FDI and the environment in Chile
- Some inputs -

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Some Statistics on FDI in Chile

*Foreign Direct Investment in Chile* (as % of GDP)

<table>
<thead>
<tr>
<th>Year</th>
<th>FDI as % of GDP</th>
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<tbody>
<tr>
<td>1996</td>
<td>6.4</td>
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<tr>
<td>1997</td>
<td>6.4</td>
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<tr>
<td>1998</td>
<td>5.8</td>
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<tr>
<td>1999</td>
<td>12.0</td>
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<tr>
<td>2000</td>
<td>6.5</td>
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<tr>
<td>2001</td>
<td>6.1</td>
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<td>2002</td>
<td>3.8</td>
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<tr>
<td>2003</td>
<td>5.8</td>
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<tr>
<td>2004</td>
<td>7.6</td>
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<tr>
<td>2005</td>
<td>5.6</td>
</tr>
<tr>
<td>2006</td>
<td>5.5</td>
</tr>
</tbody>
</table>

*Includes investments through Chapter XIV, Chapter XIX and the Foreign Investment Statute (D.L. 600).
Source: Central Bank of Chile (www.bcentral.cl)
Distribution of FDI by origin and sector

**Foreign Investment Statute (D.L. 600)**

**Gross Inflows by Sector, 1974-2006**

- Mining: 32.2%
- Services: 19.3%
- Electricity, gas & water: 20.1%
- Manufacturing: 12.4%
- Transport & Communications: 11.4%
- Construction: 2.2%
- Others: 1.3%

Source: Foreign Investment Committee (www.doingbusinessinmexico.com).

**Foreign Direct Investment Statute (D.L. 600)**

**Gross Inflows by Country of Origin, 1974-2006**

- United States: 25.3%
- Spain: 21.7%
- others: 10.8%
- United Kingdom: 8.9%
- Australia: 4.8%
- Japan: 2.9%
- Italy: 2.6%
- Netherlands: 2.6%
- France: 2.2%
- Switzerland: 2.0%

Source: Foreign Investment Committee (www.doingbusinessinmexico.com).
Trends

- Away from exploitation of natural resources (except for the case of mining)
- Increased use of domestic financial sources
- Increased participation of services, especially basic and financial services, but also others
- Mergers and acquisitions flows bi-directional
- Increased reinvestment of profits (accounting for 94% of FDI in 2006)
- Increased investments in the services sector (hotels, real estate, call centers, finance)
Key aspects determining environmental impacts

- Existence of specific government regulation
- Existence of international pressure
- Existence of enforcement procedures and enforcement capacity
- Existence of social capital (experts, quantity and quality of NGOs)
- Existence of mechanisms of information disclosure
- Specific policies and institutions regarding the exploitation of natural resources
- Policies and human capital to orient and promote sustainable investments
- Commitment by the individual company (example Masisa)
FDI and large scale operations

- **Imposes special requirements onto the receiving countries**
- **Lessons from forestry**
  - Strong government, NGOs and academic sector is crucial
  - Risk assessments are crucial
  - NGOs making use of judicial system, beyond administrative mechanisms
  - Conflicts do not finish with an approved EIA
  - Lack of integration into social structures backfires at any moment
  - Foreign participation on the NGOs’ side
  - If international pressures do not have a local counterpart they might eventually lose strength (certification schemes)
Conversion of Trillium-Rio Condor into Wildlife Conservation Society - Karukinkka
Some of today’s challenges (in the area of large scale projects)

• Hidroaysén and the transmission lines
• Infrastructure projects
• Mining companies’ utilities and taxes
Chile, inversión extranjera total 1974-2006 y excedentes mineras privadas 2005-2006 (millones de dólares)

Inversión extranjera total en minería 1974-2006
Excedentes minería privada

Fuente: CENDA en base a COCHILCO y Balance Consejo minero.
Excedentes antes de intereses, impuestos, depreciación y amortización (EBITDA)
Thank you