



CHILENEWS

No. 14 – May 28, 2001

Did you Know?

Four Chileans were the first South American sportswomen ever to reach the summit of Mount Everest on May 23rd, after 18 months of training.

To foster the development of different plant and animal species, 24.2% of the Chilean territory is environmentally protected.

*Chicha is a widely popular traditional beverage. To prepare it, the juice of white, red or pink grapes is simmered and then put in large vats made of American oak or native *rauli*, where it is left to rest for a few months.*

Chile, along with other 126 countries, subscribed the treaty banning the use of Permanent Organic Pollutants (POPs), in May.

512 million dollars will be allocated by the government to the special employment plan.

Presidential Address

In his second state of the union address, delivered before the National Congress on May 21st, President Ricardo Lagos called on all sectors to give a new thrust to development based on a national strategy to compete in world markets. President Lagos said that, in spite of the difficulties, the goal of becoming a developed country by 2010 is still achievable.

President Lagos invited the private sector to participate in a set of projects representing an investment of 3.5 billion dollars. At the same time, he asked Congress to “work for the full week as an exceptional measure” in order to pass within 90 days the capital market reform bill submitted by the government, stressing that such reform “is essential to attract fresh investment to Chile.”

In an address marked by realism, in which he acknowledged the high unemployment affecting the country, Lagos called on Chileans to recover their optimism and announced the creation of 150,000 new jobs, or 2.5% of the labor force, to be funded by the government.

He also highlighted the progress made concerning human rights: the conclusions reached by the Mesa de Diálogo – saying they “are a gigantic step towards finding out the truth” – and the developments in judicial inquiries to determine what happened with the detained disappeared. All this has “allowed us to honestly and courageously realize the horror of a story that we hope will never be repeated.”

Visits to Germany and Spain

President Ricardo Lagos will arrive in Berlin on a work visit on May 31st. There, he will start a six-day tour, including Madrid and Barcelona, to seek support for negotiations on a political and economic agreement with the European Union.

Chile's political and economic ties with Germany have been traditionally very close. The first German settlers arrived in southern Chile in the 1850s, making a valuable contribution

Facts

According to the American consultant firm PricewaterhouseCoopers, Chile tops the transparency rating in Latin America. In a worldwide survey, Chile is ranked third after the United States and Singapore.

Chile was the location chosen by Banco Santander Central Hispano to set up Altec (América Latina Tecnología), a technological center for the development and maintenance of the corporate systems that this banking group holds in Latin America.

According to a survey done by the *America Economía* magazine, Santiago is the third best city to do business in the Latin American region, based on amenities, culture, safety and efficiency parameters.

Chile concentrates 14 percent of Spanish investment overseas, based on the presence of companies such as Endesa, Telefónica, Banco Santander Central Hispano and Banco Bilbao Vizcaya Argentaria.

Chile and Germany subscribed an agreement to build four frigates for the Chilean Navy before 2010. This joint venture called "Proyecto Tridente" includes the construction of three of the four vessels in the port of Talcahuano, located 440 km

to the country's development and culture ever since. Chile and Germany established diplomatic relations in 1952. The first aid received by Germany after Second World War was foodstuff sent by Chile.

Both countries are jointly addressing different issues, particularly human rights, reforms to the UN Security Council, democracy, environmental protection, arms control, drug trafficking and eradication of poverty. Germany is an important business partner to Chile: according to 2000 data, it is the fourth largest trade partner among EU members.

One of the main goals of the state visit to Spain is to strengthen commercial ties between both countries. The presidential entourage will include more than 100 Chilean entrepreneurs. To Chile, Spain is the second largest source of foreign capital and the country's 12th largest commercial partner globally. In addition, Spain has been one of the strongest supporters for a Chile-EU agreement.

Fighting Tax Evasion

Congress has recently passed a bill that will allow the government to fight tax evasion and obtain some 800 million dollars in additional revenues over the next four years. These will be allocated to social programs designed to create jobs and eradicate poverty.

The bill does not increase taxes, but rather strengthens government powers to enforce tax laws and provides for 500 new SII (Internal Revenue Service) posts. It also ensures more equitable tax treatment for the different economic agents and society at large. This is particularly important for small and medium-size companies, which face unfair competition from tax delinquents.

Metro to double its extension

The Santiago underground train or Metro will be extended in 33 km over the next four years, to cover a total of 80 km, benefiting some two million users. It is expected that the Metro will transport 350 million people a year. The extension project will demand a total investment of one billion dollars.

Quotes from President Lagos

State of the union address on May 21

“I’m the first one to acknowledge that we have had difficulties. Neither the world’s economy nor ours reacted according to our projections. (...) I do not lead a secluded life in La Moneda Palace. I feel very close to our people and their anxieties.”

“My administration’s highest concern is to have everybody benefit from economic growth; to make the market economy work, while creating a social network that protects people from suffering, that provides opportunities to the most discriminated ones. This is the key to achieve Chile’s insertion in the world.”

“With the progress made in the fields of technology, education, social security, productive and labor flexibility, tax revenues, institutional arrangement, Chile is in a position to give a new thrust to economic growth.”

“In spite of the difficulties exhibited by the international economy, we are a Nation that has managed to establish basic social assurances to successfully compete within the new global order.”

Engineering studies will be initiated next June and the works during the second half of 2002. The new Metro lines will begin to operate during the third quarter of 2005.

Volunteer Firemen

In Chile, firemen are volunteers, receiving no payment for their work. On the contrary, they have to pay a membership fee and assume part of the cost of their uniforms and equipment.

In spite of many hardships, they do not want to become a professional service or carry advertisement on their uniforms. Today hundreds of people are becoming financial supporters of the [Cuerpo de Bomberos](#) (Fire Brigade) to supplement the State contribution that covers investment, operational expenses, maintenance of fire stations and fire trucks imports.

The first Fire Brigade in the country was created in the port of Valparaíso in 1851. Its counterpart in Santiago originated after the fire that devastated the church of the Compañía de Jesús on 8 December 1863, which left 2,000 casualties, mainly women.

Cultural Heritage

For the second year in a row, National Heritage Day was celebrated on May 27. Traditional buildings throughout the country, which are normally out of bounds for common citizens, opened their doors to the community, receiving some 100,000 visitors.

Enthusiastic crowds visited 66 public and private buildings in total. One of the favorites was the Escuela Militar, which opened its doors to the public for the first time ever, receiving more than 5,000 visitors.

To commemorate National Heritage Day this year, the government announced a “Heritage Restoration” subsidy, which will finance the acquisition of restored or recycled buildings located within historical quarters in different cities. The subsidy will cover more than 10% of the value and will be granted to anyone wishing to purchase such buildings.

Overheard About investing in Chile

“Chile was the best option because it meets the requirements: stability, legal rights and a strong telecommunications infrastructure. Chile is one of the countries most open to the rest of the continent.”

Emilio Botín, president,
Banco Santander Central Hispano.
Referring to the set up of Altec in Chile.
May 20

“Chile has become an attractive country to invest in because of its sustained economic growth, with a GDP growth projection of 6.2% this year ” (...) “Today, it is the most dynamic country in the region.”

Juan Mato, chairman,
Madrid Chamber of Commerce.
May 22

“We chose Chile based on the economic structure of the country, on its culture (...) these are factors that led us to anticipate a favorable reception for Liz Clairbone.”

Neil Katz, CEO, Liz Clairbone.
On the opening of a store in Chile.
May 9

Q & A

Pension Fund System

How does the Chilean pension fund system work?

The system is based on mandatory individual capitalization for dependent workers and optional capitalization for independent workers. Each pension fund member has a personal account where he deposits his social security deductions, which are capitalized and accrue interests arising from investments made by the pension fund administrator. At the end of the worker's active life, this capital is paid to him or his beneficiaries as a pension.

Who manages the social security deductions?

Pension Fund Administrators (AFPs). These are private institutions that manage worker's resources under the obligation of obtaining the highest possible return. In addition, AFPs provide and manage the benefits established in the applicable laws. Today the system has more than 6,5 million members.

How is the system financed?

It is financed with an individual contribution equivalent to 10% of the member's salary, plus the return on individual savings. AFPs are entitled to a consideration, established on a commission basis, for administration expenses. Commissions are freely fixed by each AFP and uniformly applied to its members.

What role does the State play in this system?

The State ensures financing of some benefits, such as a minimum pension when the member does not have a sufficient balance in his account. It is also responsible for the system's regulations and enforces compliance therewith. The State is represented by the Superintendency of Pension Fund Administrators, an autonomous technical body with supervisory and control powers. Workers may submit applications and complaints to the Superintendency if they feel unduly affected by AFPs' actions or decisions.

Agenda. Presidential Tour

☞ May 31 mayo: President Lagos meeting with German President Johannes Rau.

☞ June 1: business lunch with Chancellor Gerhard Schroeder, and visit to the Mayor of Berlin, Eberhard Diepgen.

☞ June 1: participation via teleconference at business meeting in Munich.

☞ June 4: audience with King Juan Carlos of Spain.

☞ June 5: meeting with the Spanish Head of Government, José María Aznar.

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