chilean government to seek new sources of the fuel. Chile is the world's largest supplier of copper.

Codelco “is in talks with other mining companies to develop the plan” for LNG imports, the company said in a statement yesterday. Mining companies consume about 80% of the electricity in northern Chile, where Codelco's largest mine is located, the statement said.

“We do expect cuts to continue” for natural-gas supplies from Argentina, Poniachik said today. “We expect cuts to be deeper in terms of volume and duration because there's less natural gas available in Argentina.”

Under the plan being considered, Chile would import gas frozen to liquid form and transported by sea in tankers. The plant would cost about $350 million, the government said last year. Chile now depends on Argentina for all of its natural-gas imports.

Codelco said the project, which may be built in the port of Mejillones, would be similar to another liquefied natural gas plant at Quinteros in central Chile which is being built by state energy company ENAP. Both projects will import liquefied natural gas produced outside South America.

Bloomberg, January 23

ANACONDA'S COLORADO MINERALS SIGNS WITH PENOLES ON CARMEN PROJECT IN CHILE

Anaconda Gold Corp. is pleased to announce that Colorado Minerals Inc., the company it is acquiring, has signed a Memorandum of Understanding with Industrias Penoles, S.A. de C.V. to negotiate a definitive agreement to jointly explore and develop Colorado's Carmen copper-gold project in the Inca de Oro District, Chile.

Penoles, via its wholly owned subsidiary Minera Penoles de Chile Ltda., will have the right to earn a 65 percent interest over a 42-month period by spending a total of US$22 million. Of this amount, US$12 million will comprise cash payments to Colorado and US$10 million will comprise direct exploration expenditures on the project.

On signing of an exploration and earn-in agreement within 60 days of the signing of the MOU, Penoles will pay Colorado US$3 million and will spend US$3 million within the next 12 months on exploration, including but not limited to 12,000 meters of drilling.

During the second 12-month period, Penoles will pay Colorado US$3 million and spend an additional US$3 million on exploration including but not limited to 15,000 meters of drilling.

During the third 12-month period, Penoles will pay Colorado US$3 million and will spend US$4 million on exploration. At the end of the 42-month period, Penoles will pay Colorado a final payment of US$3 million.

Penoles can also elect to finance the preparation of a bankable feasibility study in return for an additional 5% percent interest.

The companies have agreed to complete the exploration and earn-in agreement within 60 days of signing of the Memorandum of Understanding and to complete the Definitive Agreement no later than May 15, 2007.

"Penoles involvement with us is a significant validation of our belief that the Carmen copper-gold project and the entire Inca de Oro District represents an important potential mining area," Lew Lawrick, the new Chairman and CEO of Anaconda and the founder and President of Colorado Minerals said. "We're delighted to have Penoles with its proven strength and expertise in exploration, project management, and mining operations, as our partner in Chile," Mr. Lawrick added.

Penoles is Mexico's largest mining company with integrated operations in smelting and refining non-ferrous metals, and chemical production. Penoles is the world's top producer of refined silver, metallic bismuth and sodium sulfate, as well as the leading Latin American producer of refined gold, lead and zinc.

The statements made in this press release may contain forward-looking statements that may involve a number of risks and uncertainties. Actual events or results could differ materially from the Company's expectations and projections.

Market Wire, February 6

MOP: 15 FIRMS PURCHASE TRASANDINO CENTRAL RR TENDER RULES - ARGENTINA, CHILE

A total of 15 firms have purchased the tender rules for the construction and operation of the Trasandino Central railway to connect Chile's Los Andes town to Argentina's Mendoza city, Public Works Ministry concessions communications official Valentina Flores told BNamericas.

The firms that purchased the rules are the Chilean branches of Spanish firms Azvi, ACS-Dragados, FCC Construcción, Comsa, Acciona Concesiones, and Ferrovial Agroman, as well as Japanese company Marubeni, Germany's Man Ferrostaal, and the Indian embassy, said Flores.

Local interests purchasing rules were highway concessionaire Autopista Los Andes (controlled by Spain's OHL), Icil Icafal, Besalco, Tecsa Pacífico, Petrolera del Sur, and Fe Grande, she added.

According to Argentine press reports, the Chilean government agreed to push back the tender process by 90 days following the firms' request. This was confirmed to BNamericas by an MOP official earlier this week, but has not yet been formalized by the Chilean government, Flores said. Officials have not received the official documentation informing of the schedule change.

Such delays usually take place when interested firms purchase the rules and request an extension of the schedule in order to have more time to work on their offers, she added.

MOP officials expect to have news confirming the 90-day delay by next week. Technical bids for the US$300 million concession were initially due February 21.

Of the project's US$ 300 million total price tag, some US$ 226 million is to be invested in Argentina, and the remainder on the Chilean side of the border.

The initiative will include construction and maintenance works along 260 kilometers of existing infrastructure through the Andes mountains, of which 70 kilometers are located in Chile. It will also include a 500 meters tunnel on the Argentine side of the border, along with two cargo transfer stations in Los Andes and Mendoza.

The concession will be granted for a maximum of 30 years, with a specific time period to be defined once bids have been reviewed.

Business News Americas, February 6

SANTANDER, SKBERGE TO CREATE CONSUMER FINANCE JOINT VENTURE IN CHILE

Spanish banking giant Santander Central Hispano SA said Thursday it has agreed with SKBerge, the Chilean unit of Grupo Berge, to create a consumer finance business in Chile.

The euro zone's biggest bank by market value said Santander Consumer Finance would take a 51 percent stake in the venture, to be called Santander Consumer Chile.

The rest will be owned by SKBerge, a car dealer that distributes 10 different car brands in Chile, including Chrysler, Mitsubishi, Fiat and Ferrari.

Grupo Berge is an unlisted Spanish conglomerate with activities in sectors such as port management, logistics and car distribution. Its car distribution unit is the leading distributor in Spain, Portugal and Latin America, and already cooperates with Santander in Spain, Portugal and Poland.

Santander Consumer Finance is present in 13 countries, and contributed EUR565 million to Santander's net profit in 2006.

MarketWatch, February 8

GOL LAUNCHES DAILY FLIGHTS FROM SANTIAGO, CHILE TO LIMA, PERU

GOL Linhas Aereas Inteligentes, Brazil's low-cost, low-fare airline, announces daily flights begin today on its new route from Santiago, Chile to Lima, Peru. The route, which begins in Buenos Aires, Argentina, connects three important South American countries - Argentina, Chile and Peru.

"GOL is the only low-cost, low-fare, airline that connects South American countries and our objective is to bring safe and quality air transportation at the lowest prices to more people across the region," says Tarcisio Gargioni, Vice-President of Marketing and

Services of GOL. "These three countries present a huge potential for common growth, with expanding economies and strong tourism markets, making them important destinations in South America."

GOL Linhas Aereas Inteligentes is one of the most profitable and fastest growing low-cost, low-fare airlines in the industry worldwide. GOL provides frequent service on routes connecting all of Brazil's major cities as well as primary destinations in Argentina, Bolivia, Chile, Paraguay, Uruguay and Peru through its more than 610 daily flights to 56 major airports. GOL offers daily flights to more destinations in Brazil than any other domestic airline while providing customers with the most convenient flight schedules in the country. GOL shares are listed on the NYSE and the Bovespa.

Yahoo! Finance, February 14

CHILE'S LAN STILL CONSIDERING ENTRY INTO BRAZIL

Chile's dominant airline LAN said on Thursday it was still mulling a possible purchase of a stake in Brazil's Nova Varig but was unlikely to make a decision any time soon.

LAN said last month it had extended US$ 17.1 million in credit to Nova Varig, which operates routes previously owned by Varig - the once mighty Brazilian airline which was driven close to bankruptcy due to massive debts.

One of the biggest airlines in Latin America with affiliates in Ecuador, Peru and Argentina, LAN has an option to convert the credit into shares, which would give it a significant foothold in the region's biggest aviation market.

"We are currently involved in negotiations with Nova Varig shareholders and continue to evaluate the possibility of acquiring a stake in that company," LAN Chief Financial Officer Alejandro de la Fuente told financial analysts.

"No decision has been reached yet. We will take a position once we have a clear perspective of the state of operations of New Varig."

With a population of 188 million and a vast territory served by a relatively limited road and rail network, the Brazilian aviation market is 15 times bigger than Chile's.

Since Varig's demise, TAM Linhas Aereas and Gol Linhas Aereas Inteligentes have established themselves as the country's dominant players, with 85 percent of the domestic market between them.

Nova Varig has less the 5 percent.

The market has largely welcomed LAN's move although analysts have said it could face regulatory problems in Brazil and would struggle to take more than a minority stake in Nova Varig.

Under Brazilian law, no foreign company can own more than 20 percent of a Brazilian airline. Some have called for a change in the law but, as yet, no formal proposals have been presented to Congress.

Asked when LAN might make a decision on exercising its option, de la Fuente said: "We don't have a target ... We don't expect to take a decision very soon."

In 2006, LAN concentrated on strengthening its hub in the Peruvian capital Lima, bolstering its presence in Argentina and adding capacity on its routes to Brazil, where it flies to Rio de Janeiro and Sao Paulo.

It faces stiff competition from low-cost carrier Gol, which recently started flying from Santiago to Lima and is reportedly planning to enter the Argentine domestic market.

"We heard some rumors about Gol starting in Argentina, but we don't see this as a threat ... to us it's not really a big issue," de la Fuente said.

Reuters, February 15

THIEL CREATES NEW COMPANY IN CHILE TO EXPAND IN SOUTH AMERICA

Thiel Logistik AG, a logistics company controlled by German billionaire Stefan Quandt, created a new company, Birkart Globistics Chile SA, to expand in South America.

Thiel will own a majority stake in the unit, the Grevenmacher, Luxembourg-based company said in a statement today.

“We are establishing the basis for a strong commitment to the South America growth market," Chief Executive Officer Berndt-Michael Winter said in the statement.

Bloomberg, February 19

SPAIN'S AIR COMET GETS APPROVAL TO FLY TO CHILE

Spanish airline Air Comet said on Wednesday it got the green light from Chile's Civil Aeronautical Board (JAC) to begin flying between Madrid and Santiago - a route that has been saturated since the demise of Spain's Air Madrid.

"The number of passengers on those flights is fairly high, and a new operator bringing more competition to the market is good news," JAC secretary general Jorge Frei told Reuters.

The number of direct flights between Santiago and Madrid dropped when Air Madrid went out of business in December. Since then the only airlines operating the route have been Chile's LAN and Spain's Iberia.

The demand for flights is intense. Passenger traffic on the route increased 17 percent last year, well above the 5.3 percent average for international flights to and from Chile.

Air Comet, which already has the approval of Spanish authorities to operate the route, said last month it planned to start flying to Chile in March.

Reuters, February 21

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

From JP Morgan "Economic Research", February 16:

A higher than expected inflation reading for January kept the monetary authorities from cutting the policy rate in February. In contrast, this month's inflation reading could well print on the low side (likely at 0%m/m). Leaving the volatility of monthly inflation aside, and considering that Central Bank CPI inflation projections of 2.3%Dec/Dec are on the low side of the range of private sector expectations, the risk for the months beyond February is that inflation may print on the upside (about 0.6%m/m). After all, oil prices have rebounded and the peso is cheaper than when the authorities laid out their base case scenario for 2007.

However, the important underlying discussion relates to the path of core inflation, and the latter (given apparently well behaved unit labor costs) is mostly sensitive to the expected strength of the economy. A major acceleration of activity in 4Q06 has fed a perception that last year's widening of the output gap (due to sluggish 4.2% GDP growth) is already on course for reversal. Indeed, the seemingly unimpressive 4.3%oya GDP gain in 4Q masked a stunning seasonally adjusted upswing of 10.3%q/q annualized (sa).

The economy is certainly in good shape to march toward its potential because last year's supply-side shocks are history and policy stimulus is now more supportive. However, the seasonally adjusted pace of expansion in 4Q was grossly exaggerated by the very weak result for 3Q. A 3m/6m comparison helps smooth the quarterly ups and downs and reveals a firm (but not explosive) 5.1% annual rate outcome (top chart). With this more balanced measure in mind, it is more reasonable to envision a path for the economy in which it converges toward its potential only gradually.

Confirmation that the 4Q outcome was solid but not stellar can be found in the domestic confidence indicators. Following an apparent recovery in December, sentiment among both consumers and businesses (excluding mining) slipped again in January (second chart). It's not clear what is holding back the economy, but the fact that real GDP has been lagging domestic demand (third chart) raises suspicion that the protracted strength of the exchange rate (though lately faded) may have contributed. Export performance (excluding mining) has been very strong and does not itself justify this view, but import competition has intensified and leaves the possibility open. Upcoming industrial production reports should help to shape expectations on this front and are likely to moderate the exuberance triggered by the measured 4Q acceleration.

From UBS Investment Research, "Latin American Economic Perspectives", January 12:

Chile: Deciphering the unexpected policy rate cut

On Thursday, the Central Bank countered market expectations and elected to cut the policy rate by 25bp at its first Monetary Policy meeting of 2007, breaking a five month pause period as it brought the rate down to 5%. In its post-meeting communiqué, the Bank stated that the reduction was justified by accumulated information which pointed to a scenario of low inflation over the upcoming quarters, and as has become customary by now, it reiterated that "future changes to the monetary policy rate would be dependent on its assessment of upcoming economic data and its impact on projected inflation." By cutting now, the Central Bank automatically injected an easing bias into its monetary policy compass, but at this stage we have changed our year-end 2007 interest rate forecast to 5%, considering the heavily data dependent nature of future monetary policy actions. While the option to cut can in fact be justified, the timing remains a bit puzzling, given the still floating uncertainties surrounding global growth, copper prices and the petroleum markets. This leads us to wonder whether other factors could have (also) prompted the Bank to begin the easing process now.

Is the economy structurally weak?

To a certain extent, the wording of this latest communiqué conveyed what market participants already knew about the state of the Chilean economy - that the recovery from the 2006 downturn has not gathered sufficient momentum. Indeed, from the one side, following the Q3 slowdown, industrial production has registered mixed results, coming in above expectations in October (4.7% y/y) and underperforming in November (3.2% y/y). Add to that a similar pattern for mining output, even considering the receding supply-side disruptions in the sector, and it is no wonder that the monthly GDP proxy (IMACEC) has painted a picture of growth stagnation thus far in Q4, better showcased by the trend cycle series.

From a different perspective, though, employment growth has remained vibrant (especially the salaried jobs component), with the unemployment rate reaching historical lows, while credit growth, though off its highs, remains notably robust, signaling that perceptions about the economic outlook remain supportive enough for employers to continue hiring and for consumers to continue borrowing in order to spend. In fact, the latest reading of the consumer confidence index (Ipec) for December 2006, showed a rebound to 54.1, thus surpassing the 50 point level of neutrality, and implying an optimistic outlook for the economy (of note is that the sub-index measuring intentions to purchase a major household good jumped to a high 66 level after dipping to 63 in November). Surely, this improving economic outlook reflects the impact of lower oil prices on inflation (automatically boosting real incomes), but it is also sending the message that interest rates are not keeping the consumer at bay. On the contrary, they appear to be accommodative enough to drive them to the stores. In other words, as per the Central Bank's own words: “domestic financial conditions remain favorable.” So who's being targeted via this cut?

What's the target of the cut?

The consumer certainly does not stand as the direct stumbling block keeping the recovery from taking off, but the answer appears to lie with the producer. In fact, as we've discussed in the past issues of this publication, the component of domestic demand that has driven the economic deceleration has been investment. But this only answers part of the question. After all, if the consumer is prone to buying, and banks are willing to lend to finance this spending, why aren't producers investing more to supply the growing demand?

The answer may lie in the strength of the local currency and its impact on investment. Indeed, consider the following: consumer goods imports rose 23.4% and 25.7% year over year in 2004 and 2005, just as the CLP strengthened on average 13% and 8.8% vis-à-vis the USD in those years. Through November 2006, consumer goods imports have risen roughly 20% as the currency strengthened a further 5.5%. At the same time, domestic production of consumer goods (durables and non-durables) rose a much lower 5.4% and 5.5% in 2005, respectively, and through November 2006, the latter posted increases of 4.2% and 6.8%. In other words, this suggests that the strengthening CLP may have brought down demand for domestically produced goods at the expense of foreign produced goods, in turn discouraging investments in those affected sectors. This compounds the effect that a strengthening local currency has on the export-oriented sectors (and in turn, investment in their productive capacity).

While the principal driver of the Chilean peso is the price of copper - the country's chief export (and hence a gauge of FX inflows into Chile) - the effect of monetary policy decisions on the attractiveness of CLP-denominated assets serves as a complementary force behind the currency. As such, we believe that by cutting the policy rate, the Central Bank took away the presence of expectations of an additional rate hike, in essence removing any leftover (noncopper) appreciation bias on the currency.

Moreover, considering that the decision to ease has come on the heels of a major (downward) correction in copper prices- a side effect of slowing global growth - which drove the CLP to weaken as much as 3.6% since the end-October 526/USD level, while we recognize that the Central Bank does not implement monetary policy with the aim of targeting the exchange rate, this cut could act to limit the appreciation of the currency, and could thus indirectly add spark to demand for domestically produced goods and support the competitiveness of export-oriented sectors. The bottom line remains that the clear objective of the policy rate reduction was economic growth stimulus (esp. the investment component of domestic demand), however, a more competitive currency could act to facilitate that objective.

Timing is everything

Having gone through the argument above, an important question may be asked: Why didn't the Central Bank ease earlier (instead of pausing for five consecutive months)?

We believe that the answer is clearly stated in the policy communiqué: “Information available suggests that, although domestic activity recovered some dynamism, gaps originating in the unforeseen decline in growth of last year will persist for several quarters.” Indeed, in the bank's judgment the slack that has ensued because of the weaker activity in 2006 should allow for the added stimulus to consumption and investment to translate into a non-inflationary growth re-acceleration pattern in 2007 (i.e., devoid of overheating risks). Moreover, the bank could not have cut before considering the energy-related pressures on the CPI associated with oil price shocks, a risk that receded into year-end, allowing for inflation to end 2006 at 2.6% (below the 3% midpoint of the 2-4% target band). As a result, now in the Bank's view, the wider output gaps may even be sufficient to prevent exogenous shocks from filtering into consumer inflation over the projected forecast horizon.

Foreign Investment Committee
Teatinos 120, 10th Floor
Telephone: (562) 698 4254
Fax: (562) 698 9476
chileinvestment@cinver.cl
www.doingbusinessinchile.cl

During 2006, materialized Foreign Direct Investment reached US$ 5.96 billion, as compared to US$ 3.84 billion for 2005. The Foreign Investment Statute (D.L. 600) channeled 53.3% of the gross inflows. The main recipient sectors of D.L. 600 FDI were Electricity, Gas & Water (38%); Mining (36.5%); Services (14.2%) and Transport & Communications (7.3%). During the year materialized D.L. 600 FDI came mainly from Canada (57.8%); United States (10.6%); Australia (6.5%); Germany (5.1%) and Italy (3.9%).

FOREIGN DIRECT INVESTMENT REPORT: INFLOWS & OUTFLOWS / January - December 2006*
(in nominal US$ million)

Instrument/Period	1997	1998	1999	2000	2001	2002	2003	2004	2005	2005 Jan-Dec	2006 Jan-Dec	Growth rate
FOREIGN INVESTMENT STATUTE (DL 600)												
- Equity Contributions	3,803.0	4,368.1	8,630.7	2,563.0	4,320.8	2,314.6	1,109.3	4,023.0	1,833.8	1,833.8	2,061.7	12.4%
- Other Capital	1,422.3	1,670.3	594.6	475.9	699.2	1,066.5	177.1	611.5	150.2	150.2	1,111.0	639.7%
MATERIALIZED INVESTMENT (DL 600) (1)	**5,225.3**	**6,038.4**	**9,225.3**	**3,038.9**	**5,020.0**	**3,381.1**	**1,286.4**	**4,634.5**	**1,984.0**	**1,984.0**	**3,172.7**	**59.9%**
CHAPTER XIV												
- Equity Contributions	920.6	539.3	688.8	653.7	737.5	1,020.5	1,235.4	1,140.2	1,568.3	1,568.3	2,545.0	62.3%
- Other capital				1,276.9	299.8	633.6	202.5	977.9	289.6	289.6	238.5	-17.6%
TOTAL INVESTMENT CHAPTER XIV (2)	**920.6**	**539.3**	**688.8**	**1,930.6**	**1,037.3**	**1,654.1**	**1,437.9**	**2,118.1**	**1,857.9**	**1,857.9**	**2,783.5**	**49.8%**
TOTAL F.D.I. MATERIALIZED *(DL 600 + Chapter XIV)*	**6,145.9**	**6,577.7**	**9,914.1**	**4,969.5**	**6,057.3**	**5,035.2**	**2,724.3**	**6,752.6**	**3,841.9**	**3,841.9**	**5,956.2**	**55.0%**
REMITTANCES												
- DL 600 (1)	**797.8**	**600.6**	**1,284.0**	**1,249.9**	**1,384.5**	**3,093.5**	**947.6**	**4,776.7**	**2,576.7**	**2,576.7**	**3,178.2**	**23,3%**
Equity	354.9	119.9	234.0	462.7	665.8	1,712.1	248.2	3,191.6	1,996.0	1,996.0	1,912.2	-4.2%
Other capital	442.9	480.7	1,050.0	787.2	718.7	1,381.4	699.4	1,585.1	580.7	580.7	1,266.0	118.0%
- CHAPTER XIV (Equity) (2)	**20.6**	**323.9**	**47.8**	**177.4**	**855.5**	**419.8**	**780.9**	**1,019.9**	**625.7**	**625.7**	**892.4**	**42.6%**
Equity	20.6	323.9	47.8	78.6	282.2	39.0	16.0	461.7	302.2	302.2	100.4	-66.8%
Other capital				98.8	573.3	380.8	764.9	558.2	323.5	323.5	792.0	144.8%
TOTAL REMITTANCES *(DL 600 + Chapter XIV)*	**818.4**	**924.5**	**1,331.8**	**1,427.3**	**2,240.0**	**3,513.3**	**1,728.5**	**5,796.6**	**3,202.4**	**3,202.4**	**4,070.6**	**27.1%**

(1) Source: Foreign Investment Committee
(2) Source: Central Bank of Chile, figures for Other capital are not available for the period 1997-1999

* Provisional figures as of December 31, 2006

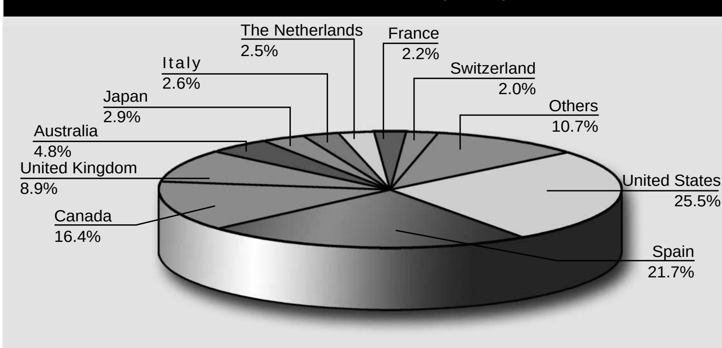
MATERIALIZED FOREIGN INVESTMENT, GROSS INFLOWS UNDER THE FOREIGN INVESTMENT STATUTE (DL 600) BY SECTOR 1974-2006* (in nominal US$ million)

SECTOR/PERIOD	74-98	1999	2000	2001	2002	2003	2004*	2005*	2006*	TOTAL
Agriculture & Livestock	206	21	23	10	2	0	0	1	3	266
Fishing & Aquaculture	189	0	92	5	0	10	0	0	0	296
Forestry	219	17	4	1	1	1	0	7	17	267
Mining	13,701	1,337	234	1,136	2,003	392	350	775	1,159	21,087
Industry	4,820	828	254	809	218	234	429	198	90	7,880
Electricity, Gas & Water	2,368	4,540	860	908	473	150	2,193	98	1,205	12,795
Construction	716	211	29	164	138	29	119	8	15	1,429
Transport & Communications	1,769	414	870	1,281	336	340	1,426	569	231	7,236
Wholesale & Retail Trade	848	86	120	114	72	43	17	3	19	1,322
Financial Services	4,650	950	273	121	60	44	12	133	128	6,371
Insurance	1,325	208	90	265	20	4	49	107	23	2,091
Other Services	946	614	190	206	58	39	39	85	283	2,460
TOTAL	31,757	9,226	3,039	5,020	3,381	1,286	4,634	1,984	3,173	63,500

Note: Materialized investments include all forms accepted under the Foreign Investment Statute
SOURCE: Foreign Investment Committee

* Provisional figures as of December 31, 2006

MATERIALIZED FOREIGN INVESTMENT, GROSS INFLOWS UNDER THE FOREIGN INVESTMENT STATUTE (DL 600) BY COUNTRY OF ORIGIN 1974-2006* (in nominal US$ million)



COUNTRY	VALUE	SHARE
United States	16,162	25.5%
Spain	13,767	21.7%
Canada	10,405	16,4%
United Kingdom	5,652	8.9%
Australia	3,052	4.8%
Japan	1,839	2.9%
Italy	1,630	2.6%
The Netherlands	1,556	2.5%
France	1,374	2.2%
Switzerland	1,279	2.0%
Others	6,784	10.7%
Total	63,500	100.0%

Source: Foreign Investment Committee - Chile *Provisional figures as of December 31, 2006