

SANTIAGO, CHILE

Economic Overview

Chile, often offered as the example of a Latin American economic success story, is currently entering its ninth year of consecutive economic growth. A recent International Monetary Fund study, published to coincide with a high-level study mission to Latin America in November 1991, described Chile as Latin America's best model for economic development.

The annual real GNP growth rate has averaged 5% per annum since 1984. The 1991 inflation rate is under 20% (good by Latin American standards); unemployment is averaging 7%; the fiscal budget remains balanced; and foreign investment has reached a record of approx. (U.S.) \$1 billion. Chile is also becoming increasingly competitive in the global market. Chilean exports should achieve a value of (U.S.) \$9 billion in 1991 (growth of 60% over 1985 exports), and continue to diversify away from the traditional reliance on copper (copper represents only 40% of Chilean exports in 1991 vs 80% in 1980). Chile's healthy balance-of-trade surplus has allowed it to consistently meet foreign debt obligations on time.

Expectations for 1992 are equally promising. Current predictions estimate that GDP should grow by 6%; inflation will be reduced to 15%; unemployment will remain at 7%; and foreign and domestic investment will increase slightly to a level of 20% of GDP.

HIGH-TECHNOLOGY SECTOR

Telecommunications

While Chile's economy continues to register impressive records of growth and investment attraction, it is still largely based upon resource extraction. Mining, forestry and agriculture continue to account for over 85% of Chilean exports, and over 20% of Chilean GDP. This resource based economy, though prospering due to the wealth of resources in Chile, is limited by the minimal infrastructure support. The far-flung nature of these industries (mining in the deserts of the far-north; forestry in the southern third of the country) makes high-technological support all the more important. This is especially true of communications. With the decision-makers based in Santiago and the operations in the provinces, Chilean companies are demanding ever-more sophisticated communications systems. Chile's two major telecom operators ENTEL and CTC, are both currently engaged in major expansion plans to meet this increased demand: