

## Export and Investment Promotion Planning System

## 87/88 Trade and Economic Overview

Mission: 633 SANTIAGO

Country: 068 CHILE

DESPITE A SLOWLY GROWING (OVER US\$20BN) FOREIGN DEBT & POLITICAL DIFFICULTIES, THE CHILEAN ECONOMY IS ON THE UPSWING AND CONFIDENCE IS GROWING AS WITNESSED BY THE STILL MODEST BUT REGULAR RETURN OF THE MONEY THAT FLED THE COUNTRY IN THE EARLY SEVENTIES. THE GOVT IS REPRIVATIZING THE COMPANIES THAT WERE NATIONALIZED UNDER ALLENDE, MAKING SURE HOWEVER, THAT THEY KEEP CONTROL OF CERTAIN PUBLIC SECTOR COMPANIES AND NATIONAL RESOURCES. THE OTHER MAJOR ECONOMIC POLICIES CENTERED ON THE EXTERNAL DEBT RESCHEDULING, THE CASE BY CASE RENEGOTIATIONS OF PRIVATE LOCAL COS DEBTS (OVER 50000) WHICH WERE CONTRACTED MOSTLY IN US DOLLARS BEFORE THE 1982, DEVALUATION OF THE PESOS (FROM 39 PESOS TO 200 PESOS, A DOLLAR IN LESS THAN 2 YEARS), THE DEVELOPMENT OF A PROGRAM TO IMPROVE THE TECHNOLOGY AND EQUIPMENT IN THE AGRICULTURAL, FORESTRY AND MINING SECTORS UTILIZING MOSTLY IRDB AND IADB MONEY AND THE INTRODUCTION OF AN AGGRESSIVE CAMPAIGN TO ATTRACT FOREIGN INVESTMENTS. IF EXPORT PRICES OF CHILE'S MAIN COMMODITIES (COPPER, PULP, LUMBER, LOGS, AGRICULTURAL PRODUCTS AND FISH MEAL) DO NOT EXPERIENCE A SHARP DECREASE AND IF THE GOVERNMENT CAN RENEGOCIATE ITS FOREIGN DEBT ON A LONGER TERM BASIS IN 1987, WE BELIEVE THEY WILL BE ABLE TO FULFILL THEIR ECONOMIC GOALS AND EVEN REDUCE THE NATIONAL ACCOUNT DEFICIT. THE OUTLOOK FOR THE YEAR TO COME LOOKS PROMISING AS CANADIAN FIRMS ARE ACTIVELY PURSUING PROJECTS IN THE FORESTRY AND MINING SECTORS. IN FORESTRY, THE MOST INTERESTING PROJECTS ARE THE PLANNED CONSTRUCTION OF 2 NEW PULP MILLS VALUED AT OVER US\$600 MILLION. FINANCING WILL NATURALLY, BE THE DECISIVE FACTOR BUT WE HAVE EVIDENCE THAT AT LEAST 1 OF THE 2 PROJECTS IS LIKELY TO BE IMPLEMENTED. THE DOWNSTREAM POSITIVE EFFECT WILL BE IN THE LOGGING AND SAWMILLING EQUIPMENT NEEDS OVER 6 YEARS, (US\$150 MILLION) CREATED BY THESE PROJECTS. IN THE MINING SECTOR, CODELCO NEEDS FOR NEW EQUIPMENTS ARE VALUED AT US 300 MILLION PER YEAR. THE OTHER MINING FIRMS WILL COLLECTIVELY BUY FOR ABOUT US\$100 MILLION. THIS DOES NOT TAKE INTO ACCOUNT THE MAJOR PROJECTS PURSUED BY UTAH MINES AND EXXON. SULPHUR AND GOLD MINING PROJECTS ARE ACTIVELY PURSUED BY CANADIAN COMPANIES. FISHERIES, TELECOMMUNICATIONS ARE THE OTHER SECTORS WHERE CANADIAN COMPANIES SHOULD INCREASE THEIR EFFORTS. IN THE ENERGY SECTOR, CHILE WILL TERMINATE THE CONSTRUCTION OF 2 HYDRO ELECTRIC PROJECTS VALUED AT OVER US\$500 MILLION IN 1988 AND WILL ISSUE TENDERS FOR THE US\$700 MILLION PEHUENCHE'S 500 MW CENTRAL IN 1987.