

Chile

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CHILE GDP GROWTH ACCELERATES TO 5.1% IN SECOND QUARTER

Chile's economy grew 5.1% in the second quarter over a year earlier, its fastest quarterly pace in four years, fueled by booming copper exports and stronger domestic capital investment. Strong global demand fueled by China and high prices for Chile's main exports -copper, wood-pulp, fertilizers and salmon- have been driving the economy to its fastest annual rate of expansion in seven years. In 2003, Chile's economy expanded 3.3%.

Analysts said that the most important element of growth was domestic demand, which shows whether consumer spending and business investment are catching up with the export boom.

The Central Bank has held interest rates at a historic low of 1.75% all year, in order to stimulate spending and investment in this South American nation of 15 million people.

Domestic demand grew 5.7% in the second quarter, compared with 5.3% growth in the first quarter. That was driven mostly by an 8.0% growth in fixed capital investment, while "other demand" which includes consumer spending, grew at a rate of 4.9%.

"Of all the numbers that make up GDP, the key point is the notably better-than-expected expansion in fixed capital investment. It is a good figure, especially if you note that the base of comparison was very high. It means that the investment trend is accelerating", said Guillermo Pattillo, economist with the University of Santiago.

Reuters, August 23

CHILE ON TRACK FOR BUDGET SURPLUS

Chile posted a budget surplus equivalent to 1.3% of gross domestic product in the first half of 2004 due to high prices of copper, its top export, and slower spending growth, officials said. The figure puts the country, one of Latin America's healthiest economies, on track to meet its goal of a fiscal surplus after three years of shortfalls.

The surplus in the second quarter was 0.8% of GDP, which is estimated at US\$ 90 billion this year. "These higher revenues are associated with a higher average copper price and the sale of a good part of Codelco's stockpile accumulated in 2003", the budget office said in a statement.

Chile's government relies heavily on cash from the state copper company Codelco, the world's largest producer, which posted pre-tax earnings of US\$ 1,540 billion in the first half of 2004. Codelco has taken advantage of high copper prices this year to sell about 200,000 tonnes of the red metal that it stockpiled during a slump in demand.

Chile's overall copper exports totaled 482,342 billion pesos, or about US\$ 753 million, in the second quarter, more than double that of the first quarter. Prices for the base metal averaged US\$ 1.25 per pound in the first half against US\$ 0.75 per pound in the same period of 2003.

On top of the mining bonanza, the government trimmed its spending growth to 5.0% in the second quarter from a 6.4% expansion in the first quarter.

Reuters, August 17

SURVEY REVEALS DROP IN CHILE'S POVERTY RATE

Chile's poverty rate dropped to 18.8% in 2003, down from 20.6% in 2000, according to the latest version of the National Socioeconomic Characterization Survey (CASEN). The survey's results, announced by President Ricardo Lagos and Planning Minister Andrés Palma, mean that, in the three years to 2003, 173,400 Chileans crossed the poverty line. Those living below the poverty line include both the poor and the extremely poor. The rate for the former category reached 14.1% in 2003, down by 0.8% -or 52,300 people- on 2000. An equally important and even more encouraging result, however, was the rate of extreme poverty which, by 2003, was running at 4.7%. This represented a reduction of one percentage point -or 120,900 people- on 2000. This drop reflects the success of economic and social policies used to combat extreme poverty and is extremely important, given that it was achieved in just three years and starting from a rate that was already low.

CASEN 2003 also showed that, although Chile's income distribution remains unequal, some progress was achieved between 2000 and 2003, due to the increased earning capacity of the poorest households.

The government's efforts to improve quality of life and to ensure greater equity for all the country's citizens is reflected in the targeting of its social policies. The positive impact of these policies is seen in CASEN 2003, according to which more than half of the total income of the poorest 10% of households has its origin in education and health policies and assistance programs.

Ministry of Planning & Cooperation (Press Release), August 19

NEW INDEX REVEALS 26% INCREASE IN HOUSING SALES

According to a new index, launched by the Chilean Chamber of Construction (CChC) on August 25, housing sales in Chile rose by 26.2% in the twelve months to July. The Chamber's President, Fernando Echeverría, described the result as "a gold medal for the construction sector".

The increase was led by sales of apartments, which rose by 36.2% over the same month last year, while sales of houses increased by 14.7%.

An estimated 4,267 apartments and houses were sold in July, up from 3,380 in July 2003, with the growth of sales far outstripping the increase in supply. As of July, the number of apartments and houses on the market reached an estimated 42,013, up by 4.6% on a year earlier. As a result, the time required to clear the market dropped to 9.8 months, down from 11.9 months in July 2003.

Chilean Chamber of Construction (Press Release), August 25

BARRICK GIVES OK TO PASCUA-LAMA MINE

Barrick Gold Corp. will go ahead with its biggest project: the development of the Pascua Lama gold deposit in Chile. "Pascua-Lama is expected to be a significant contributor to our low-cost production profile for many years to come", said Greg Wilkins, President and Chief Executive Officer. "The building of four new mines and the positive decision to proceed with Pascua-Lama represent a whole new chapter in the evolution of Barrick. Our overall portfolio of quality properties reflects balanced geo-political risk and long-term exploration potential. We expect that these five new mines will enable us to maintain our ranking as the lowest total cash cost major gold producer", he stated.

The Pascua-Lama project in Chile and Argentina is expected to produce an average of approximately 750,000-775,000 ounces of gold and approximately 30 million ounces

of silver annually over its first ten years at average total cash costs of US\$ 130-US\$ 140 per ounce. During the first five years, Pascua-Lama is expected to produce 675,000-700,000 ounces of gold and 32-34 million ounces of silver at total cash costs of US\$ 90-US\$ 100 per ounce net of the silver credit. The current reserves for this long-life, low operating cost project are 16.9 million ounces in proven and probable reserves and 635 million ounces of contained silver. Construction capital is currently estimated at between US\$ 1.4-US \$1.5 billion.

"We expect to receive permits and finalize other fiscal and taxation matters over the next 18 months or so, and will then be in a position to proceed on the three-year construction schedule", added COO Mr. Kinver. "We look forward to working cooperatively with local communities and the governments of Argentina and Chile. Their support will be essential to the successful development of the project", said Mr. Kinver.

"We have made significant progress in building our new mines", said CEO Greg Wilkins. "It demonstrates our team's technical and development expertise, and reinforces our confidence that these projects will be executed and completed on time and within budget", he concluded.

Barrick Gold Corp. (Press Release excerpts), July 27

COPPER PRODUCTION FORECAST TO INCREASE 9.7% IN 2004

Chile's state copper commission Cochilco forecasts the country's production of the red metal will increase 9.7% to 5.38Mt in 2004 compared to last year. The anticipated rise is mainly due to production increases of 199,000t by state copper company Codelco, 145,000t by the Escondida copper mine and 79,000t by the Collahuasi copper mine. In 2005, Chile's copper output is expected to reach 5.56Mt, 3.5% more than forecast for 2004, but lower than the average annual growth rate of 9.2% registered between 1994 and 2003. Cochilco executive Vice President Patricio Cartagena

highlighted the role of Chile's copper mining industry on the world stage, where the country's production represented 36% of total world output in 2003, followed by the US with 8.3% and Indonesia with 7.3%. Cartagena was presenting a yearbook of statistics on production of copper and other minerals in Chile from 1994-2003, which can be downloaded from Cochilco's website at www.cochilco.cl

Business News Americas, August 11

CITIGROUP TO DETERMINE LIQUIFIED NATURAL GAS DEMAND

Citigroup Global Markets Inc. started meeting with Chilean gas distributors and power generators to determine the local demand for liquefied natural gas (LNG) that would be imported to a regasification terminal operated state oil company Enap. Citigroup met with representatives from generators Endesa, Gener and Colbun and gas distributors Metrogas, Gas-Valpo and Energas, local newspapers reported. The power generators in particular could be interested in LNG because of the current unreliability of gas supplies from Argentina. Although export restrictions have relaxed recently, the gas crisis in Argentina meant that country has cut gas exports to Chile by as much as 12 million cubic meters a day (mcm/d), or about half of the total amount Chile normally imports, which has forced power generators to seek alternative fuel supplies.

Enap hired Citigroup Global Markets in June to advise on a project to import LNG. Citigroup is providing Enap with advice on the commercial and technical design of the project and will help form a pool of local consumers and award international LNG supply contracts. Enap itself would use half of the planned three million cubic meters a day (mcm/d) capacity, and other large-scale users such as power generators and/or gas distributors would buy the other half. Capacity could later rise to 10mcm/d. Project investment is estimated at US\$ 400 million-500 million, with operations penciled in for 2008.

Business News Americas, July 28

CHINA-CHILE TO CONCLUDE FEASIBILITY STUDY OVER FTA

China and Chile are fast-tracking negotiations over the establishment of a Free Trade Agreement (FTA), with the conclusion of feasibility studies to be announced in early October, a Chilean diplomat said. And Chile is also considering granting China market economy status (MES) in anti-dumping and anti-subsidy cases, said Pablo Cabrera, Chilean ambassador to China.

China and Chile launched the FTA talks last year, and pledged to conclude the feasibility studies this year. "We have just finished a two-day experts meeting in Beijing during the first week of this month", said the ambassador. "And now the two nations are expediting the process with the conclusion to be announced, hopefully, ahead of deadline". The FTA will surely promote already-booming bilateral trade and mutual investments. "The two countries' economies are complementary with each other", said Cabrera. "An FTA will be good to both. With the FTA in place, two-way trade volume will easily exceed US\$10 billion by 2008".

Cabrera said he believes China will soon surpass Japan to become Chile's second largest export destination, after the United States. China is now Chile's fifth largest trading partner, and Chile is China's third largest trading country in Latin America. The two-way trade reached US\$ 2.37 billion during the first half of the year, representing an increase of 52.7% on a yearly basis.

Chilean wine, well known for its low price and good quality, will also flow into China in coming years, as China is lowering its import tariff, Cabrera said. The FTA will also give a rise to Chinese investments in Chile: "Chile is a good platform for Chinese firms to penetrate Latin American markets, as the country boasts sustained economic growth, solid macroeconomic indicators and a generous endowment of natural resources".

China and Chile, world's largest copper consumer and supplier, respectively, have already vowed to strengthen co-operation on copper mining. Leading Chinese miners have expressed interest in the Chilean copper market. Currently copper accounts for 62% to 68% of Chilean exports to China.

Currently Chile has launched FTAs with Canada, Central America, South Korea, European Free Trade Association (Iceland, Liechtenstein, Norway and Switzerland),

Mexico, USA and the EU. China is active in FTA talks with its neighbours and major trading partners including New Zealand, Australia, the Gulf Co-operation Council and South Africa.

China has already started construction of an FTA with the Association of South East Asian Nations which, scheduled to be completed by 2010, is potentially the world's largest FTA.

China Daily, August 27

CHILE CREATES FOUR NEW REGIONAL RESEARCH CENTERS

Chile announced that it is creating four new research institutes around the country as an extension of its efforts to boost research and innovation in its less developed regions.

The new institutes, which will receive a total of US\$ 9.5 million for their first five years from the National Committee of Science and Technology (CONICYT), are expected to begin operation in the next four to seven months. Each will carry out research on topics that are economically and technologically relevant to the regions where they are based.

The first of the institutes -Consortium of Research in Nutrition, Food Technology and Sustainability of Aquaculture- will be based in the 'lakes region' of southern Chile, where there is a high level of salmon production. "We expect to become an international center for [salmon-breeding] and for introducing new species into aquaculture", said Ana Farias, director of the new institute. "We are keen to create a critical mass of multidisciplinary research in innovative technologies and services for aquaculture, particularly in the context of food production".

The second institute, the Center for Scientific and Technological Research in the Mining Industry, will be based in the Antofagasta Region in Northern Chile, where half of the country's mining -which itself represents about half of Chile's exports- is carried out. Scientists at this center will carry out research into issues relevant to the mining industry such as 'bio-mining' -the use of bacteria to extract minerals- alternative energy sources for mining, and mountain medicine.

The other two new institutes are a Center for Nutritional Genomics for Agriculture and Aquaculture, and the Center of Patagonian

Ecosystems, both of which will also be based in southern Chile.

The creation of new research centers is part of CONICYT's regional program that has already led to the opening of five Regional Research and Cooperative Development Consortia, the official name of such institutes. Funding for each of the new centers will be provided equally by CONICYT and regional governments. Additional funds, as well as personnel and infrastructure, will be provided by local universities and public or private organizations.

One of the objectives of the regional program is to promote collaboration between existing research institutes, academic centers and local universities, hoping to create a synergy between their research activities. "The regional program seeks to stimulate enthusiasm [about research] through the country", comments Eric Goles, president of CONICYT, who points out that, like many developing nations, Chile is highly centralized, with about one third of the population living in Santiago, its capital. "Through the program, we are building a national platform for research and innovation, with the regions themselves deciding the direction in which they want to develop".

Science and Development Network, August 24

INSURANCE DEAL IN CHILE

The Liberty Mutual Group announced that it has bought the insurance operations of AGF Allianz Chile S.A. for US\$ 47 million to expand in Latin America. The purchase of the Chilean business takes effect immediately. Liberty Mutual will rename the company Liberty Seguros, which will offer property and casualty insurance for commercial and personal clients.

Liberty Mutual already operates insurance companies in Venezuela and Colombia and has operations in Argentina and Brazil. Liberty Mutual, a mutually owned insurer based in Boston, employs nearly 38,000 people in about 900 offices worldwide.

"Chile is a very attractive market and this acquisition fits very well into our Latin American strategy", said Edmund F. Kelly, Liberty Mutual's chief executive.

Associated Press, August 21

FINNING EXPANDS FACILITY TO SERVE SOUTH AMERICAN MINING CUSTOMERS

Canada's Finning International Inc. has invested more than US\$ 7.5 million to expand its Specialized Services Unit, located in Antofagasta in Chile's Region II. The investment doubles the Unit's capacity in order to satisfy the growing needs of the company's mining, construction, and shipping customers, both in Chile and other South American countries.

The new facility, which is considered the most modern of its type in South America, will provide 500 jobs. It includes buildings covering more than 9,000 square meters, represents a 40% increase in the size of the industrial plant, and will allow the company to provide a service, based on latest-generation technology, during the 365 days of the year, with optimum repair times and fail-proof quality.

In a press conference, the company's executives underlined the importance of the facility, pointing out that "this Specialized Services Unit has consolidated its position as one of South America's most important repair centers, due to its scale and the Caterpillar technology used in its test banks and other installations". They also expressed their satisfaction with this initiative which will allow the company to expand its operations and, even more importantly, to provide an optimum service to its customers in Chile and neighboring countries. They underlined the excellent situation of Chile's mining industry, pointing out that this was the incentive for Finning's decision to consolidate the Unit as an integrated services center for the entire region.

They recalled that Finning has operated in Chile since 1993 and considers the country as "a jewel in its portfolio". The operation has grown rapidly in recent years and serves numerous clients in the Machinery, Mining, and Power Systems sectors. Chile is, they said, distinguished by its free and open economy, clear regulation, and its tradition of business transparency, as well as its respect for the law and its attractive investment climate.

The main services offered by the recently expanded Unit include the repair and reconditioning of Caterpillar components, the cleaning of filters for mining machinery, the recovery of pieces and hydraulic repairs, as well as the calibration of tools and the analysis on non-destructive fluids.

The expansion includes new and sophisticated latest-generation equipment, a warehouse for components for 797 trucks - which carry the largest load in the world - test banks, a Machine Shop, new areas for painting, washing, and support operations, a filter building and technology for the treatment of industrial residues and the management of environmental impact.

The Component Repair Center in Antofagasta started operation in 1990, with a staff of just 20 employees and an area of 1,900 square meters. Today, it has a staff of 180, which is expected to rise to more than 280 next year, operating in a continuous system 24 hours a day, seven days a week.

Finning (Press Release), August 24

COLLAHUASI SEEKS PERMITS FOR US\$ 40 MILLION MO PROJECT

Chile's Collahuasi copper mine applied to the country's environment regulator Conama to implement a US\$ 40 million expansion to extract molybdenum from copper concentrates. The project envisages processing 1.5Mt/y copper-molybdenum concentrate in a molybdenum flotation plant to produce an average 7,500t/y of molybdenum in concentrate, the company said in a statement to Conama. The proposed expansion is a result of higher grades of molybdenum of 0.03% coming from the Rosario pit which has just come on stream. The project is based on a scenario, approved last year by Conama, of implementing an upgrade at Collahuasi to increase throughput to 126,000t/d to produce 450,000t copper over the 24-year mine life.

The plant will be built near Collahuasi's filtration, storage and port facilities in Punta Patache, 65km south of the port city of Iquique in Chile's Region I. The mine is located inland some 200km southeast of Iquique on the altiplano. A labor force of 400 people will be required to build the project and 25 to operate it. Collahuasi commissioned a US\$ 654 million project in late April to increase throughput to 110,000t/d to maintain production at 400,000t/y copper over the 24-year mine life. Collahuasi is owned by the UK's Anglo American (44%), Canada's Falconbridge (44%) and a Japanese consortium headed up by Mitsui (12%).

Business News Americas, August 23

IFC INVESTS US\$ 10 MILLION IN SONDA

The International Finance Corporation (IFC) said it has invested US\$10 million to buy preferred shares for a minority stake in Chilean systems integrator Sonda to support the company's Latin America expansion plans. "IFC is a long-term partner and we look forward to continue supporting Sonda as well as the IT sector in Latin America", said Mohsen Khalil, director of IFC's global information and communications technology department. Sonda will use the extra financial support to consolidate its international presence in Latin America, the company's corporate communications department told. Sonda aims to end 2004 with revenues of US\$ 300 million, compared to US\$ 250 million in 2003 and growing to US\$ 500 million in 2006, but the company declined to say how much of its revenues come from outside Chile.

IFC, the private sector arm of the World Bank Group, aims to finance IT companies in the region to improve the efficiency of the corporate sector and help electronic government projects in Latin America, IFC Latin America and Caribbean director Atul Mehta said. Sonda is one of the largest IT integrators in Latin America, with offices in 10 countries and over 3,000 workers. It provides a wide range of IT services, including hardware and software integration, application software development, IT solutions for various industries, training services, and outsourcing and support services.

Business News Americas, July 8

CHILE, NEW ZEALAND, SINGAPORE CONCLUDE SECOND ROUND OF FREE TRADE TALKS

Chile, New Zealand and Singapore completed the second round of negotiations on the Pacific Three Free Trade Agreement (P3 FTA) in Wellington, New Zealand. A statement by the Singapore government says the three sides conducted discussions on a comprehensive range of issues. These include trade in goods, rules of origin, technical barriers to trade, trade in services, financial services, investment and intellectual property.

The next round of negotiations will be held in Santiago, Chile in end 2004 or early 2005.

Channel News Asia, August 21

CHILE COPPER-EATING BACTERIA MAY GO INDUSTRIAL STRENGTH

Chile's state-owned Codelco, the world's biggest copper miner, could begin building next year the world's first industrial-scale plant for processing copper with microscopic heat-loving bacteria, company officials said.

Codelco and its partner multinational mining group BHP Billiton have invested some US\$ 60 million since 2000 in a pilot bioleaching plant at the Mansa Mina deposit near Codelco's Chuquicamata mine in northern Chile. The plant, which is producing about 20,000 tonnes a year of copper, ends its pilot phase in November, and then the partners will decide whether to scale up the technology. "I'm confident that we'll continue with the bioleaching. It's very attractive. In March we would start to engineer an industrial plant to go on line by 2008", Codelco Research Manager Pedro Morales told after a bioleaching seminar for journalists in Santiago.

The target production for the industrial plant is 100,000 to 200,000 tonnes of fine copper a year by 2008. Morales said the pilot plant has successfully shortened the leaching process to two-to-five days. Previous experiments with different bacteria had taken several weeks with a lower extraction rate. In bioleaching, bacteria dissolve copper and other minerals into liquid solutions that are sent to a separate plant where the copper is extracted from the mixture.

Copper is the backbone of Chile's export-driven economy, but mineral reserves will become depleted in the coming years, so miners want to be able to render copper from low-grade ore- rocks with less copper in them- and they want to do it as cheaply as possible.

Codelco's copper reserves are based on an economic feasibility cut off point of 0.3 gram of copper per tonne of ore. The company is seeking efficient ways to get copper out of lower grade ore, both in new deposits and on slag heaps from mines that have been in production for 100 years, such as Codelco's El Teniente mine.

Bioleaching has been used on an industrial scale in gold mining since the 1990s, but heat-loving bacteria called thermophiles, commonly found in geysers, have been put to work in recent years to extract base metals such as copper.

Codelco has another bioleaching joint venture, BioSigma, with Japan's Nippon Mining & Metals Co. Ltd., which has invested US\$ 5 million since 2001. BioSigma is researching new bioleaching processes that could be used to extract copper from sulfide minerals, which require a different refining process from the oxide minerals at the Codelco-Billiton pilot project. BioSigma aims to start a prototype plant next year, Morales said.

Reuters, August 25

TRANSALTA BUYING GREENHOUSE GAS CREDITS

TransAlta became the first Canadian company to buy greenhouse gas credits from another country. It has signed a deal with Agrosuper, of Chile, to buy 1.75 million tonnes of emission-reduction credits over the next 10 years.

A TransAlta spokesman says the company believes it will be forced to reduce its greenhouse gas emissions in the near future, either under the Kyoto Protocol or through changes to Canadian regulations.

Chris Bromley, with the Pembina Institute, says other companies should be looking at following TransAlta's lead. "It sends a signal that Kyoto is real and that constraints on greenhouse gases for major industrial emitters are real and I hope other companies take some serious steps to prepare themselves for those constraints that are coming", Bromley said.

While 123 countries have signed the Kyoto Protocol, which wants to reduce carbon-dioxide emissions to 8% below 1990 levels by 2010, the signatories don't total 55% of the industrialized world's emissions.

Calgary CBC, August 25

COMSA WINS FIRST RAILROAD CONCESSION

Chile's state rail company EFE awarded Spain's Comsa group the first concession contract that falls under its US\$ 998 million investment plan for 2003-2005, EFE president Luis Ajenjo announced. The 16-year contract

entails rehabilitating and maintaining the rail network's northern zone (*Zona Norte*). This zone covers the Alameda-Limache, Limache-Puerto Valparaíso, Alameda-Talagante, Talagante-Barrancas and Paine-Talagante stretches for a total of 376km.

Comsa submitted a bid of US\$ 32 million that corresponds to the rehabilitation works, which had a reference price of US\$ 38 million. The other bidders were OHL, Azvi and Icil-icafal. The Spanish group will be paid a fixed payment plus a variable payment based on tonnes/km transported on the stretches. Contract signing is scheduled for October 23, with works slated to begin that same month and wrap up the second half of 2006.

The works will benefit the transportation of sulfuric acid and fine copper for state copper company Codelco; the transport of copper concentrates for mining company Minera Andina; waste transport from capital Santiago for waste management companies KDM-Urbaser; Region V inter-urban rail company Merval's (an EFE subsidiary) network; and rail connectivity with Region V ports San Antonio, Valparaíso and Ventanas. The works are also expected to facilitate the development of a bioceanic corridor via the planned rehabilitation of a rail corridor to link Argentine city Mendoza with the town of Los Andes in central Chile.

Remaining concession contracts:

Regarding a call for bids for the second concession contract for the *Zona Centro* (Alameda-Chillán for 531km) that falls under the investment plan, Ajenjo said this is expected next month. When asked about two subsequent concession contracts, *Centro Sur* (Chillán-Temuco, San Rosendo-Talcahuano for 378km) and *Zona Sur* (Temuco-Puerto Montt for 389km), he said these are expected by year-end.

Regarding a fifth contract to supply signaling, electrification and communication systems valued at US\$ 103 million along the different stretches, EFE general manager Eduardo Castillo said technical and economic offers are due October 25.

Business News Americas, August 24

IMF'S 2004 ARTICLE IV CONSULTATION WITH CHILE

On August 4, the Executive Board of the International Monetary Fund (IMF) released its report on the 2004 Article IV Consultation with Chile. The following is the Executive Director's assessment of the country:

• Executive Directors commended the Chilean authorities for their continued implementation of sound policies, centered on a prudent fiscal policy, a successful inflation targeting framework, and trade integration. These policies, together with a robust financial system, have led to sustained economic growth and contributed to a sharp reduction in poverty, and constitute a good example for other countries. Directors also noted that strong fundamentals allowed Chile to weather the recent global downturn and should enable it to take full advantage of the rebound in copper prices and increased global demand for its exports, contributing to a long-delayed rebound in investment. Directors pointed to manageable risks associated with higher global interest rates, oil prices, uncertainties regarding natural gas supplies, and possible changes in copper prices.

• Directors praised Chile's commitment to a prudent fiscal policy, reinforced by adherence to a structural balance rule, which calls for a surplus of 1% of GDP in the central government's fiscal accounts. They commended the authorities for reallocating spending to social priorities, and for restraining overall spending, despite higher revenues from the surge in copper prices. They supported the decision to use surpluses accrued in the Copper Stabilization Fund to selectively prepay government debt. Directors commended the authorities for improving transparency in the fiscal accounts and for publishing previously off-budget accounts, especially with regard to military spending. Going forward, they welcomed the inclusion of an estimate of the structural fiscal position in the budget. In this regard, several Directors recommended that the authorities formalize the structural balance rule into a law, while several other Directors thought that formalizing this rule would unnecessarily constrain the scope of countercyclical fiscal policy.

• Directors noted that the authorities' proposal to introduce a royalty in the mining sector could raise revenue and aid Chile's management of its non-renewable resources, though they cautioned that if introduced, it should be done in a manner that does not negatively impact foreign investment.

• With regard to monetary policy, Directors recognized the success of Chile's inflation targeting framework in anchoring inflation expectations. They viewed the current stance of monetary policy as appropriate and as having provided adequate stimulus to the economy. Looking forward, with inflation gradually returning to the mid-point of the Central Bank's inflation target band of 2-4%, they advised only a gradual removal of monetary stimulus, given the large output gap and the persistence of a still high unemployment rate.

• Directors agreed with the thrust of the Central Bank's debt management strategy. They supported the Central Bank's ongoing process to deepen domestic financial markets by introducing long-term peso-denominated bonds. They agreed with the Central Bank's plans to gradually redeem part of its dollar-indexed debt with foreign exchange reserves. Directors encouraged the authorities to recapitalize the Bank, which would contribute to resolving the Bank's on-going quasi-fiscal deficits. A few Directors pointed to the need to link more explicitly the structural balance rule to the quasi-fiscal deficit of the Central Bank.

• Directors observed that the floating exchange rate regime has benefited the economy and allowed it to adjust smoothly to external shocks. They commended the Central Bank for a policy of nonintervention in the foreign exchange market, despite the sharp appreciation of the peso in late 2003.

• Directors welcomed the authorities' intention to follow the recommendations of the Financial System Stability Assessment. They agreed that the financial system is sound and has withstood well a large range of shocks over the past several years, and emphasized the important role of sound regulations and strong supervision, particularly in the banking system. They noted, however, the need to reduce risks in the insurance industry and strengthen regulation and supervision of the securities industry. They also saw a need to improve further Anti-Money Laundering/Combating the Financing of Terrorism legislation.

• Directors agreed that there was scope for improving the financial system's efficiency. They suggested that investment restrictions on pension funds could be judiciously liberalized, to take advantage of

economies of scale and increased competition. Directors highlighted the need for the regulatory system to adapt to the increasing sophistication of financial markets, where distinctions between entities had become more blurred, by moving to a high-quality risk-based regulatory system that would take into account the interconnections between different components of the financial system. They also noted that there was room to further improve competition regarding the financing of small and medium-sized enterprises. To that end, Directors welcomed the reforms contained in the new Capital Markets II draft law.

• Looking to the medium-term, Directors praised the authorities' on-going public debate on how to sustain higher rates of growth while reducing income inequality. To that end, Directors supported the recent laws to implement the Pro-Growth Agenda. In this context, they noted the importance of liberalizing labor market laws and strengthening the educational system to improve employment opportunities. Directors also praised the authorities for their social policies, including Chile Solidario, which they viewed as an important example of a well-targeted program to help reduce extreme poverty.

• Directors underscored Chile's leadership role in opening markets through comprehensive and sustained trade and financial market liberalization. They welcomed the implementation of recent bilateral trade agreements and also encouraged the authorities to continue their efforts at multilateral trade liberalization. They observed that Chile's exposure to external debt shocks remained contained, since much of this debt resides with the private sector, which has access to financial hedges, and external public debt ratios remain low.

• Directors recognized that the data received by the Fund are of good quality, timely, and adequate for surveillance purposes. They commended the authorities for making important strides in bringing the fiscal statistics more closely in line with international standards and urged that the authorities take the steps needed to close the relatively small gaps in coverage. They also welcomed Chile's decision to participate in the pilot project to evaluate public investment and Public-Private Partnerships.

*International Monetary Fund (IMF),
August 5*

CHILE IN THE EYES OF WALL STREET

The following are excerpts from Wall Street Rating Agencies' and Investment Banks' reports on Chile:

From Moody's Investors Service's "Banking System Outlook: Chile", July 14

In its annual report on Chile's banking system, Moody's Investors Service says that its ratings for the Chilean banks continue to be the highest on average within its Latin American bank rating universe. The agency notes that the Chilean banks' higher bank financial strength ratings rest on their earnings quality and on their managements' focus on improving operating efficiency, boosting fee growth and bolstering solvency.

- Our outlook for the financial strength ratings (BFSRs) of the Chilean banks continues to be stable overall. They continue to be the highest on average within our Latin American universe of rated banks, with an average of "C" for the six banks we rate for financial strength. These ratings reflect the banks' solid earnings quality, superior operating efficiency as well as strong credit and market risk management as a system. The ratings are also based on the Chile's relatively stable operating environment and its consistent track record in banking regulation and supervision. The ratings also reflect the banks' high commitment to fee growth and improving solvency within Chile's relatively mature banking market.

- We expect the BFSRs to remain stable in the medium term, however, with positive developments possible for individual names to the extent that macro trends continue improving and those banks continue to manage risk and show their ability to compete in an atmosphere of intensifying competition.

- The major risks we see for the Chilean banks in 2004 and 2005 include the unknown effects of much tougher competition on the medium sized and small banks (the top five banks now hold 73 % of total loans up from 44 % in 1995) as well as the temptation to lend at higher levels (double digits) to the consumer, the segment that is driving the current lending growth. An increased appetite for consumer business could lead to less prudent lending scrutiny and potentially high credit costs for those banks least able to absorb losses.

- A major risk faced by the Chilean banks as a group is the potential for rising interest rates in the US, which would increase the banks' cost of funding and at the same time negatively impact their securities and other capital markets-related income. We believe, however, that the rated banks are well positioned to confront these risks with limited downside, given their much larger, stronger capital bases and much improved asset quality.

From JP Morgan's "Daily Comment", August 13 & 27

- The Central Bank of Chile left the policy rate unchanged at 1.75% as expected. Given BCCh's explicit remark highlighting that "the time is approaching when a moderation of the significant monetary stimulus in place will be needed", the JPMorgan forecast now expects the monetary authority to begin raising rates in December 2004 (versus February 2005 previously).

- BCCh acknowledged the fact that persistently high oil prices are lifting headline consumer price inflation beyond what was expected in May when the latest monetary policy report was published. This view is in line with the recent upward revision to JPMorgan's 2004 CPI inflation forecast to 3.2% Dec/Dec (from 2.8% previously). However, the Central Bank also highlighted that the core measure of consumer prices (excluding volatile components) has been running at a more moderate pace (1.0%ooya in July) and that its return to the 2-4% target range is expected to be gradual. This reinforces JPMorgan's perception that BCCh will be in no hurry to raise rates.

- The Central Bank also emphasized the fact that economic slack is steadily diminishing -despite recent mixed evidence- raising concerns about price pressures ahead. In particular, the authority mentioned that both export and investment demand are currently showing more visible signs of growth. But we favor the view of investment demand from the supply-side angle and thus consider it as an enhancement of capacity. From this perspective, an improving investment demand does not appear as a compelling argument in favor of heightened inflation concerns.

The fact that core consumer price inflation has remained comfortably in line with expectations and given that the JPMorgan view in terms of the decline in slack across the economy is slightly more skeptical than that of the Central Bank, we think that the rate normalization process will be a gradual one. Thus, we expect the first rate hike to occur not before 4Q04.

- Industrial production advanced 5.8%ooya in July, accelerating from 2Q's 4.8%ooya pace of expansion. Having said that, it should be noted that last month's pick up is in part explained by a favorable base effect. In contrast, industrial sales slowed down to be up a modest 2.3%ooya last month (sharply down from a 6.6%ooya gain last quarter). Thus, while industrial output has continued to expand at healthy rates, recent figures do not yet justify the conclusion that the industrial sector has re-entered an acceleration phase after 2Q's slowdown.

- Meanwhile, the unemployment rate stood at 9.7% in July, in line with JPMorgan expectations. Last month's reading remained 0.6% points above last year's levels, but in seasonally adjusted terms the jobless rate continued to decline (albeit modestly) to 9.1% (from 9.2% in June). Disappointingly, employment growth remained extremely modest at 0.4%ooya, 3-month moving average. Moreover, a proxy for private sector job creation actually slid 0.3%ooya, and continues to suggest that the current recovery remains a jobless one.

From Santander Investment's "Strategy Report", August 23

- After 108 years of participation in the Olympic games, Chile finally obtained gold medals. Over the weekend of August 21-22, the Chilean tennis team won two gold medals, the most important achievement in the history of Chilean sports. But that is not the only reason for optimism in Chile these days. On the economic side, Chilean companies posted excellent results in the 2Q04 reporting season that ended that week. In our sample, EBITDA rose a robust 14.9%, surpassing our expectations of 13.0% growth.

CHILE IN THE EYES OF WALL STREET

As expected, the recovery in consumption, higher prices for exports, and efficiency gains were the underlying reasons behind the positive quarterly results. New operations coming on stream and the consolidation of new assets also contributed to the earning expansion at some companies. However, we were positively surprised by the performance of Chilean exporters such as Copec, CMPC, SQM, and Concha y Toro, which probably reflects positive external conditions for Chile that were more favorable than expected. The other significant positive surprises were in FASA and Andina.

- Keeping with the Olympic theme, we rank the companies results under Gold Medals, Silver Medals, Bronze Medals, and Runners Up, depending on 2Q04 EBITDA growth year on year (growth in net income for the banks). Among the gold medallists, we were surprised by the excellent results posted by FASA, which reported the strongest EBITDA growth in the quarter. Other gold medallists (i.e., Masisa, Lan, Copec, Falabella, and Cencosud) are companies for which the very good results were anticipated. The Silver Medallists are SQM, Endesa, enersis and CorpBanca, while the Bronze medal winners are Aguas Andinas and Entel. Among the companies with the weakest EBITDA growth (runners up), we point out that, in most cases, this weakness was due to specific issues affecting those companies. In the case of D&S, the issues were the company's "Every-Day-Low-Prices" strategy and the consolidation of Carrefour; in the case of CTC, earnings were affected by the new tariff decree. For Colbun, higher generation costs because of the cuts in the supply of natural gas from Argentina hurt results.

- In terms of sectors, pulp & paper and retail reported the strongest EBITDA growth, while the telecom sector was the weakest. The pulp & paper sector posted 44.3% EBITDA growth, with Copec and CMPC surpassing our expectations. The 17% increase in the pulp price, together with the Copec's Valdivia plant coming on stream, contributed to the strong EBITDA expansion in the second quarter.

- The retail sector also reported very good results, supported by the recovery in consumption and the consolidation of new

assets; however, there were mixed results on a company basis. While Cencosud, Falabella, and FASA had a very good quarter, EBITDA declined for D&S and Paris. For Cencosud, the inclusion of Santa Isabel and Las Brisas and the growing maturity of the supermarkets and shopping malls opened last year contributed to its earnings expansion. Meanwhile, Falabella's 2Q04 EBITDA growth reflected, to a large extent, the incorporation of Sodimac. In contrast, the impact of the implementation of the "Every-Day-Low-Prices" strategy and the consolidation of Carrefour took a toll on D&S's quarterly results.

- The beverage sector had a very good second quarter, as well. While we expected CCU to post strong EBITDA, we were positively surprised by Andina and Concha y Toro. In the case of Andina, the consumption recovery in Chile helped the company's year-on-year growth, as expected; however we were surprised by the improvements in the results from Argentine operations and by lower raw material costs. Meanwhile, in the case of Concha y Toro, the impressive 27.3% growth in wine exports in the quarter allowed the company to offset the impact of the stronger peso, leading to 12.0% EBITDA growth in the quarter. The disappointing note was the decline in San Pedro's results on the back of an 8.7% reduction in wine exports. In the electric utilities sector, the results were positive, mainly due to the good results from Endesa and Enersis that were partially offset by the weak performance of Colbun. In the case of Endesa, the good results came from its generation operations in Argentina, Brazil, and Colombia. For Enersis, the good performance of its distribution business in Colombia also contributed to its positive results. On the other hand, Colbun's EBITDA declined, because of the higher usage of diesel in the combined cycle plants, due to the cut in supply of natural gas from Argentina.

- Chilean banks posted mixed results, reflecting the current competitive dynamics in the sector. On the one hand, Banco de Chile posted a 22.9% increase, while on the other hand, BCI's results declined 19.1%. Finally, as expected, the telecom sector's earnings were down year on year in the second quarter, due to the impact of the new tariff decree for mobile telephony access charges and the weakness of the fixed

telephony business. For example, CTC's 2Q04 EBITDA declined 9.1% year on year, while Entel's was down 3.1%.

From Credit Suisse First Boston's "Emerging Markets Debt Trading Monthly", August 20

- We expect Chile's macroeconomic performance to remain strong in upcoming quarters. We expect the economy to expand at a real average rate of 5.0% in 2004, while posting a fiscal surplus of close to 1.6% of GDP, as well as a current account surplus (approximately 1.6% of GDP). Meanwhile, the latest data suggest that the threat of deflation has continued to dissipate, in part due to higher commodity prices, a somewhat weaker peso and a stronger domestic economy. Still, inflation remains low and its return towards the Central Bank's mid-point range of 3.0% is likely to take several quarters.

- In the near-term, we continue to expect the main discussions on the economic and political fronts to be related to the pace of the Central Bank's return to a neutral monetary stance and to the government's new proposal to introduce a royalty on mining activities. The latest Central Bank communiqué on monetary policy issued on August 12 explicitly stated that the timing for a reduction to the current monetary stimulus was nearing.

- We still expect the Central Bank to tighten monetary policy by a cumulative 50 basis points, to 2.25% in the remainder of the year, with the first move taking place in September or October. Finally, the government may choose to re-visit discussions of a modified proposal to levy a royalty on mining activities after the original one was rejected in both houses of Congress.

From UBS Investment Research's "Latin American Economic Perspectives", August 20

- The monthly Imacec index of activity grew an average 5% year over year during the second quarter, suggesting that the GDP figure will come in close to 5% as well. We expect to see that growth was led by exports and investment, while consumption may have lagged.

CHILE IN THE EYES OF WALL STREET

In particular, sectoral data already released shows mining and construction up substantially, while retail sales lost momentum as the quarter progressed, possibly the result of the persistence of high unemployment.

- Industrial production, nearly 20% of GDP in 2003, has been boosted by export demand, and to a lesser degree, by domestic consumption. In June, production rose 5.1% year over year, bringing second quarter production to 4.8% year over year. In June, capital goods outperformed, growing 19% year over year, followed by intermediate goods (8.6%), and consumer durables (8.2%). Consumer nondurables continue to lag, falling 1.8% year over year.

- The July trade figures, with industrial exports up 23% year over year, suggest that July industrial production remained strong. The year-over-year figure in July is also likely to be boosted by an abnormally low comparison base from July 2003.

- The unemployment rate has remained stubbornly high, rising to 9.6% in June from 9.4%. On a seasonally adjusted basis, the rate fell to 9.1% from 9.2% in May, but that, too, is up substantially from the lows of the first quarter (8.3% in February). Granted, the work force is rising (by 1.23% year over year in June) and the economy continues to create jobs, but even job creation has stalled from its high growth rates at the beginning of the year.

- The Central Bank has acknowledged that employment is the one sector of economic activity that has failed to grow robustly, although in its most recent policy statement, the Bank suggested that there were signs that the weakness of the second quarter was abating. A Reuter's survey shows consensus for the unemployment rate to rise to 9.7%.

- At its August meeting, the Bank held the target interbank lending rate steady at 1.75% as expected. However, in the more hawkish message that we were expecting from this meeting, the Bank mentioned that a move to a tighter monetary stance is drawing near. The Bank said that while higher oil prices were pushing headline inflation toward the 3% target faster than expected, core inflation was moving toward the target

at the expected pace. The Bank mentioned that investment and export demand are growing at better than expected rates, and that some indicators in the labor market suggest that the weakness of the past few months is easing. Given the above dynamic, the Bank said that the moment to begin reducing monetary stimulus is approaching, in order to bring the improving economic activity dynamic in line with a trajectory compatible with the 3% inflation target. As of the week of August 20, there was still much data to be released, in particular, August CPI and the July economic activity indicators. Given current trends, we think the Central Bank could postpone its tightening until later in the quarter. However, if these data, when released, pose inflationary concerns, we think the Bank will move to tighten sooner rather than later.

*From Santander Investment's
"Chile Strategy: Still Positive but More
Cautious", July 16*

- External scenario continues to boost the economic recovery. With an estimated consensus growth for the global economy of 4.7% in 2004, and our expectations for high copper prices, we continue to expect GDP growth of 5.1% this year. As mentioned in our "Red Hot Chile Copper" report published on June 30, we continue to expect an average copper price of US\$ 1.18 per ton, compared with last year's average of US\$ 0.80. In 2005, we believe that economic growth rate will decline to 4.5% based on the consensus estimate of a deceleration in global growth and our expectations for an average reduction in copper prices to US\$ 1.03 per pound.

- Despite Chile's low country risk, the portfolio flows of foreign investors depend largely on the flows to Latin America, which have been negatively affected by the anticipation of the hike in U.S. interest rates. As discussed in our monthly report "Watching your Neighbor" (published on June 29), which tracks the monthly evolution of flows from foreign investors, over the past months ADR flows have shown a negative trend (if we exclude the participation in Cencosud's IPO), although direct investment in the local market continues to post a positive performance YTD. Going forward, if the flows to Latin

America diminish, which could be a result of increased uncertainty regarding Brazil, we could see a reduction in flows to Chile. Partly offsetting this impact could be the positive flows to the local market of Chilean pension funds, which we expect to continue to be positive although at a lower pace than previously expected. As discussed in our monthly report "AFPs Asset Allocation" published on June 18, we expect AFPs investment in local equities in the neighborhood of US\$20 million per month, which assumes they will maintain the same level as their current exposure to local equities.

- Oil prices have a direct impact on the economy, as Chile imports 90% of its total oil use, and oil imports represent 11.0% of total imports. Big changes in oil prices particularly affect economic sentiment, costs for some companies, consumer purchasing power and the peso.

- The uncertainty about the natural gas flow from Argentina continues although the current reductions are less concerning. While in the worst days of the gas situation Chile was facing a reduction of 11 million m³ per day for a 47% drop YoY, currently, the reduction is now 2.3 million of m³ per day, for an 11.0% drop. Going forward, we believe there are some factors coming from that front that could put pressure on the Chilean market. In the short term, considering that the south hemisphere is still in the middle of the winter season, a potential drop in the temperature in the main demand centers in Argentina could increase the demand for natural gas in that country, thus, jeopardizing the flow to Chile. In the longer term, the recently approved resolution 659, which gives preference to the Argentine market over the Chilean market, creates concerns on the future availability of natural gas for the operations of both the Chilean electric sector and other major industries in Chile. While the potential negative impact on the electric generators will likely depend on the reservoir levels, at the industrial level the effect of a reduction on the natural gas flow would be relatively low, in our opinion. In the industrial companies under our coverage, we estimated a negative impact of less than 2% of EBITDA generation, in average terms.

EYZAGUIRRE EXPECTS GDP TO REACH US\$ 90 BILLION THIS YEAR

Despite the modest optimism with which Treasury Minister Nicolás Eyzaguirre received the figure of 4.9% growth in the economy in the first half of the year, he assured that the current economic situation would allow the GDP of the country to rise to US\$ 90 billion this year before climbing to US\$ 100 billion in 2005.

"As the recovery is confirmed, that is going to be faster than the US economy, it is probable that our currency will strengthen moderately... and [GDP] will be able to reach the area of US\$ 95 or US\$ 100 billion in 2005", claimed Eyzaguirre. He said that growth spending has started to outpace that of GDP and there was greater activity in investment. "It is a good sign that we are starting to accelerate. The 4.9% growth is good, but we can do much better", added the official.

Eyzaguirre said that one of the government's aims is to generate more jobs with better quality and better pay, although he stressed that the idea of President Ricardo Lagos is to speed this process up through subsidies for hiring new staff and programs to aid entrepreneurs.

ISI Emerging Markets, August 27

A SHOWCASE FOR OPPORTUNITIES IN BIOTECHNOLOGY

The 12th International Biotechnology Symposium and Exhibition is scheduled to take place in Santiago, Chile, from October 17 to 22, 2004. For universities and research institutes, as well as for industry, this event, which is sponsored by the International Union of Pure and Applied Chemistry (IUPAC), is the main international conference in the rapidly expanding field of biotechnology. It is held every four years in a different continent, and this is the first time it will take place in Latin America.

In keeping with previous conferences, this year's program has been divided into a number of different symposia to which papers will be presented by invitation during five parallel sessions. Each symposium will be chaired by two or three internationally-recognized leaders in their field. In addition, key industry and academic figures, from around the world, including Chile, have been invited to give eight plenary lectures and more than 35 keynote speeches.

Chilean universities and firms are currently developing a large number of biotechnology projects, related mainly to the country's principal exports. These initiatives include projects in the wine and salmon industries, in agriculture, and in the mining and cellulose sectors. In addition, two genome projects are underway, one related to fruit and vegetables, and the other to copper mining.

In one sign of the country's commitment to this field, the Chilean government, together with the United Nations Industrial Development Organization (UNIDO), hosted the Global Biotechnology Forum in March 2004. This event brought together experts from around the world to discuss biotechnology policy and development, and to examine biotechnological opportunities and challenges in the developing world.

Given the fact that Chile has a core of well-trained scientists in many basic disciplines, including biology, physics, mathematics and chemistry, the organizers firmly believe that it has great potential for overseas companies interested in investing in biotechnology. Moreover, in all recent rankings of countries in which to invest worldwide, Chile occupies a leading position within Latin America and, indeed, internationally, on many counts, including political and economic stability, as well as on issues, such as personal safety, that are crucial for quality of life.

For more information, please visit: www.conicyt.cl/IBS2004, or contact the Conference Administration at: ibs2004@eventotal.cl

UNIVERSITY OF CHILE LAUNCHES SCIENCE PARK CONSTRUCTION CONTRACT

In September, the University of Chile will call for bids for the first stage of the construction of its proposed Science and Technology Park (PCT). The Park - the first such initiative in Chile - covers an area of 1,033 hectares, strategically located close to Santiago's International Airport and just 100 kilometers from the port of Valparaíso in Region V. A network of new urban highways, currently under construction, will ensure easy and rapid access to the Park from the different neighborhoods of the city of Santiago.

The Park is designed to foster technological exchange and innovation,

forming a pole of technological development. At the end of 2005, sites will become available for technology firms, technological institutes, and university teaching and research units. From the beginning, the complex will also include an Innovation and Business Center. This 9,000m2 building will house a convention center, restaurant, cafeteria, a commercial services area, and the Park's Incubator, as well as offering office space for rental.

For more information about this project, please contact Fundación Valle Lo Aguirre at: pct@netline.cl

CHILE TARGETS LONDON CHEFS

As a first step in a campaign to promote Chilean seafood in the EU, Chile's ambassador to the UK, Mariano Fernández, invited eight of London's top chefs to a dinner at his residence.

Ambassador Fernández personally participated in the preparation of the dishes where he wanted to show that Chile not only produces salmon and trout, but also other species such as king crab and sea urchins -which were the main dish- among others. Chilean seafood processor and exporter Comtesa supplied king crab and sea urchins for the dinner, and Chilean salmon was served during the cocktails.

Luis Montero, the Embassy's commercial attaché, reported that the chefs were impressed with the quality of the Chilean seafood they were served. "The main reason for this dinner was for the chefs who attended to be able to spread the news about the seafood Chile has to offer within the London chefs circuit", he explained.

Chile's Ministry of Foreign Relations' marketing department, Pro-Chile, decided to begin its marketing campaign in the UK because "London's diners, gourmets and chefs have the most refined tastes in Europe". It is also Pro-Chile's intention to give demonstrations and tasting sessions to high income groups who "continuously attend meetings, lunches and cocktails".

International Seafood Magazine, August 2004

Between January and June of 2004, materialized Foreign Direct Investment totaled US\$ 3.5 billion. The Foreign Investment Statute (D.L. 600) channeled 88.2% of the inflows. The main recipient sectors of D.L. 600 FDI were Electricity, Gas & Water (70.9%); Transport &

Communications (12.3%); Mining (8.1%); Construction (3.7%) and Industry (3.4%). During the first semester of 2004, materialized D.L. 600 FDI came mainly from Spain (84.6%); Mexico (3.8%); United Kingdom (3.0%), Canada (2.9%) and Australia (2.4%).



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FOREIGN DIRECT INVESTMENT REPORT / January - June 2004 (in nominal US\$ million)													
Instrument/Period	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	Jan-Jun 2003	Jan-Jun 2004	Growth rate
FOREIGN INVESTMENT STATUTE (DL 600)													
- Equity Contributions	1,549.0	1,802.6	3,967.5	3,803.1	4,368.7	8,591.0	2,536.6	4,320.2	2,260.1	1,091.9	664.1	2,959.9	345.7%
- Other Capital	976.0	1,235.1	868.7	1,414.7	1,665.7	607.4	484.9	461.6	1,116.4	184.5	63.9	126.3	97.7%
MATERIALIZED INVESTMENT (DL 600) (1)	2,525.0	3,037.7	4,836.2	5,217.8	6,034.4	9,198.4	3,021.5	4,781.8	3,376.5	1,276.4	728.0	3,086.2	323.9%
CHAPTER XIV													
- Equity Contributions	410.2	409.5	441.6	920.6	539.3	688.8	653.7	737.5	442.4	1,188.6	288.4	380.0	31.8%
- Other capital							875.9	172.8	111.0	111.4	73.3	31.4	-57.2%
TOTAL INVESTMENT CHAPTER XIV (2)	410.2	409.5	441.6	920.6	539.3	688.8	1,529.6	910.3	553.4	1,300.0	361.7	411.4	13.7%
TOTAL F.D.I. MATERIALIZED (DL 600 + Chapter XIV)	2,935.2	3,447.2	5,277.8	6,138.4	6,573.7	9,887.2	4,551.1	5,692.1	3,929.9	2,576.4	1,089.7	3,497.6	221.0%
REMITTANCES													
- DL 600 (1)	208.9	656.2	553.2	746.2	569.4	1,226.1	1,181.1	1,336.3	3,240.1	885.3	359.4	3,422.1	852.2%
- Equity	49.4	392.6	303.4	354.9	119.9	234.0	462.7	665.8	1,712.1	248.2	37.7	2,759.7	7220.2%
- Other capital	159.5	263.6	249.8	391.3	449.5	992.1	718.4	670.5	1,528.0	637.1	321.7	662.4	105.9%
- CHAPTER XIV (Equity) (2)	10.1	3.5	30.2	20.6	323.9	47.8	168.4	460.5	270.0	387.3	229.2	588.1	156.6%
- Equity	10.1	3.5	30.2	20.6	323.9	47.8	78.6	282.2	32.0	20.3	4.8	386.6	7954.2%
- Other capital							89.8	178.3	238.0	367.0	224.4	201.5	-10.2%
TOTAL REMITTANCES (DL 600 + Chapter XIV)	219.0	659.7	583.4	766.8	893.3	1,273.9	1,349.5	1,796.8	3,510.1	1,272.6	588.6	4,010.2	581.3%
(1) Source: Foreign Investment Committee													
(2) Source: Central Bank of Chile, figures for Other capital are not available for the period 1993-1999													
* Provisional figures as of June 30, 2004													

(1) Source: Foreign Investment Committee

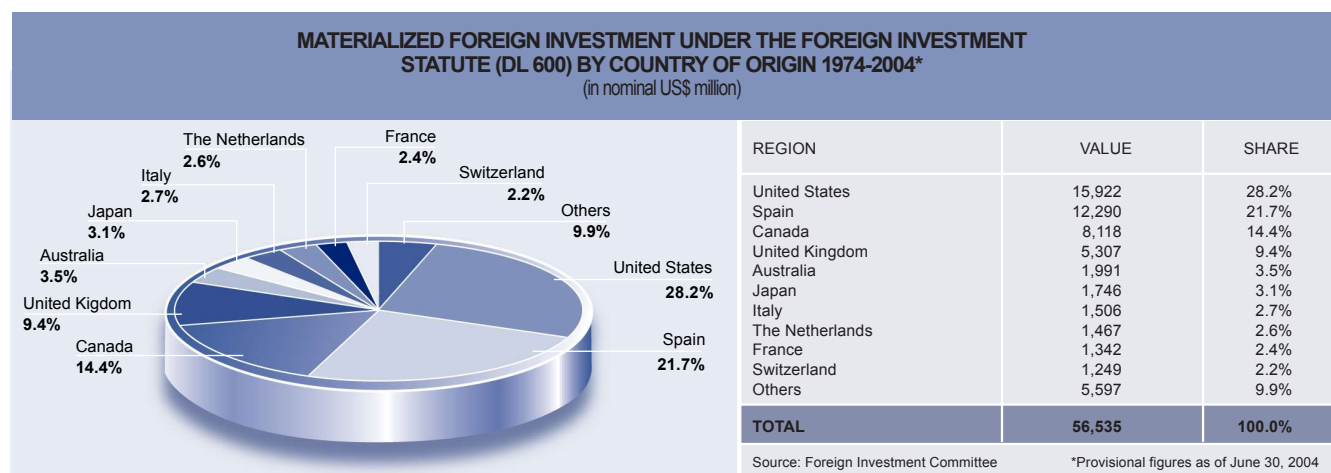
(2) Source: Central Bank of Chile, figures for Other capital are not available for the period 1993-1999

* Provisional figures as of June 30, 2004

MATERIALIZED FOREIGN INVESTMENT UNDER THE FOREIGN INVESTMENT STATUTE (DL 600) BY SECTOR 1974-2004* (in nominal US\$ million)										
SECTOR/PERIOD	74-96	1997	1998	1999	2000	2001	2002	2003*	2004*	TOTAL
Agriculture and Livestock	178	14	13	21	23	10	2	0	0	261
Fishing and Aquaculture	169	12	8	0	92	5	0	10	0	296
Forestry	153	29	38	17	4	1	1	1	0	244
Mining	9,570	1,703	2,465	1,350	243	958	1,999	383	251	18,922
Industry	3,662	627	530	828	241	754	209	234	103	7,188
Electricity, Gas & Water	478	1,395	495	4,540	860	908	473	150	2,187	11,486
Construction	323	114	279	211	29	164	138	27	114	1,399
Transport and Communications	1,370	177	224	374	870	1,281	336	340	380	5,352
Wholesale and retail trade	385	272	190	86	117	110	82	43	16	1,301
Financial services	3,346	483	821	950	263	121	59	44	7	6,094
Insurance	373	250	702	208	90	265	20	4	0	1,912
Other Services	532	143	271	614	190	205	58	39	28	2,080
TOTAL	20,539	5,219	6,036	9,199	3,022	4,782	3,377	1,275	3,086	56,535

Note: Materialized investments include amounts authorized each year and in all forms accepted under the Foreign Investment Statute
Source: Foreign Investment Committee

* Provisional figures as of June 30, 2004



Source: Foreign Investment Committee

*Provisional figures as of June 30, 2004