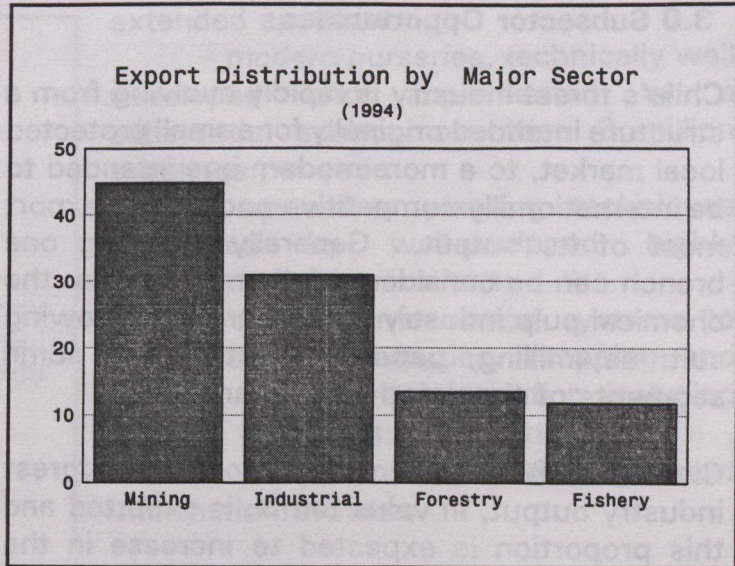


Opportunities in Chile: The Forestry Equipment and Services Market

Chile has traditionally produced its own forestry equipment, but imports are beginning to play an important role in this market. Several forces are driving this trend. First, stimulating government policies encourage foreign investment that will provide the needed capital and technology for economic development. Second, the domestic industry has been unable to modernize and expand to meet the rapidly growing demand. Finally, domestic production tends to be limited to



a relatively small number of products, and quality and availability is often inadequate. Imported equipment offers a wider choice of alternatives and more reliability. This is particularly true for pulp and paper equipment.

Although wood products have not traditionally been popular in Chile, international demand of wood products have fuelled the expansion of this market. The fastest growing markets are pulp and paper, sawnwood and wood chips. However, the wood based panel market is increasing its presence.

The most significant imports of forestry equipment are chippers, saws, harvesters, thrashers, and pulp and paper equipment. This market is dominated by Germany with an import market share of roughly 50 per cent. German equipment manufacturers hold an exceptionally competitive position, in part, because of their reliability and their advanced technology. The remaining share of the market is held by the United States, Sweden, Argentina, Brazil, Italy and Canada.

An eminent trend to be considered is the growing tendency in value-added goods in the forestry sector. For example, wood-working equipment has increased by an impressive 67 percent over the past year, from CIF US\$ 1.8 million to US\$ 3.0 million. Considering the vast majority of this value-added production would be destined for export, the marriage between Chile's demand for appropriate processing facilities and Canada's abundant supply of forestry processing plants seems entirely plausible. The possibility of such projects manifesting themselves though, is of course dependent on their overall cost and benefit structures, as well as the competitive advantage of Canadian equipment over foreign equipment.