

RPTB1

TRADE AND INVESTMENT PROMOTION PLANNING SYSTEM

90/91 TRADE AND ECONOMIC OVERVIEW

Mission: SANTIAGO

Country: CHILE

With general elections to be held on December 14, 1989 and a new civilian government assuming power on March 11, 1990 forecasting the FY 90-91 trade and investment climate in Chile is slightly more tenuous than usual. However, according to the pronouncements of the presidential candidates, very little change in macro-economic policy is expected in 1990.

Economic performance for the first nine months of 1989 has generally exceeded the expectations of both the Government and business community. In the September meeting of the IMF in Washington, D.C., Chile was continually used as an economic example among developing countries. GDP grew by 10.4%, unemployment dropped to 6.7%, exports grew by 16.4%, foreign investment earned rose by US\$ 526 million (similar to the entire 1988 period) and foreign debt reduction is expected to surpass US\$ 2 billions by year's end. On the other hand the high rate of GDP growth pushed inflation to an annual rate of 18%, affecting negatively real income which grew by only .1%. Also, the increase in imports (38.4%) in the first eight months has worried some government officials. However, the majority of this expansion reflects high capital investment in the economy (particularly in the exporting sector) which will lead to a more stable future growth. The high price of copper and fresh foreign capital is financing imports.

In 1990 inflation is projected to be between 15-20%, unemployment will remain low, foreign investment projects under way will continue and the exporting activity should expand. The two main uncertainties will come from international copper prices and world interest rates - variables difficult to predict.

Two way trade between Canada and Chile has been growing steadily over the past four years at about CDN\$ 40 million per year. In 1988, Chile showed a slight balance of trade surplus (CDN\$ 24.7) based on Canadian exports to Chile of \$ 135.8 million and Chilean exports to Canada of \$ 160.5. 1990 is expected to be another good year for Canadian exports taking advantage of the opportunities offered by the vibrant, open Chilean marketplace. The mining sector, where Canadian private sector investment is almost one billion dollars, continues to lead commercial activity. The forestry, telecommunications and manufacturing sectors also offer excellent potential for the sale of Canadian goods and services. Two-way trade for 1990 is expected to top CDN\$ 325 million. Canadian firms are encouraged to study the Chilean market with a view to a long-term commitment in its economic development, i.e., manufacture under license, joint ventures and technology transfer.