

1.6 Commercial and Foreign Exchange Policy.

The aim of the Central Bank's foreign exchange policy has been to stabilize inflation. Priority has been given to this objective to the detriment of the previous policy which sought to stabilize the real exchange rate and maintain national exports in a strong competitive position. The significant inflow of foreign exchange of non-productive origin that had to be bought by the Central Bank has kept the exchange rate low compared to previous periods, and has damaged the competitiveness and export capacity of a large sector of the Chilean economy.

At the beginning of 1988 the general import duty was reduced from 20% to 15%. In June, 1991 a new reduction to 11% was agreed upon to permit the outflow of excess dollars to keep the price of foreign exchange low, and to capture part of the money in circulation which had been issued for exchange operations. The measures that were taken included an obligatory 20% reserve requirement for foreign capital entering the country, in an effort to diminish short-term capital flowing in to take advantage of high interest rates - or possible money laundering, which unbalances monetary equilibrium. This has also affected some foreign investors who decided to revise their programs in view of new costs.

1.7 Mining in the Chilean Economy.

From its very beginnings Chile has been connected to the rest of the world through its mining exports. In fact, Spanish conquerors came to Chile in search of gold, and they found it. With the gold they extracted they paid for their imports of food and clothing and paid the salaries of the soldiers that continued coming here for three centuries to restrain the Mapuche people, the most indomitable tribe that the Spanish found in America.

Gold dominated mining during the three first centuries that Chile was a Spanish colony. Along with political independence, the boom in silver, copper, and nitrate started. During the XIX century Chile was the world's largest producer of copper; it lost this position when the grades of its deposits decreased, but later recovered it in the 1980s.

Chile is the largest copper producer and exporter in the world, accounting for 22% of total production in the Western world. The country is also the largest producer and exporter of potassium nitrate and sodium nitrate. Chile is the second largest producer in the world of rhenium, lithium, iodine and molybdenum; the fifth largest producer of boron; the seventh largest producer of selenium; eighth largest producer of silver and ninth largest producer of gold. Additionally, Chile has approximately 23% of the world's copper reserves, as well as important reserves of selenium (21%), molybdenum (20%), rhenium (40%), lithium (58%), iodine (23%) and boron (4%).