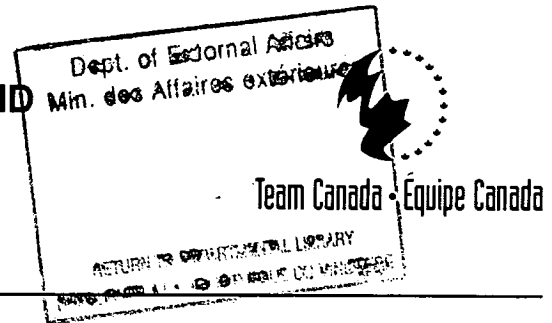


THE INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS MARKET IN CHILE



MARKET OVERVIEW

The Chilean economy has steadily improved in the past decade with growth of approximately 80%. Chile has the third highest income per capita in Latin America. Unemployment has declined to 4-6% and the inflation rate has decreased to 8-9%. Chile has been called the "Sixth Pacific Tiger". Despite this positive record, Chile remains a developing nation.

Telecommunications

For the past five years, Chile's telecommunication sector has registered a greater rate of growth than Chile's economic rate. In 1997, the telecommunications sector is projected to grow by 7%, while the economy is estimated to increase by 5.5%. Canadian telecom firms interested in the Chilean market will have many opportunities with corporate telecom users (datacom, voice systems, dedicated lines, routers, etc.) as well as with telecom operators (digitalization, cellular, fibre optics, rural telecom, PCS, ISDN applications and equipment, Frame Relay, ATM, etc.).

Key factors shaping future growth

In 1994, the Chilean Subsecretariat of Telecommunications (SUBTEL) introduced a telecom law, which opened up the industry to all players. The law's key element is the implementation of a "multicarrier system" which allows users to select the operator of their choice for long-distance services. All operators, including CTC through its affiliate CTC Mundo, plus ENTEL, Chilesat, VTR, Bell South, CNT Carrier, lusatel and Transam are now free to compete for this market segment. This law also created a four year Fund for the Development of Telecommunications in rural and marginal areas. The Fund, which is in its third year, assigns approximately US\$5 million per year in subsidies. A committee within SUBTEL examines all projects and provides monies from the Fund according to the project's value and impact.

In 1996, SUBTEL assigned Personal Communications Services (PCS) concessions to Telex-Chile and ENTEL, the latter winning two of the three concessions being given. Market opportunities exist for equipment and management of PCS.