

1-Introduction

Chile is currently growing at a fast rate. After 17 years of a military dictatorship which laid the foundations for strong economic and social infrastructures, the Chilean economy was able to survive the experience of massive privatization of public enterprises beginning in 1990. As a result of the new liberal policies implemented by the Aylwin and Frei governments and the massive investments resulting from privatization proceeds, the Chilean economy was able to post record growth rates for several consecutive years.

This growth, combined with opening of the Chilean market to foreign investment, has driven demand by certain economic sectors, resulting in an acceleration in the pace of business and a higher standard of living for Chileans. These sectors include telecommunications. Many business opportunities exist for Canadian firms. Canada has a high world reputation for its telecommunications expertise and an attack on the Chilean market would represent an attractive opportunity.

1.1 Economic Overview

1995 was another year of strong economic growth after a minor slackening of the pace during the two previous years: 8.5% in 1995, compared with 4.2% and 6.3% in 1994 and 1993 respectively. Chile thus posted the strongest annual growth rate of the Latin American countries, ahead of Peru (7%) and Colombia (5%). Argentina and Mexico posted negative growth of -2.5% and -5% respectively. Projections for 1996 remain positive with growth of 7% projected by the Central Bank of Chile. In 1995, per capita GDP was US\$4,700.

The current unemployment rate is 4.9%, but it is considered that this does not represent reality, since about 25% of the population is underemployed with a wage inadequate to cover essential needs. The inflation rate continues to fall and was 8.1% in 1995, compared with 8.9% in 1994 and 12.3% in 1993.

1.1.1 Exports

Exports totalled US\$16,039 billion in 1995, an increase of 38% over 1994. Imports also increased in 1995 (35%), but the trade balance remained positive and almost doubled in 1995. The main destinations for exports are Japan with 18% of the total, followed by the United States (14.8%), the United Kingdom (6.7%), Brazil (6.7%) and South Korea (5.6%). Of imports, 23.8% are from the United States, 8.7% from Argentina, 7.5% from Brazil, 6.4% from Japan and 4.9% from Germany. By region, Asia is the major export market for Chilean products with 35% of exports, followed by the European Community (28.7%), Latin America (19.2%) and North America (15.4%).

In 1995, Canada exported products totalling more than CDN\$368 million to Chile, while imports from Chile were CDN\$279 million. Canada therefore had a positive trade balance with Chile in 1995, which has been the case since 1993 (in that year the positive trade balance was