

FDI and the environment in Chile

- Some inputs -



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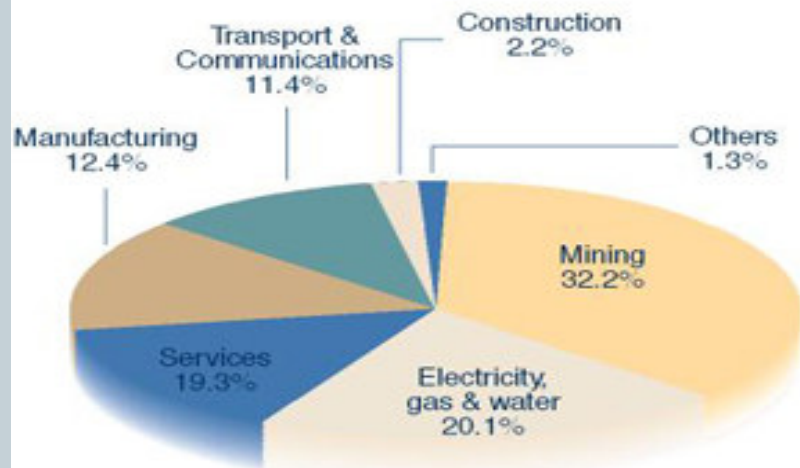
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Some Statistics on FDI in Chile



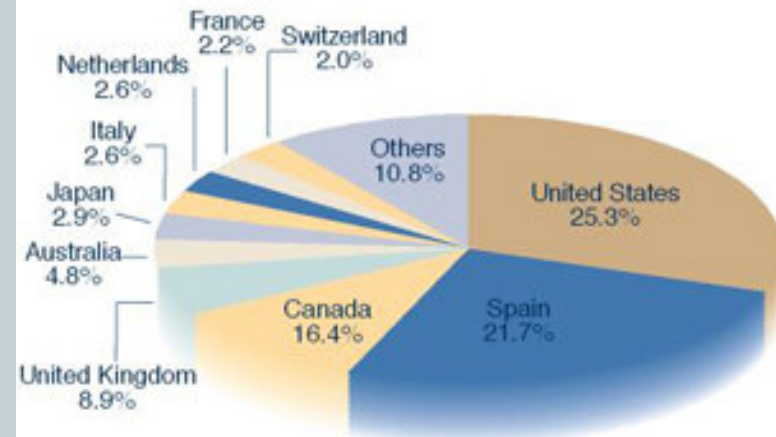
Distribution of FDI by origin and sector

**Foreign Investment Statute (D.L. 600)
Gross Inflows by Sector, 1974-2006**



Source: Foreign Investment Committee (www.doingbusinessinchile.cl).

**Foreign Direct Investment Statute (D.L. 600)
Gross Inflows by Country of Origin, 1974-2006**



Source: Foreign Investment Committee (www.doingbusinessinchile.cl).

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 - Karukinka

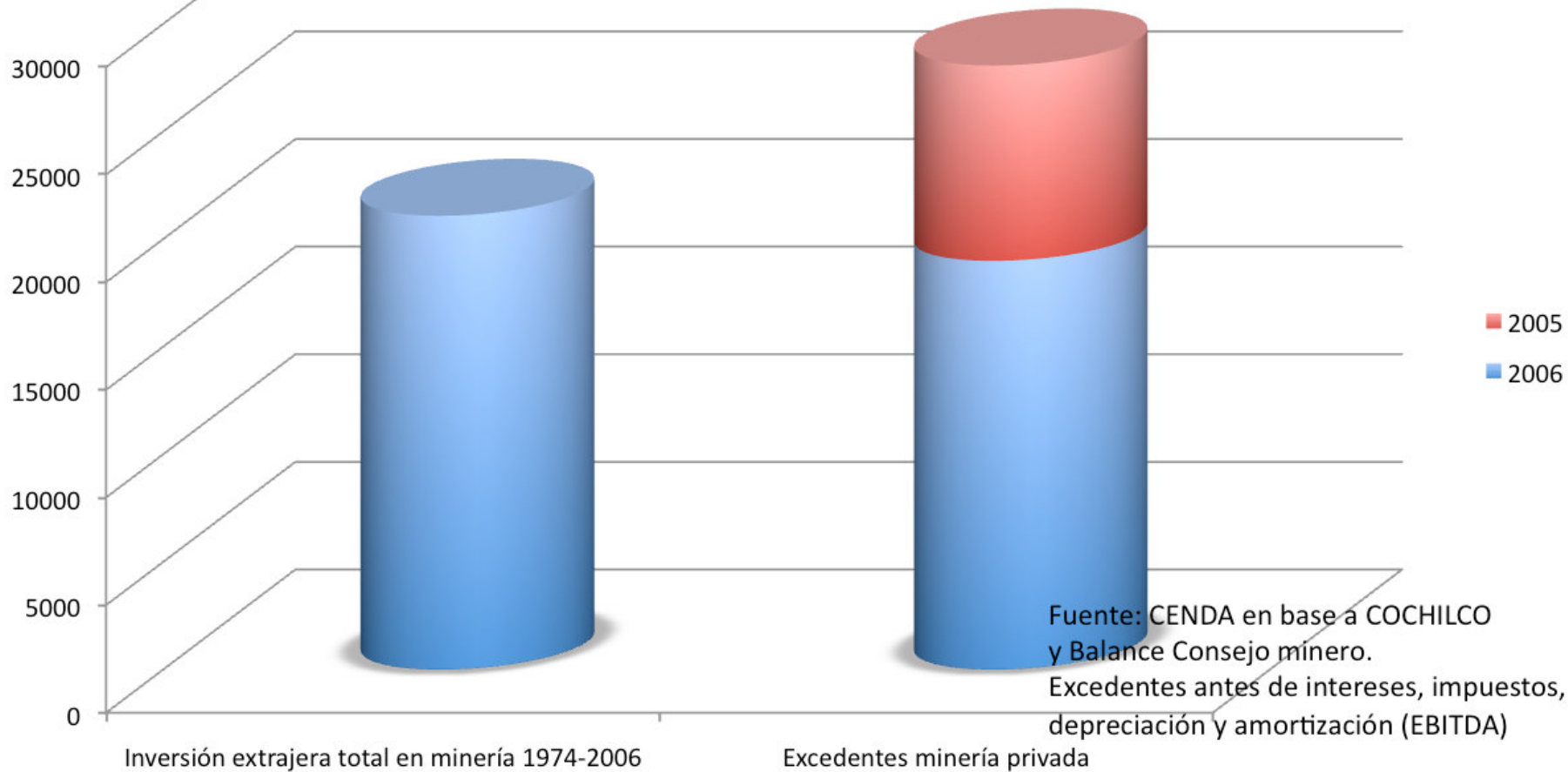


Some of today's challenges (in the area of large scale projects)



- 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)



Thank you