



DOING BUSINESS IN CHILE

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Market profile

Chile has an Association Agreement with the European Union (EU) that is currently under a modernization process. Political conclusion of the negotiations on the modernization was reached at the end of 2022. The agreed text will be referred to as the EU-Chile Advanced Framework Agreement (AFA) once the translation, signing and ratification process is concluded.

FACTS

- Merchandise exports USD \$971.491 (2022)
- Capital: Santiago de Chile
- Official language: Spanish
- Area: 2.006.626 sq km
- Population: 17,6 million

Economy and business structure

Chile is considered an OECD high income country. Altogether, the country has an extensive network of trade agreements, which includes 25 free trade agreements, with preferential access to 64 economies. Chile's GDP was 301.4 billion in 2020.

The 2022 Global Competitiveness Index from the World Economic Forum ranks Chile as 1st in Latin America and the Caribbean and 45th globally, due to a stable macroeconomic context and low public debt, competitive and open markets, and a strong financial system. However, lowering inflation is important for the country.

Key industries and their trends

For the Finnish businesses the most important customer industries in Chile are Mining, Forestry, Energy, and Digitalization. As for the key industries in the country, Chile is a mining country. Historically mining has been the country's largest economic segment and a major growth driver in recent decades. In 2020 it accounted for 12,5% of the country's GDP and when considering indirect chains – transportation, energy consumption, water desalination and production and trade of inputs – the figure is even higher. Mining also accounts for over half of exported goods (62% in 2021), according to FOB (Free On Board) values in dollars. Being one of the best-known mining areas in the world, Chile is always in the eyes of investors. Proof of this is the long-term presence of leading global mining companies and their planned projects for the period 2022-2030 that top US\$69 billion in investments, according to data from Cochilco (Copper Commission of the State in Chile). The mining industry in Chile is heavily focused on copper with the country being the world's largest producer of the red metal and housing a third of the planet's reserves. As for lithium Chile has approximately 45% of the world's reserves and this will offer new business opportunities in the coming years.

As for the energy sector, it is moving fast in Chile. Chile ranks number 1 in the world in rankings of renewable energy and according to Bloomberg, Chile was chosen as the most attractive country in the world to developed renewable energy projects. The installed capacity of solar and wind keeps growing in Chile as there are many

projects under construction. However, the growth of the generation park advances much faster than the lines necessary to transmit the energy. Energy transmission is a great barrier to increase the penetration of renewable energy in electricity generation the country must deal with. In 2020, the government announced the National Green Hydrogen Strategy that proposes a path and establishes the goals that would help the country become one of the world's major hydrogen players. Chile is also advancing in electromobility.

As for agriculture, livestock and forestry plantations, the total land area used for is 18.4 million hectares, or 24.3% of the total 75.6 million hectares that constitute continental Chile. 17 million correspond to forest resources and of this, 86% corresponds to native forests (14.6 million hectares) and 14% to forest plantations (2.4 million hectares). More than 90% of the forest resource are between the regions of Maule and Magallanes.

In 2019, close to 45.3 million m³ ssc (solids without bark) were produced in logs for industrial consumption. Of the total, 30.1 million m³ ssc were from radiata pine; 14.7 million m³ of eucalyptus and 0.5 million m³ of native species. Of the total log wood produced, 36% went to the production of wood pulp for the pulp and paper industry; 34.7% to the sawmill industry; 16.1% for export chips and 10.4% to produce boards and sheets. The remaining volume was used for other uses, such as impregnated posts and poles.

In terms of crop cultivation, the most widely cultivated species is wheat and the second most prevalent crop is corn. The top five species in terms of total plantation area in 2019 were grapes, walnuts, cherries, avocados and red apples. In 2016 Chile enacted the Extended Responsibility of the Producer Act and its application is expected to lead to a reduction in overall packaging production volumes and optimization of packaging design to increase recovery rates. Sustainable packaging solutions are needed in the sector.

Important things to consider when doing business in Chile

To break into the Chilean market face-to-face meetings with Chilean business representatives are a must. In the country it is crucial to build your personal networks and beneficial to find right partners. Remember that a lot of business is generated and done through personal networks and business decisions are based in a large degree on trust and good relationship. Take into consideration that it takes time to develop the relationships and coming just once is not enough. Also, in Chile it is important to speak Spanish as only few people speak English.

Remember the 3 Ps, Patience, Politeness and Persistence, when doing business in Chile. Be patient as people might not be on time for meetings, but you should be and remember that decisions take time. Also, being well behaving, with good manners is important and appreciated. Additionally, be persistent as in the beginning to get things moving it may take some time and pushing and follow up is extremely important to make sales.

When doing business in Chile, it is important to identify who are the decision makers and influencers as decision making is made on the top. Take into consideration that businesses and institutions are hierarchical, and the goal is to start from the top. Listen and understand what the client needs and have a clear message and business case for the client and when it's time to present a business proposal do it face-to-face. It is also an excellent opportunity to get feedback and make possible changes to match better with the client's needs.

Market data sources and other useful links

InvestChile: <https://investchile.gob.cl/>

ProChile: <https://www.prochile.gob.cl/>

Central Bank: <https://www.bcentral.cl/en/web/banco-central>

Customs: <https://www.aduana.cl/aduana/site/edic/base/port/inicio.html>