

A LATIN AMERICAN BASE

Clearly, Chile offers substantial opportunities in its own right. But part of its attraction is the potential for using a Chilean operation as a stepping stone to other markets in Latin America. Chile has entered into trade agreements with Bolivia, Colombia, Ecuador, Venezuela and Mexico. The Canada-Chile Free Trade Agreement, signed in November 1996 came into force on July 5, 1997. The agreement was modelled after the NAFTA, and should provide easy accession to the NAFTA if desired. In October 1996, Chile gained associate member status with the Mercosur trade bloc (Argentina, Brazil, Paraguay and Uruguay). It is also a member of APEC, and is holding talks with other Latin American countries and the European Union. Chile is a proponent of free trade, and hosted the Summit of the Americas in April 1998, where the thirty-four leaders of the Americas met to discuss the Free Trade Area of the Americas (FTAA). The FTAA would be negotiated by 2005, and would create greater economic, political, and social co-operation among the nations of the Western Hemisphere

Chile is a major investor in other Latin American countries, and Chilean companies are considered a good vehicle for investing elsewhere in the region. For example, Chile's largest paper manufacturer Empresas, owns Uruguay's leading tissue paper manufacturer, and is a partner with Procter & Gamble in a plant in Argentina. Chile's second-largest supermarket chain acquired Peru's Scale and Mass chains, and has now moved into Paraguay. And Chile's Coca-Cola bottler, Embotelladora Andina, bought out Río de Janeiro Refrescos, Brazil's second-largest bottler. These are only examples of widespread Chilean investment throughout the region. Chilean investment abroad increased by 47 percent in 1995 to reach US \$4.4 billion, about 60 percent of it in Argentina, where Chile is the largest source of foreign investment.

Companies that have set up Latin American bases in Chile point to several advantages over alternative countries. The business environment is stable, and the door is open for foreign companies to set up branches or partnerships with a minimum of red tape. Once established, these businesses receive national treatment. The communications system is state-of-the art and very competitively priced. The transportation system works efficiently. Chile has a disciplined and hard-working labour force and its business people are educated, friendly as well as efficient. There is virtually no corruption, and only minor problems with drugs and other crimes. These features set Chile apart from most other countries in the region. And yet, in terms of Hispanic culture, Chile is very similar. As one Chilean executive put it: "Chileans are different from the rest of South Americans, but not that different". Thus, it is in an ideal position to be a cultural stepping stone for Canadian companies that want to branch out throughout the region.

Chile offers many advantages over other potential Latin American bases, but there are also disadvantages. The first is distance. Santiago is about 5,800 kilometres south of Montreal and Toronto, and about 7,200 kilometres from Vancouver. There are no direct air connections, and the trip from Toronto or Montreal involves a 14 to 16-hour overnight flight