

# CANAD EXPORT

## Focus on Chile

### Economic Growth, Reform Signify Chile Open for Business

Chile's robust record of economic growth averaging 6 per cent for 12 consecutive years makes it one of the most open and vibrant economies in Latin America. The policy reforms of the 1970s and 1980s have contributed to Chile's economic success, creating a dynamic, export-led private sector. Chile's open economy (there are practically no barriers to entering the Chilean market) and its encouragement of foreign investment have contributed significantly to an increase in trade and investment opportunities for Canadian firms.

#### Trade, Investment Relations

Two-way Canadian-Chilean trade has more than doubled over the past decade, from \$202.4 million in 1983 to a high of \$552.5 million in 1994. And from January to November 1995, bilateral trade has already reached \$528.7 million. Since 1983, Canadian exports of wheat, pulp and paper machinery, telecommunications and mining equipment, automotive parts and steel products have increased by several hundred per cent. In 1994, the value of Canadian exports to Chile was \$314.4 million, an increase of almost

50 per cent from 1993. In 1995, Canadian exports are estimated to have grown by approximately 23 per cent, making strong inroads in value-added products such as machinery and telecommunications equipment.

The only Latin American country with an "investment grade Single A minus" debt rating and the first with an "A1" from the European rating agency IBCA, Chile attracted a record US\$4.3 billion of materialized foreign investment in 1994. Canadian investment has skyrocketed over the last four years, particularly

in the minerals and chemical sectors, making Canada one of Chile's largest foreign investors.

As of July 1995, total actual Canadian foreign investment in Chile was \$2.4 billion, while actual and planned investment is \$7.5 billion. As well as traditional investment in the mining sector, other sectors such as energy, banking and communications are beginning to capture the attention of the global investment community. In terms of materialized investments in Chile, Canada remains far ahead of other countries and is the country's second-largest investor after the United States.

The bulk of Canadian commercial activity in Chile is concentrated in

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- Economic Growth

#### Economic Outlook Positive

In 1995, gross domestic product (GDP) grew 8.4 per cent, up from 4.3 per cent in 1994, and it is estimated that the growth rate will reach 6.5 per cent in 1996. Inflation fell from 8.9 per cent in 1994 to 8.2 per cent in 1995 - its lowest level since 1960 - and it is projected to fall further to 6.5 per cent in 1996. In addition, unemployment decreased to 4.9 per cent from 5.4 per cent in 1995.

Tight, responsible fiscal policies have created an attractive investment climate in Chile for both national and foreign enterprises. Capital investment reached an unprecedented high in 1995 (30.7 per cent of GDP) with investment averaging 28.1 per cent per annum over the last six years. In 1995, foreign investment reached 6 per cent of GDP; Canada accounted for 33.8 per cent of all authorized foreign investment in Chile, an increase of almost 200 per cent over 1994.

Average annual per-capita income has been growing steadily by 3 per cent to 4 per cent, and the government has adopted a six-year plan to increase it by 50 per cent by the year 2000. Average GDP per capita was US\$4,500 in 1995 and real salary growth is expected to increase slightly to 4.2 per cent in 1996 from 4 per cent in 1995.

#### THE LATIN AMERICA SERIES

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