

These priorities have been focussed on the areas of communications, energy, tourism, banking and environmental protection projects.

Mining, fishing, insurance, pension funds and other financial services have been excluded.

The Central Bank has declared that it will not accept any operations under US\$ 5 million.

This policy has caused investments to decline in 1990 compared to 1989 from US\$ 1.1 (1.057) billion to US\$ 330 million.

Adding both mechanisms together, total investment fell in 1990 to US\$ 1.5 (1.462) billion compared to US\$ 2 (1.955) billion in 1989. For the 1982-1990 period the total for investments using both mechanisms was US\$ 7.5 (7.491) billion.

I.12 Political Aspects.

Patricio Aylwin took over as President of the Republic on March 11, 1990 after 17 years of authoritarian government. The new government inherited an efficient economy that was operating under intense social pressure. The Minister of Finance, Alejandro Foxley, has been successful in maintaining macroeconomic equilibrium, although he has faced some difficulties caused by the excess of foreign currency coming into the country. This has caused inflationary pressures which have prevented greater government expenditure on social welfare. The political cost of economic control will probably weaken popular support for the government and the unity of parties in the "Concertación", the coalition of political parties that backed Aylwin.

I. 13 Taxes.

There are two levels of corporate taxes on foreign companies in Chile: a First Category Tax - a 10% rate before 1991 and after 1993 and a 15% rate between 1991 and 1993. This tax is paid on profits before taxes, whether profits are distributed or not. There is also an Additional Tax Rate of 35% with a credit for the First Category Tax, which is paid when dividends are distributed to shareholders abroad. The comprehensive tax rate is 35% of income.

It is also possible for investors that have made use of Foreign Investment Contracts with the State of Chile to choose between the normal tax law, subject to variations, and a permanent, agreed, fixed tax rate of 49.5% (it is being studied whether to reduce this to 42,5%).

Organizations and Institutions Associated with Mining.

The main state organizations associated with the mining sector are the Ministry of Mining and the Comisión Chilena del Cobre (Chilean Copper Commission). The Ministry of Finance, through its control of state-owned mining company budgets and ministerial organizations, also influences the Sector.

Some Government-related companies also have an important influence on mining activities. These are the Servicio Nacional de Geología y Minería (National Service of Mining and Geology), and the Centro de Investigación Minera y Metalúrgica (Metallurgical and Mining Research Center).

Some private organizations related to the mining sector are the Sociedad Nacional de Minería - SONAMI (National Mining Association), the Centro de Estudios del Cobre y la Minería - CESCO (Center for the Study of Copper and Mining), the Comité de Promoción de Usos del Cobre - PROCOBRE (Committee for the Development of Copper Use), the Comité de Exportación de Servicios para la Minería - COEXSERMIN (Committee for Export of Mining Services), the Revista Minería Chilena (Chilean Mining Magazine which also publishes the Chilean Mining Compendium).

I.14 Duty-free Areas.

Another possibility offered to the foreign investor is the use of the duty free zone of Iquique, ZOFRI. These are tax-free premises located in the city of Iquique, II Region, in the northern part of the country, where products in transit to other regions and countries can be stored, marketed or assembled.

The use of the ZOFRI permits mining investors to defer payment of rights and taxes for equipment and inputs until the time they will be used.