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# CHILE

*New challenges and  
opportunities for FDI*

**Carlos Álvarez V.**  
*InvestChile Director*

## Chile today at a glance

### Economy

<b>GDP 2015 (PPP)</b>	US\$240,000 million (IMF)
<b>GDP per capita 2015 (PPP)</b>	US\$23,563 (IMF) 1 <sup>st</sup> place in Latin America
<b>Interest rate (monetary policy)</b>	3.5%
<b>Unemployment rate</b>	6.4% (Aug-Oct 2016)
<b>Exports (2015)</b>	US\$63,300 million
<b>Imports (2015)</b>	US\$63,000 million

### Sovereign risk

<b>Fitch Ratings</b>	A+
<b>Standard &amp; Poor's</b>	AA-
<b>Moody's</b>	Aa3
<b>DBRS</b>	AA-

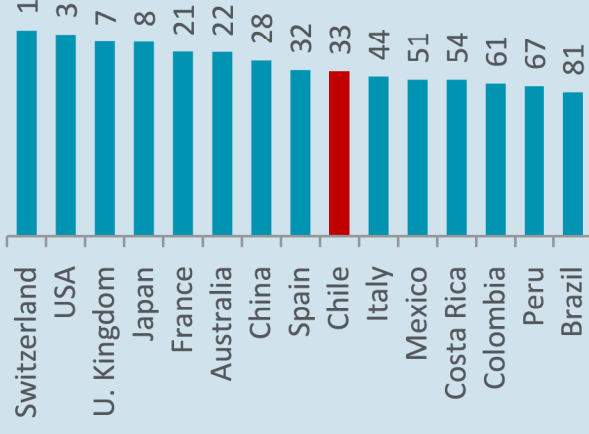


# Pillars of Chile's development

- Sustained growth of **production capacity** since mid-1980s
- Stability and respect for **institutions**
- Prudent **macroeconomic management**, with fiscal discipline and autonomous monetary policy
- Solid **financial system**
- **Open economy**
- **Private initiative.**

## Global Competitiveness Index 2016-17

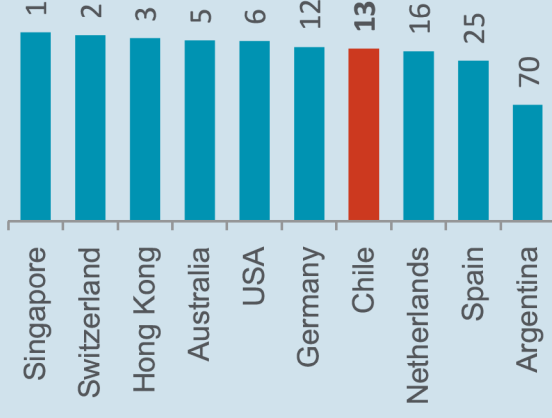
33<sup>rd</sup> out of 138 economies



Source: World Economic Forum

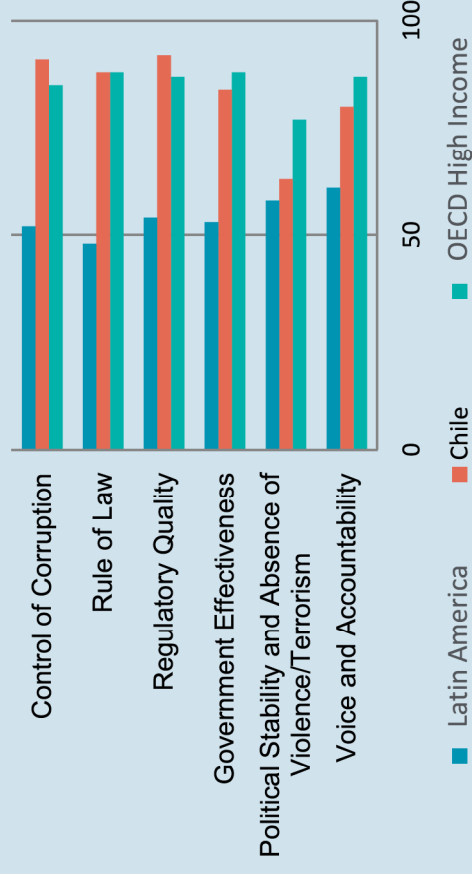
## Business Environment Rankings 2014-2016

12<sup>th</sup> out of 82 economies



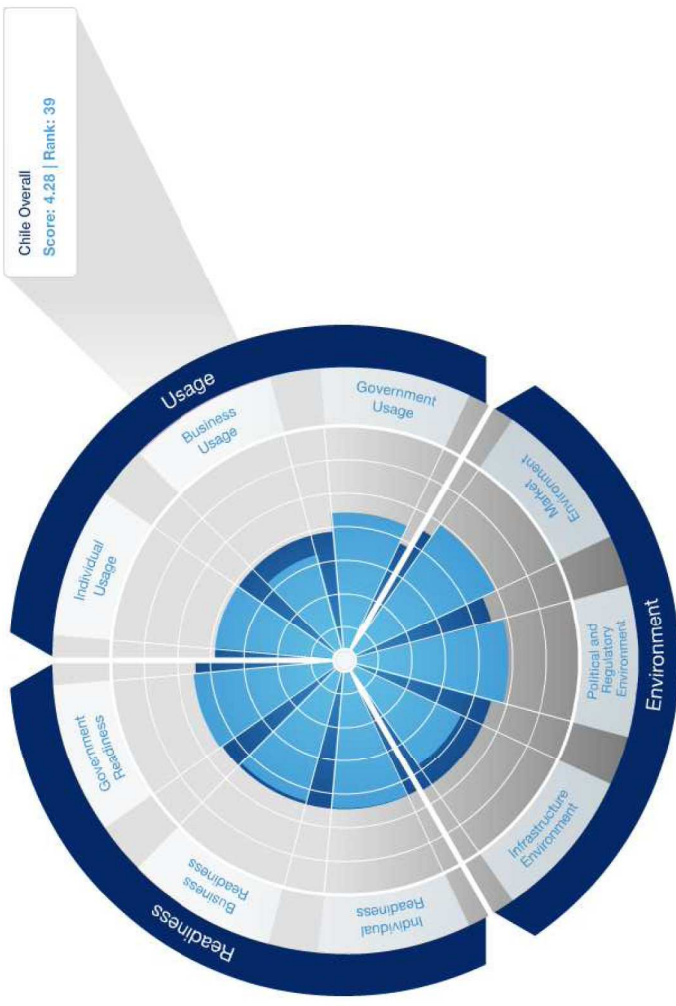
Source: Economist Intelligence Unit.

## Governance



# An entrepreneurial, innovative and connected country

- Chile stands out for the dynamism of its private sector; **101,914** companies were created in 2015.
- **62.5%** of them were created online using the Company in One Day system.
- It is the country with the world's highest rate of innovation in early-stage enterprises, ahead even of the most competitive European countries such as Germany, Switzerland, Sweden, Finland and Norway, according to the World Economic Forum.
- Chile is a leader in penetration of technologies and Internet access in Latin America (World Economic Forum).



**Network Readiness Index 2016**  
38<sup>th</sup> out of 139 economies, 1<sup>st</sup> in Latin America

Source: World Economic Forum

# A country integrated with the rest of the world



## Port of entry to Pacific Alliance

### Data

**8<sup>th</sup>** economy in the world

**217** million inhabitants

**US\$16,759** average GDP per capita

**51.4%** of Latin American trade

*Over the next decade, the block is expected to be the economy that makes the **4<sup>th</sup>** largest contribution to world growth.*

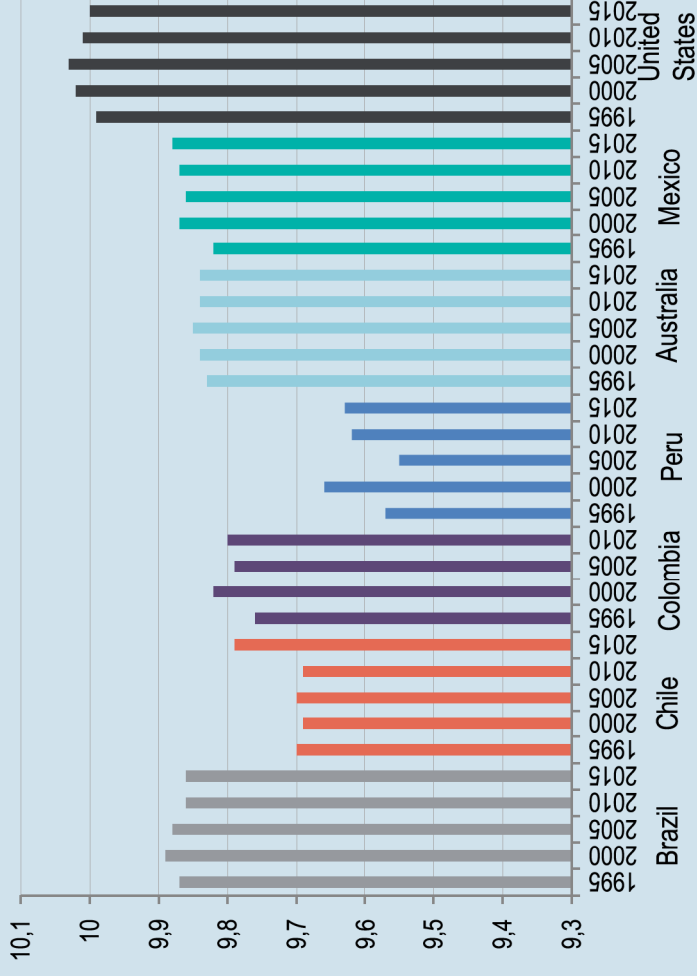


# Today Chile faces new challenges



- Exhaustion of “easy” productivity gains implies **need for more active economic development policies.**
- Need to **diversify** the economy
- Citizen demand for **greater inclusion.**

Export Sophistication Index (EXPY)



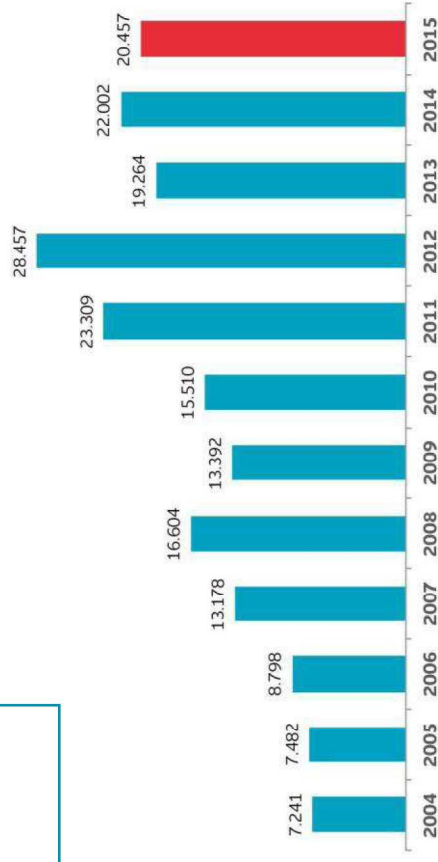
**FDI has a key role to play in the country's development.**

## WHY IS FDI IMPORTANT TODAY FOR CHILE AND CHILEANS?

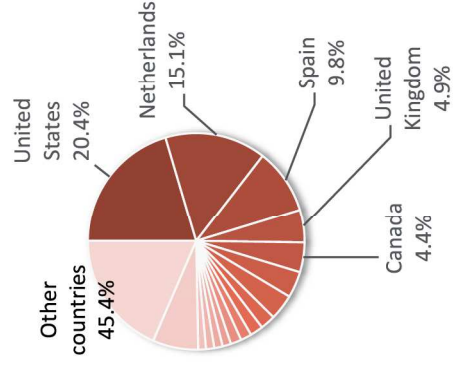
- **Commitment and stability:** FDI is long-term and implies stable capital flows.
- **FDI complements** local investment.
- **Access to markets:** Multinationals have advantages as regards penetrating complex international markets.
- **Knowledge and technology:** Foreign investors accelerate the adoption of new technologies and best management practices.

*Employment: All this means more and better jobs for Chileans.*

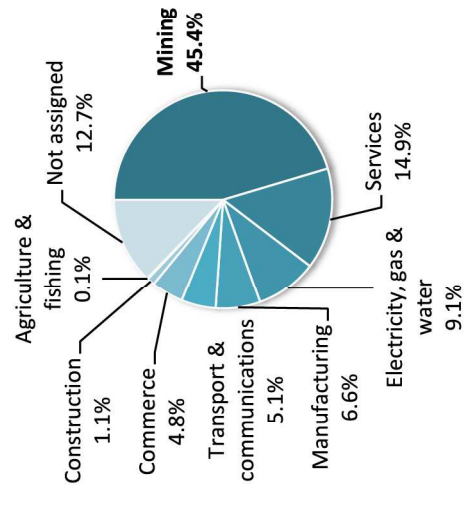
FDI, 2004-2015  
US\$ million



By country (2004-2014)



By sector (2004-2014)



# NEW OPPORTUNITIES

*Chile offers opportunities in sectors with clear competitive advantages and important development potential.*

- Chile holds **28%** of the world's copper reserves (USGS 2012).
- Chile is the world's largest **copper** producer (30%), the fourth largest of silver and also produces:
  - **Natural nitrates (100%)**
  - **Iodine (58%)**
  - **Lithium (45%)**
- Mining companies have investment plans amounting to **US\$50,000 million by 2023**.
- Annual spending by mining companies on auxiliary services is more than **US\$15,000 million**.
- There are at least **4,600** mining suppliers in Chile, including world-class companies.



## MINING

*As the country's main economic activity, mining contributes 9% to GDP.*

*One-third of large mining copper projects that will operate in the next five years will be in Chile.*

## Mining Equipment, Technology and Services (METS) Challenges/Opportunities

Relocate  
processes of large  
overseas  
suppliers to Chile

- Promote relocation to Chile of certain **nodes of large suppliers** with operations in the country
- Boost Chile's attractions as a **large mining market** with a high concentration of large international mining companies.

Link small and  
mid-sized local  
suppliers with  
overseas partners

- Identify **local suppliers** that require R&D&I, financing or technology to scale up their operations and link them with **overseas partners** who help reduce these gaps and whose entry into the Chilean mining market is facilitated by association with a local company.

Promote smelter  
projects that  
include overseas  
partners

- Identify and attract **overseas companies** with potential for and interest in developing and **operating smelters** in projects in association with Codelco and private companies.

- Chile has an installed capacity of 20.6 GW.
- Demand for electricity will increase by 3.5% per year.
- Chile is the **4<sup>th</sup> most attractive country** in the world for investment in NCRE (E&Y, 2016).
- **World's highest solar radiation:** a privileged place for the development of solar energy.
- In the first half of 2017 installed capacity of solar energy will reach 2,169 MW (an increase of 872 MW between July 2016 and March 2017).

### **Challenge**

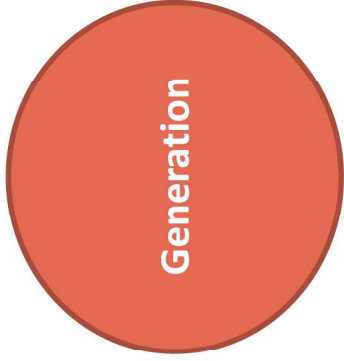
- Diversify the matrix, incorporate new players in the market and consolidate energy independence, efficiency and sustainability.



# ENERGY

*In 2015, 41% of electric energy generated in the SIC and SING systems came from renewable sources.*

## Energy Challenges/Opportunities



Generation

- Target of 70% share of renewable energies in energy matrix by 2050
- Opportunities in generation (regulated and non-regulated clients)
- Tenders for regulated clients:
  - Tenders for 11,000 GWh over next 2 years.



Transmission

- Attraction of foreign investment in order to increase robustness and security of transmission lines
- Tender for US\$288 million to be awarded in May 2017.



High-radiation  
solar energy  
(CORFO Solar  
Program)

- Development of related technologies, products and services
- Photovoltaic Systems Technological Program for deserts (US\$17 million of which US\$12 million financed by government)
- Promotion of Solar Technological District (1 GW in northern Chile).

- Almost 20 years after the first public infrastructure concession, in 2014 the Infrastructure Agenda was presented which brought together initiatives worth more than **US\$ 9,000 million**.
- Commitments for the next six years are equivalent to two-thirds of all investments over two decades of this public-private partnership.

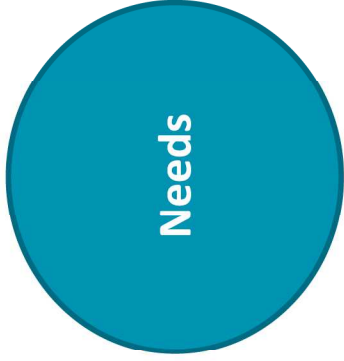


## INFRASTRUCTURE

*Since the 1990s, close to US\$16,000 million has been invested in over 76 projects through Chile's Concessions System.*



## Infrastructure Challenges/Opportunities



- Public and private infrastructure needs for over **US\$150,000 million** by 2025.



- Qualitative and quantitative leap in infrastructure availability and water management.

- **Increase logistics competitiveness:** Chile ranks 56<sup>th</sup> out of 160 countries (World Bank, 2016).



- **Tenders in second half 2016**  
*Projects for US\$2,219 million*
- **Tenders March 2017-March 2018**  
*Projects for US\$1,560 million*

- Chile is one of the world's top 15 food exporters.
- In 2015, Chilean exports of food and drink totalled US\$14,526 million, equivalent to 23% of the country's total exports.
- Chile is one of the world's five macrozones with a Mediterranean climate.
- The natural barriers protecting Chile transform the country into a phytosanitary and zoosanitary island.

### **Country goals**

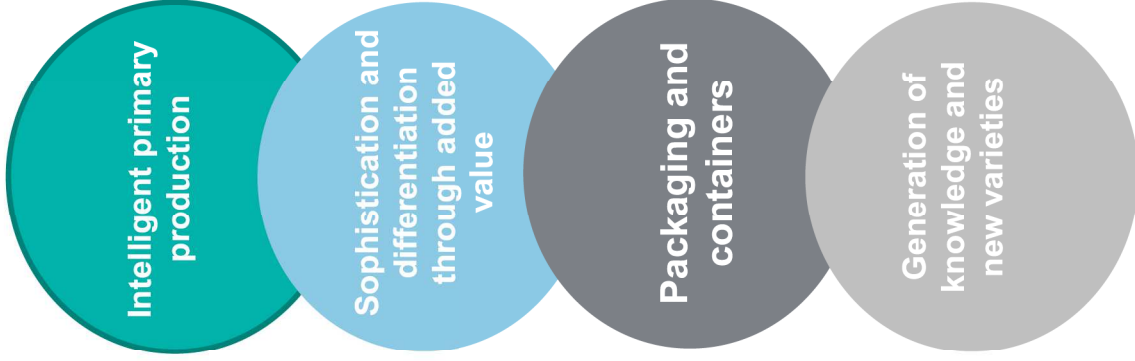
- Double the value of food exports by 2025 and position Chile as a leader in this market.
- One of the top ten food exporters by 2020 (up from 15<sup>th</sup> in the world today).



# FOOD INDUSTRY

*It is Chile's second largest export sector, with more than US\$18,000 million per year in exports. It accounts for over 23% of the country's jobs.*

## Food Industry Challenges/Opportunities

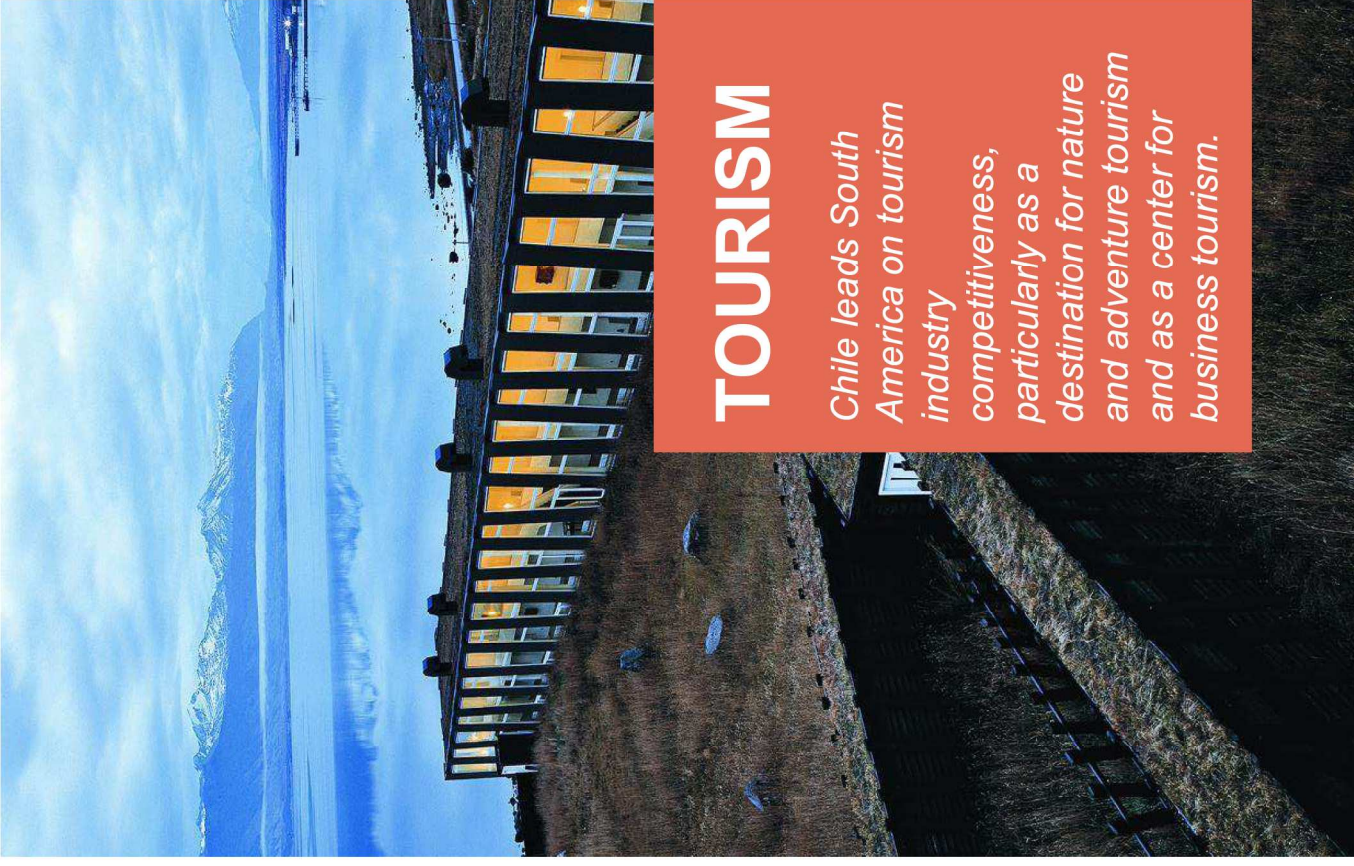


- Opportunities for investment in goods and services for sustainable agriculture and aquaculture.
- Opportunities for investment in production of **functional ingredients**:
  - *International trend towards consumption of functional foods*
  - *Availability of high-quality raw materials*
  - *Strong development of industry ecosystem (logistical, commercial, etc.)*
- Opportunities for investment in production of **natural colorants**.
- **High-tech and environmentally-friendly glass, cardboard and plastics solutions.**
- Promotion and attraction of **R&D&I center** for adding value in the food industry.

- Chile receives more than **4.5 million** international tourists every year.
- Arrivals of overseas tourists have **doubled** in the last 10 years.
- Spending by tourists in the country currently totals around **US\$2,600 million** a year, **30% more** than six years ago.

**Projected demand/investment needs**

- **5.4 million overseas visitors** by 2020, with an average 50% increase in their spending.
- **FOCUS:** Infrastructure for nature, adventure and business tourism.



## TOURISM

*Chile leads South America on tourism industry competitiveness, particularly as a destination for nature and adventure tourism and as a center for business tourism.*

## Tourism Challenges/Opportunities



- Development of **new poles** of tourist attractions
- **New services** in mature poles of tourist attractions
- Development of tourism services for **business visitors and conventions**.



- Infrastructure and services that **add value** to destinations related to nature and adventure tourism and business travel.



- Portfolio of 27 potential concession-based projects with a sustainable approach for **US\$31 million**.

- Chile is a destination for high-end offshore functions such as research centers for global banking clients and R&D centers, as well as more traditional back-office jobs.
- There are about **340,000 higher education students in Chile**, and about **70,000 graduates** per year.
- The country has **11 universities** that are ranked among the **best 50 in Latin America** (Times Higher Education).
- Despite limitations in scale, service providers have capitalized on the technical capabilities of the labor force, enabling this country to become a springboard for offshore operations in South America.



## GLOBAL SERVICES

*Exports of business and IT services reach over US\$3,000 million per year and, over the past 10 years, have grown at a rate of 11% (as compared to a global average of 9%).*

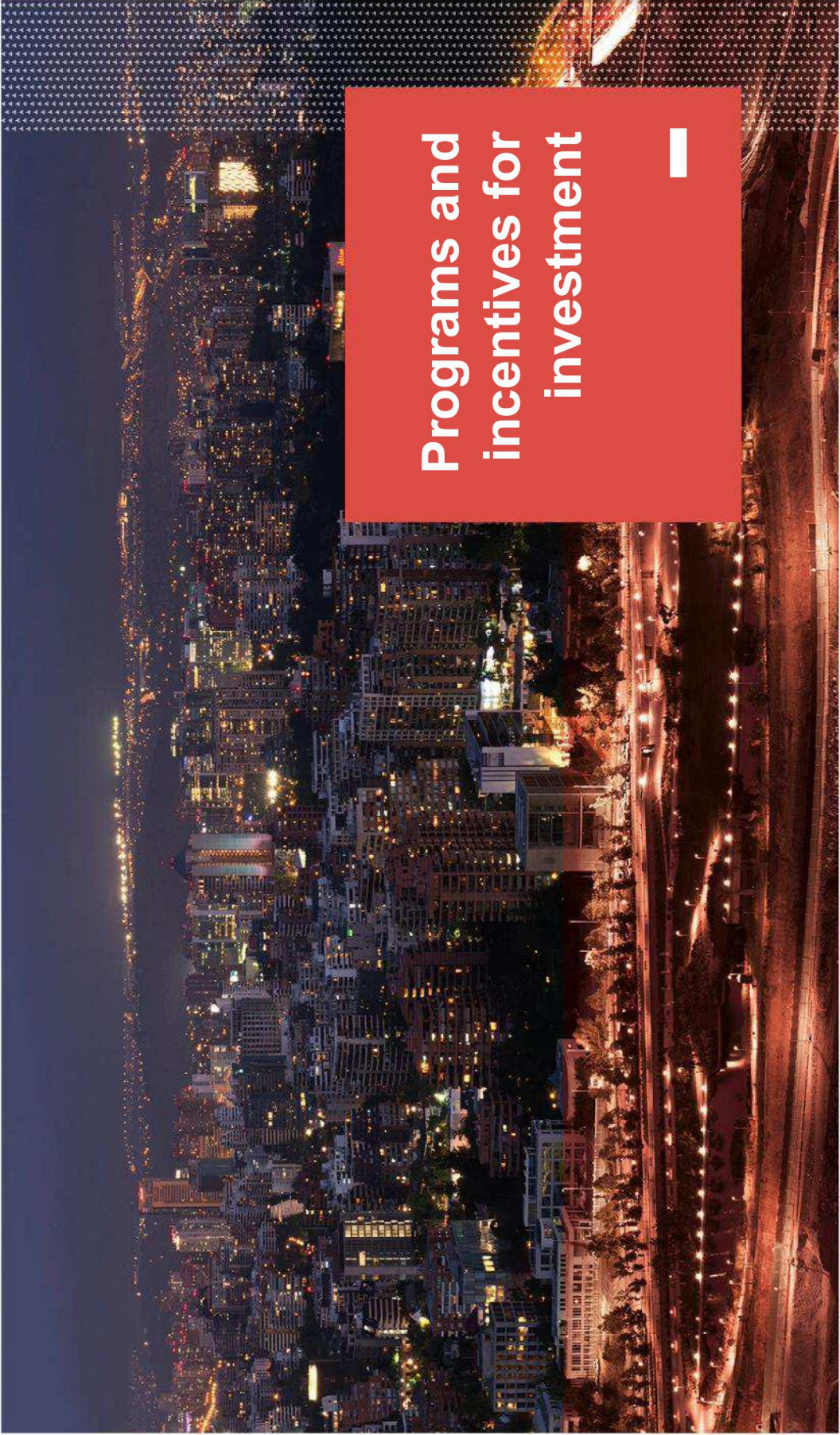
## Global Services Challenges/Opportunities

- Latin America's most dynamic business climate
- **Chile is an excellent location for high-end activities** such as research centers for global banking clients and R&D centers as well as more traditional activities such as shared services centers.
- Leader in the region on cost-competitive skilled human resources
- Highest standards of connectivity and technological infrastructure
- Excellent legal and institutional framework
- Coordinated government policies to foster service exports
- Convenient time zone
- **High-end BPO and IT services** on which Chile has proven competitive advantages and available capabilities.
- Innovative entrepreneurship ecosystem and "early adopter" market make Chile an attractive location for **leading online platform companies**.
- **Emerging sectors** (Internet of things, cloud-related services, R&D centers).

Chile: an  
entrepreneurial,  
innovative and  
connected country

Favorable  
conditions

Opportunities





# Programs and incentives for investment

- Pre-investment studies for strategic initiatives
- Investment in technological fixed assets
- Insertion and training of specialized human capital
- Implementation of Supplier Development Programs
- Tax credit for R&D.

## Services for investors

### PROMOTION

**Promotion** geared to showing the opportunities Chile offers investors in high-potential sectors.

### PRE-INVESTMENT

- **Specialized sector-specific advice**
- **Statistical information**
- **Field visits**
- **Scheduling of meetings**
- **Legal advice**
- **Advice on applying for support instruments.**

### LANDING

- **Advice on setting up the company**
- **Legal advice**
- **Advice on applying for support instruments**
- **Management of enquiries and concerns relating to other government services.**

### AFTERCARE

- **Support for exporting**
- **Advice on applying for support instruments**
- **Management of enquiries and concerns relating to other government services.**
- **Reinvestment opportunities.**

## Our team

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