

CHILE

Business Conditions Snapshot

- The Chilean economy was significantly affected by a period of serious social unrest in 2019–20 and the onset of the COVID-19 pandemic.
- While protest activity reduced with the impact of the pandemic and the economy began to reopen in late 2020, the next 12 months will bring the start of a constitutional reform process and a full electoral agenda leading to Presidential elections at the end of the year.
- Despite these challenges, the Chilean Government remains committed to respecting its international obligations, including through its strong support for the rules-based trading system.
- The IMF forecasts that Chile's GDP will contract by 6 per cent in 2020, with service industries, in particular tourism, hit hardest by pandemic restrictions. However, Chile's mining sector, which represents nearly 10 per cent of GDP and 50 per cent of exports, has been largely unaffected. The country reopened its borders for the 2020 summer season in an effort to give the tourism and hospitality sectors a much-needed boost. The reopening of Chile's economy has shown early signs of recovery, and in October 2020 the IMF forecast growth to rebound to 4.5 per cent in 2021. Chile also benefited from low public debt before the pandemic, providing the Government greater flexibility to implement an economic recovery package worth over US\$12 billion and a US\$32 billion infrastructure investment plan.
- Australia continues to see strong business interest in an expanding range of sectors, assisted by the framework of the Australia–Chile Free Trade Agreement.

Key facts and figures

- Population: 18.8 million
- GDP growth: 2.5% (2019)
- GDP per capita: US\$15,399
- Political system: Presidential Republic
- Two-way trade: A\$1.46 billion (2018–19).
- Key goods and services traded (2018–19): include coal (A\$183m); other ores and concentrates (A\$161m); education (A\$153m) and personal travel (A\$171m)
- Australia's investment in Chile: A\$3.365 million (2018)

Trade and Investment Opportunities

Australian Investment in Chile

- Chile's inwards investment attraction focus remains in mining, energy, agribusiness, tourism, global (digital) services and venture capital. Australia and Australian capability is well-positioned and highly-valued in the Chilean market, often given preference over competitor countries.



MARKET INSIGHTS

CONNECTING AUSTRALIAN BUSINESS TO THE WORLD

- Australian companies have a significant footprint in the market, with around 200 Australian businesses in Chile. Mining continues to be the main economic driver, with large mining houses investing in remote monitoring technology and skills, as well as training platforms to upskill workforces. Most Australian companies with a presence in Chile are Mining Equipment Technology and Services (METS) companies.
- Australian companies have interests in increasingly diverse sectors – including infrastructure, agribusiness and education – and there is significant scope to diversify Australian participation into emerging areas such as digital technologies, clean energy technology, edtech and health.
 - The Chilean Government is investing heavily in infrastructure and construction projects, announcing a US\$4.5 billion budget for 2021.
 - The Asia-South America digital gateway—a submarine cable connecting Chile and Australia—will create the digital infrastructure for data driven business to deliver services to Chilean customers.
 - In addition, the 5G tender and resulting projects will enable technology to be deployed in regional areas, especially benefiting agtech companies offering IOT and AI-enabled-solutions in Chile’s agricultural regions, north and south of Santiago.
- There are excellent opportunities for expansion of Australian agricultural products trade into Chile with demand across Chile’s food processing sector for quality imports, as well as retail ready products in Chile’s modern retail supermarket chains.
 - Chile imports significant volumes of bulk grains, edible oils, value added dairy products such as cheeses, frozen and chilled beef, animal feeds, inputs for bakery goods, and processed foods such as sauces.
 - Chile’s agriculture production sector also has strong demand for plant and animal germplasm, particularly in their horticulture and cattle sectors.
- Chile has released a National Hydrogen Strategy accompanied by US\$50m funding for projects, open to international players.
- Peak bodies FinteChile and Fintech Australia have signed an MoU to foster B2B engagement in the financial services sector.
- Becas Chile cancelled its scholarship program in 2020, but plans to focus on engineering and technology for the 2021 round.
 - This presents further opportunities for Australian universities to attract students.
- CSIRO Chile, the organisation’s first overseas office, celebrates its 10th anniversary in 2021. It has been collaborating on a number of significant projects



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with commercial potential, including applied research in mining and mineral processing, water management and oceans and atmosphere.

- For an Australian company to be successful in Chile (and in Latin America more broadly), having a local partner or establishing a local presence on the ground can be a distinct advantage over flying in and out of the market.
 - COVID-19 conditions add an extra layer of complexity when relationship building, as Chilean culture values personal connections as a fundamental requirement to establish trust.
 - Additionally, supply chains and logistics have been severely impacted by the pandemic, adding an extra layer of delay and complexity for goods exporters. Patience is required.

Chilean investment in Australia

- Australia is increasingly seen by Chilean companies as an attractive investment destination, particularly given the strong links in the mining sector and similar objectives in energy transition.
- Chilean companies investing in Australia are focused in the mining, forestry and energy sectors.
 - We can expect this to grow given the increased interest of leading Chilean companies to pursue strategic growth into the Asia Pacific, via Australia.
- The Australian Embassy in Santiago and Austrade facilitate Australian commercial activity in Chile, and promote Australia as an investment destination.
 - As well as regular engagement with companies with interests in Chile, the Embassy participates in promotional events and virtual webinars.
 - This includes, for example, the planned 2021 Expomin and Exponor conferences (Chile's largest mining conferences).
 - Santiago's hosting of the 2023 Pan American Games will feature over 8,000 athletes from 41 countries. Infrastructure planning is already underway, with opportunities in the lead up to, and during, the event.

Trade Policy Focus

- The Australia–Chile Free Trade Agreement entered into force on 6 March 2009, Australia's fifth FTA and the first with a Latin American country. It is a high-quality, comprehensive FTA covering goods, services and investment.
- From 1 January 2015, all tariffs were eliminated except sugar, which retains a tariff of six per cent for Australian exports due to Chile's price-band system.
- Like Australia, Chile is a strong supporter of the international rules-based trading system and is committed to an open and liberal global trading environment. With this shared commitment, Australia and Chile work closely in multilateral and regional fora such as the World Trade Organization and APEC.



MARKET INSIGHTS

CONNECTING AUSTRALIAN BUSINESS TO THE WORLD

- Chile is yet to ratify the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.
- While the Government is committed to ratification, the agreement needs to be approved by the Senate and will require the support of at least some opposition Senators. Ratification also became more difficult following the social unrest in late 2019 in which the CPTPP became a focus.
 - Given the benefits to regional trade which will flow from this agreement, Australia continues to encourage Chile's ratification.
- DFAT provides comprehensive information for Australian exporters on how to benefit from Australia's network of FTAs (DFAT FTA portal: ftaportal.dfat.gov.au) and the range of actions being taken to address non-tariff trade barriers faced by Australian businesses operating in overseas markets (Non-tariff Trade Barrier Gateway: tradebarriers.gov.au).

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