

CHILE
Country Profile Statistical Update
August 2002

Forward

This information piece is provided to update the statistical information of existing documents on Chile. Due to recent economic developments an update of certain information was believed necessary.

Background

The Republic of Chile has one of South America's strongest economy's developed with substantial foreign investment and a very strong export sector. Chile's traditional industries, while still important, are being challenged by new sectors. The country is rich in resources and it is now in the process of adding value to its own resources, moving away from a commodity based export sector.

Chile has a total land area of 756,950 sq km. Due to its overall length the climate varies a great deal with three distinctive regions. The climate is sub-tropical in the north, temperate in the middle and cold and rugged in the south. The terrain is marked by similar regional differences with the Atacama desert in the north, a fertile central valley encircled by the Andes and coastal mountains on the ocean, and a rugged forest region in the south.

Demographics	
Total Population	15,050,341
Growth Rate	1%
Age Breakdown	
0-14 yrs	28%
15-64 yrs	65%
65 years and over	7%
Life Expectancy	
Total	75.46 yrs
Male	72.33 yrs
Female	78.75 yrs

Major Cities	
Santiago (metro)	5.2 million
Concepcio-Talcahuano	840,000
Vina del Mar-Valparaiso	800,000
Antofagasta	245,000
Temuco	230,000

Chile's natural resources include: copper, timber, iron ore, nitrates, precious metals, molybdenum and seafood.

Geography

Chile is located on the South Western side of South America. The country is extremely long and narrow and is bordered in the east by the Andes mountains and in the west by the Pacific Ocean. Peru, Bolivia, and Argentina also border Chile. Chile is strategically located in sea lanes between the Atlantic and Pacific including the Strait of Magellan, Beagle Channel and Drakes Passage.

Economy

Chile's economy is the most stable and open in Latin America. Prudent fiscal policies, stringent financial sector supervision, structural reforms, an open trade and investment regime, and efforts to improve social conditions have led to high economic growth and the confidence of domestic and foreign investors.

Chile has a prosperous, essentially free market economy. The government has continued to reduce its role in the economy while shifting the

emphasis of public spending toward social programs. Growth in real GDP averaged more than 7% for the first half of the 1990's, but fell static in 1999 because of the effects of the global financial crisis. However, inflation hit a 60-year low during the crisis. A number of other key economic indicators such as currency and foreign reserves are strong due to sustained foreign capital inflows. This has helped offset any serious sustained economic downturn; in fact, the recession of 1999 officially ended with positive GDP growth in the first quarter of 2000 followed by continued growth in 2001. Growth projections for 2002 are roughly 3%.

While Chile's export economy is listed as one of its key strengths and reason for its resilience during tough financial times, its continuing dependence on commodity exports, in particular copper, fishing, and forestry, is also considered one of the key fundamental problems with the Chilean economy. Chile's exports are diversifying, but these sectors will remain at the forefront of Chile's economy for a number of years to come. Copper mining continues to account for 10% of GDP and half of the country's exports. However, Chile's increasing mix of new innovative export products coupled with foreign and domestic investment in new technologies to increase Chile's competitiveness has diversified the markets for Chile's exports. Latin America has joined the US, Asia, and the EU as important markets for Chilean products. This effort is helping the dependence on copper to slowly decline.

Economic Indicators	
GDP	US\$61 billion
GDP Growth	2.8% (2001) 2.9% (2002)
GDP per capita	US\$3,913
Inflation	2.2%
GDP by Sector	
Agriculture	9%
Industry	37%
Services	53%

A relatively small number of business groups control large segments of the economy, although the number of medium-size and small companies is growing. Three successive administrations have been dedicated to privatization and now only traces of state-ownership remain. The one glaring exception would be the country's copper company which has yet to find a path to privatization despite government desires to do so.

Labour Force	
Labor force	5.8 million
Unemployment	10.1%
Labor Force	
Services	38.3%
Government	12%
Industry and commerce	33.8%
Agriculture, Forestry and Fishing	19.2%
Mining	2.3%
Construction	6.4%

The past year (2001) was difficult for Chile. Despite all of the gains of the past ten years, the struggling world economy has hurt this export dependant market. The government was forced to drop its GDP growth expectations from 5% to 3% and inflation did rise, although not to dangerous levels. Unemployment also rose as a result of the slowdown and continues to remain stubbornly high at roughly 10%. However, these problems relate more to international economic difficulties than to key problems with the Chilean economy. Unlike many of its neighbours Chile's balance-of-payments pressures are reportedly nonexistent, and experts continue to praise this stable and secure market. In fact, a GDP forecast suggests that GDP growth will return to levels above 5% in 2003.

Consumers

Chile's economic development since 1990 has greatly aided the spending power of consumers. In 1988, 50% of the population was considered

below the poverty line, while a decade later that number has fallen to 19%. Chile is considered to have the highest per capita GDP, in relation to purchasing power, in South America. Rural poverty is still high and a great deal of consumers for higher value food goods reside in or around Santiago.

Western agri-food goods are entering Chile at an accelerated rate, but they face stiff competition from domestic goods. The market is well acquainted with high quality/luxury food goods which is a positive and a negative for exporters as the domestic market is very capable of producing these products. Overall, price is still the determining purchase factor for most Chileans.

Chilean supermarkets are an increasingly important sales channel. In 2001, supermarket sales exceeded US\$5 billion, representing over 30% of total commercial sales in Chile. A Chilean estimate reports that purchases per capita at Chilean supermarkets now exceed US\$330. It has been reported that 90% of Chilean's shop at supermarkets for at least some of their food purchases while only 3% say they do not.

There are roughly 700 supermarkets in Chile. Larger supermarkets are also increasing in number. The country now has over 20 "Megacentres" predominantly located in Santiago.

Institutional and restaurant food sales are also increasing in Chile. Institutional food sales are estimated to be worth US\$300 million, while fast food sales are estimated at US\$135 million. There are over 400 fast food chain outlets in Chile, up from 300 in 1998. The success of fast food has been aided by the fact that reportedly 70% of people in Santiago eat one meal outside of the house per day.

Agriculture

Chile's agricultural sector is large and dynamic

and has been one of the largest benefactors of the country's economic development. The agricultural sector accounts for 9% of Chile's GDP, and employs 33.8% of its workforce. Agricultural farmland accounts for an estimated 5% of the total land area, with no permanent crops reported. Permanent pastures represent 18% of land area and there is 12,650 sq km of irrigated land in Chile.

The centre of the country surrounding Santiago is the agricultural heartland of Chile. In general, the Chilean agricultural sector benefits from no substantive government production or export subsidies and yet the domestic industry is increasingly competitive, and is the principal source of competition for most imports. Recent estimates suggest that domestic processed food production accounts for more than 80% of food sales.

In Central Chile, export-oriented horticultural activity is predominant. In the south forestry, fishing, aquaculture, beef, dairy and sheep farming are the main economic activities. Nationally, agricultural crops include: wheat, corn, grapes, beans, sugar beets, potatoes, fruit, beef, poultry, wool, timber, fish.

Chile has many highly developed agricultural industries. It is self-sufficient in most foods and is a net food exporter. Chile exports roughly US\$4 billion worth of agricultural products annually, while importing roughly US\$1 billion. Fruits and vegetables (fresh, canned, frozen and dehydrated) are a major export for Chile, and the country's growing dairy industry is a sector which the government is targeting as a potential key export in the future.

The rapidly developing economy forced the agri-food processing sector to develop rapidly. Food processing and packaging companies had to become competitive to survive and invested large sums for technological updating and productivity enhancement with the help of significant foreign investment. These efforts have helped Chile

became a major player in the international agri-food market.

The country's fruit and vegetable processing sector, benefiting from new equipment and access to significant raw materials has grown to be a major factor internationally. Chile's wine has benefited from similar development and is now one of the country's largest exports.

The commercial fishing sub-sector has been severely affected by climate changes and overexploitation, largely reducing the country's production. However, the country's aquaculture sector has developed into a billion dollar industry over the past decade and the country is now a world leader in exports of trout and salmon.

Ago-industrial crops are an increasingly large part of the agricultural sector in Chile. The sector is relatively new, but while total agricultural acreage in production in Chile continues to decline, down 10% from 1996 to 1999, industrial crop acreage has increased 15% over the same time period.

The agri-food industry is expected to continue growing at a fast pace, with an increased focus on exports to Mercosur countries, North America, Europe and Asia.

Agricultural Policy

The agri-food sector is increasingly important to the economic success of Chile, and as such is garnering an increasing amount of governmental attention.

Rural and traditional farms are at risk in Chile and this is an issue the government is aware of and wants to address. While there are no firm plans as of yet it is clear that the government is interested in retaining this traditional way of life when this issue is viewed against Chile's unresolved issues with its aboriginal population.

As the farm industry has developed the Chilean government has become more concerned with protecting it. The government has begun to bend to domestic pressure and has 13 trade policy issues pending concerning protectionist measures for the agricultural sector. While the country is involved in a number of free trade agreements, few include agriculture, including the Chilean - Canadian Free Trade Agreement.

On a more positive note, Chile has pledged to invest over US\$100 million in a crop insurance program over the next ten years. The Canadian International Development Agency was involved in the early stages of crop insurance in Chile.

Trade Agreements

At a bilateral level, Chile has entered into a number of Free Trade Agreements (FTAs), including deals with Canada, Mexico, Venezuela, Ecuador and Costa Rica.

At a regional level, Chile is an associate member of Mercosur (Argentina, Brazil, Paraguay and Uruguay) and receives preferential trading access to the trade bloc. Additionally, Chile has a trade liberalization agreement with Bolivia. Negotiations are underway with Peru, South Korea and, in a longer-term process, the European Union and the United States. Deals with the EU and the US are expected to be completed by the end of 2002. Studies for agreements with Singapore, New Zealand and Japan are also being undertaken.

At the multilateral level, Chile pursues market access objectives within the WTO and, on agricultural issues, as a member of the Cairns Group. Additional participation in international organizations: APEC, ECLAC, G-77, WTO, IADB, IMF, Interpol, LAIA, Mercosur (associate), OAS, Rio Group(RG), UN.

As investment has been one of the catalysts of the Chilean economy, Chilean officials have signed

bilateral investment protection agreements with 45 countries. Twenty-two of these agreements await ratification by the Chilean congress.

Canada - Chile Trade and Investment

Relations between Canada and Chile are excellent and have been growing steadily since the signing and implementation of a bilateral free trade agreement. Canada and Chile also cooperate closely on a range of issues at the UN, OAS and APEC, while the Summit of the Americas process underlines the similarity of approaches to regional issues. Canada has supported Chilean membership in APEC and NAFTA, positions which have added to our growing political partnership. The FTA with Chile has led to a number of additional agreements, including environmental and labour agreements, a double taxation agreement as well as a Memoranda of Understanding in agriculture and environment.

For more information on the [Canada - Chile Free Trade Agreement](#)

Two-way trade between Canada and Chile was valued at \$999.5 million in 2000. This was a significant increase of \$28 million over 1999. Canada's exports to Chile were valued at \$444.1 million in 2000, while imports were valued at \$555.4 million. This resulted in a negative trade balance of \$111.3. Since 1997 Canada has maintained a negative trade balance with Chile.

Canada's principal exports to Chile are cereals, coal briquettes, telephone apparatus, machinery, ores, slag, mineral fuels, vehicle parts & accessories, salt, pulp and paper. Canada's main imports from Chile are dominated by agricultural products including: fruits (grapes) and nuts, wine, flour, vegetables, fishmeal, fish and crustaceans, minerals, iron and steel.

There are roughly 150 Canadian companies exporting agricultural products to Chile. Canada

controls roughly 10% of the Chilean agriculture import market, up from 6% in 1998. Canadian agricultural exports to Chile are diversifying annually. Non-wheat exports now make up over 30% of agricultural exports whereas in 1996 they made up less than 10%.

Chile - Canada Bilateral Trade	
Total Chilean Trade	US\$34.5 billion
Exports	US\$18.1 billion
Imports	US\$16.4 billion
Trade Balance	US\$1.7 billion
Canada - Chile Trade	\$999.5 million
Exports to Chile	\$444.1 million
Imports from Chile	\$555.4 million
Trade Balance	-\$111.3 million
Agricultural Trade	\$332.8 million
Exports to Chile	\$74.9 million
Imports from Chile	\$257.8 million
Trade Balance	-\$182.8 million

Bilateral agri-food trade with Chile was valued at \$332.8 million. This represented a roughly \$57 million decrease over 2000. Canada's exports to Chile were valued at \$74.9 million while imports were valued at \$257.8 million resulting in a negative trade balance of \$182.8 million.

Canada's agricultural exports to Chile in 2001 declined by \$92 million over 2000 totals, although 2000 represented an all-time high due to an unusually large shipment of wheat, in particular non durum wheat. Despite the effects of this wheat shipment totals for 2001 still represent a decline over traditional figures.

Wheat is Canada's largest agricultural export to Chile representing 67.8% of total agricultural exports in 2001. Durum wheat was the largest agricultural export representing 46.7% of total exports with a value of \$35 million. Non durum wheat was the second largest agricultural export representing 20.9% of exports with a value of \$15.6 million. Malt 8.1%, Dried lentils 6.8% and

whey 3% rounded out the top five agricultural exports. The top five exports represented 86.4% of Canada's total agri-food exports to Chile in 2001.

Canada's agricultural exports to Chile are dominated by bulk commodities which represented roughly 70% of total exports. Intermediate goods represented 18.5% of total exports, and consumer goods made up 11%, the lowest total for consumer goods in the past 4 years.

Chile's exports to Canada reached a four year high in 2001 based on increasing shipments of fresh fruit. Import totals from Chile for 2001 represent a \$25 million increase over 2000. Prior to 2000 imports had increased by \$15 million annually in 1999 and 2000.

Canada's agricultural imports from Chile were dominated by fresh fruits and wine. Grapes were the largest single import from Chile and represented 41% of total exports with a value of \$93 million. Grape wines represented 22.4% of exports with a combined value of \$57.8 million. Corn seed, fresh apples and peaches rounded out the top five agricultural imports from Chile. The top five imports from Chile represented 77% of Canada's total agri-food imports from Chile. Chile is also a large supplier of strawberries, pears, plums and kiwi fruit.

Canada has \$11 billion in actual and planned investment in Chile. Canada is Chile's third largest source of direct foreign investment with over \$5.6 billion invested since 1974. CIDA also continues to have money committed in Chile.

Competition

Given their logistical advantage, Chile's South American neighbors, in particular Argentina and Brazil, have traditionally been important suppliers for many products. With new trade deals being negotiated and existing deals being expanded it is

expected that Latin American countries will continue to increase their share of the import market.

Chile's main export markets regionally are Asia 30%, the EU 26%, NAFTA 22.5% and Mercosur 9.5%.

Chilean exports were valued at US\$18.1 billion in 2001, while imports were valued at US\$16.4 billion resulting in a positive trade balance of US\$1.7 billion. Trade is very important to the Chilean economy and the country has maintained a positive trade balance since 1999.

Chile's principal exports commodities consist of copper, 37% of total exports, other metals and minerals 8.2%, wood products 7.1%, fish and fishmeal 9.8%, fruits 8.4%.

Chile's largest individual export market is the US with 17% of total exports. The EU is a very important export market for Chile and the UK is the largest individual export market in the EU and third largest market overall with 6% of total exports. Japan is Chile's largest Asian market taking 14% of the country's exports. Brazil, Argentina and Mexico each receive over 5% of Chile's total exports.

Chile's primary import commodities consist of capital goods, spare parts, raw materials, petroleum and foodstuffs. Chile's neighbors in South America, in particular agricultural giants Argentina, 15.7% of the import market, and Brazil 7.3%, are increasingly important import sources. However, the US is the single largest source of imports supplying 18.2% of the import market. Japan and China combine to supply roughly 10% of Chile's import market.

Investment

The Chilean government's development strategy openly welcomes foreign investors. Chile's

foreign investment regulations can be found in Decree Law 600. Decree Law 600 has been frequently liberalized since its 1974 inception, and since 1991, has handled nearly all foreign direct investment. This law stipulates that all foreign investment must be approved by the government's foreign investment committee, but the approval process is quick and not burdensome.

Chile does not subsidize or offer incentives specifically to attract foreign investment, although corporate tax exemptions are available to both foreign and Chilean firms investing in the extreme northern or southern areas of the country. The major sectoral exception to the government's openness to investment is the fisheries sector. The government requires that vessels fishing in Chile's 200-mile exclusive economic zone must have majority Chilean ownership. The government permits bilateral agreements to allow foreign-owned vessels to fish in Chilean waters, but no such agreements have been concluded. There are also limitations and restrictions on foreign investment in the television and radio sector.

Chile is generally considered to be the most risk-free country for investors in Latin America. Its maturing, diversified economy, its stable political environment, and its prudent fiscal policies make Chile very similar to the developed world in terms of business risk. Chile has received the highest investment credit rating of any Latin American country. This reflects the strength of Chile's economic institutions and policies, which have been tested during the international crisis prompted by Brazil's decision to devalue its currency. Foreign investment fell during the crisis, but the government acted quickly to boost incentives and reduce restrictions on foreign investment.

Chile has signed over 20 bilateral foreign investment protection agreements, but most are still awaiting ratification in Chilean congress. The US is Chile's largest source of foreign investment

followed by Canada and Spain.

The major foreign investors in Chile (in order of importance) are the United States, Spain, Canada, the United Kingdom, South Africa, Australia and Japan. Key sectors for new investment include, agriculture and livestock, construction, energy, fishing and aquaculture, forestry and transport and communications.

Chile invests considerably abroad, principally in Mercosur and in neighbouring countries, and investment has increased dramatically in the last few years. Chile's net foreign investment abroad (formal and informal) for the five years is roughly US\$14 billion.

Market Access

Chile has one of the simplest and most transparent regulatory systems in the region for trade and business. It also has one of the most open economies in the world. The government has been committed to eliminating trade distortions, though their flat tariff structure and the elimination of most non-tariff access requirements.

Chile's general tariff currently stands at 7% on almost all items and will drop annually until it reaches 6% in 2003 in keeping with legislation passed in 1998. While these moves have had a positive effect, the country's increasing number of preferential trading arrangements are increasingly eroding the positive effects of the flat tariff structure to the benefit of its key trade partners. Under the Canadian Chilean Free Trade Agreement over 90% of Canadian products enter Chile duty-free. There is however an 18% value-added tax for all products sold, which is applied to the cost-insurance-freight value plus the import duty.

Chile generally has few barriers to imports or investment only agricultural products and a few sensitive items face restrictions. Some luxury

goods such as liquors, wine, beer, non-alcoholic beverage ingredients and cigarettes are subject to additional surcharges, with total tax incidence often exceeding 35%.

Foreign firms operating in Chile enjoy the same protection and operate under the same conditions as local firms. Imports are subject to the same 18% Value Added Tax (VAT) as are domestic goods. However, there are a number of important rules and regulations which may hinder agricultural exports.

One of Chile's most important non-tariff barriers is the requirement that all imported livestock products originate in facilities previously inspected by the Ministry of Agriculture. There are also some import restrictions on fresh fruit which are gradually being resolved.

Chile's meat import regulations can be challenging. There are restrictions on poultry products and Chilean grading and quality standards on beef are unique. Chile only approves the import of food products on a case-by-case basis. There is no blanket approval process for permitting identical products to enter Chile after they have been tested and found in compliance with local health regulations. This means an importer must obtain the permission of the Health Service Officer at the port of entry, who will take samples of the incoming product and perform the necessary tests with each arrival. This processes can raise the cost of introducing new products into the market considerably. There are also issues regarding patent protection for in-coming pharmaceuticals, as well as issues regarding the tax systems treatment of luxury goods, like distilled beverages, through excessively high taxes.

For More Information on Chile:

[Agriculture and Agrifood Briefing - Chile 2002](http://www.infoexport.gc.ca)
(<http://www.infoexport.gc.ca>)

[Agri-Food Sector Profile - Chile 2001](http://www.infoexport.gc.ca)
(<http://www.infoexport.gc.ca>)

[Chile agricultural fact sheet - AAFC](http://ats.agr.ca)
(<http://ats.agr.ca>)

[Chile fact sheet - DFAIT](http://www.infoexport.gc.ca)
(<http://www.infoexport.gc.ca>)