

EXECUTIVE SUMMARY

As Chile is becoming increasingly industrialized, the importance of services as a contributor to the country's GDP is expanding. In 1992 alone, services accounted for 62% of GDP. Services in Chile include a wide range of sectors of which, transport, communications, commerce and construction have been the leading ones in terms of growth during the period 1988-1992. Ongoing deregulation and privatization characterize the Chilean Government's modernization policy and have greatly contributed to the sustained growth registered in sectors such as banking, insurance, telecommunications, energy and transport.

Because the services sector includes such a wide range of activities, we have concentrated our analysis on those areas that have not been covered in previous Embassy studies. More specifically, the following service sectors will be profiled: banking, private pension funds, life insurance, health services, and consulting and engineering services as they apply to infrastructural development.

BANKING

Banking activities are controlled and supervised by the Superintendency of Banks, an autonomous agency linked to the Government through the Ministry of Finance.

As a result of the 1982 banking crisis when the Central Bank was forced to bail out all national banks (except for one) through subordinated debt, in 1986, the Government implemented a new banking regulation which generated a more stable but also more restrictive environment.

Chile's banking system is made up of 36 commercial banks of which 22 are predominantly foreign owned. Two Canadian banks are represented in Chile - the Bank of Nova Scotia owns 30% of Banco Sudamericano while La Banque Nationale du Canada holds a 10% participation in Banco Osorno.

The Association of Banks and Financial Institutions has been pushing for the authorization of a less restrictive banking law. A proposed Bill of Law was sent to Congress recommending to expand activities of the banking system, including: leasing, factoring, securitization, issuing and operating credit cards, transporting securities, and providing financial consulting services among other business activities. There is very little local expertise in these new activities. Possible changes in the regulatory banking framework could open interesting opportunities for the supply of services in these fields.

PENSION FUNDS

In 1981 a private pension plan system based on individual capitalization was created. AFPs (Administradoras de Fondos de Pensión) are private corporations whose sole and exclusive purpose is that of managing a pension fund and the granting of the benefits and social security assistance stipulated in the law. Members can switch from one AFP to another if they wish to do so since the profitability margin varies monthly from one AFP to another. In 12 years, the system has managed to incorporate over 5 million people in the Chilean labour force.

The institutions which regulate the AFPs are the Superintendency of AFPs and Superintendency of