



CHILENEWS

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Did You Know?

The Chilean coat of arms includes two inhabitants of the Andes: a huemul and a condor. The *huemul* is a dark brown, robust, mid-sized southern Andes deer. The condor is a bird of prey, much larger than an eagle and a terrific glider.

Chile is the only country where the sun rises simultaneously over the driest desert in the world, in the extreme north, and over age-old ice in the extreme south.

La Aurora de Chile was the first newspaper to be published in Chile (in 1812) and it was aimed at encouraging the rebellion that led to Chile's Independence.

103% was the growth of per capita spending in social programs during the period 1990-2000.

Transparent Report

Chile is among the least corrupt countries in the world, according to the latest Corruption Perceptions Index of Transparency International (TI). For the fourth time, TI confirmed Chile as the least corrupt nation in Latin America. This year, Chile scored 7.5 points (out of a maximum of 10) among 91 countries, ranking 18th in the world. Finland, which scored 10 points, obtained the best ranking of all.

Transparency International has been evaluating corruption perceptions among civil servants and politicians since 1995. The Corruption Perception Index (CPI) is based on surveys conducted among business people, the general public and a minimum of three studies carried out by different organizations in each country. The Index provides a view from the standpoint of key decision-makers in investment and trade.

Massive Inflow of Foreign Capital

Foreign investment in Chile continues to grow and it is approaching the record levels achieved in 1999. From March 2000 to March 2001, 10.416 billion dollars were invested. This includes the purchase of local firms, particularly electricity companies, and capital invested to expand already established companies.

Nicolás Eyzaguirre, the Chilean Finance Minister, believes that these figures prove the interest and trust of external agents regarding the performance of the Chilean economy. Karen Poniachik, Vice-President of the Foreign Investment Committee, says that the most valued features that Chile has to offer are its macroeconomic policies – particularly fiscal discipline – and the country's commitment to open trade, manifested in the negotiation of several free trade agreements.

Many companies view Chile as a platform through which they can reach other countries in the continent. This is the case with Telecom Italia, which increased its share in Entel – a Chilean telecommunications company – to venture out from here to the United States, Peru and Venezuela. Another trend is to establish offices in Chile to serve the rest of the region. And

Facts

San Pedro and Chateau Dassault – a Chilean and a French winery respectively – formed a partnership to produce wines in Chile to be distributed in France and in another 60 countries. With an investment of seven million dollars, the first harvest is expected in 2002.

With 80% of the season already over (September-August), Chilean fruit exports increased 10.8% compared to the previous year. The main growth was in shipments to Europe, United States and Latin America.

Inflation in the first half of 2001 amounted to only 1.5%.

According to *Intrafish*, a specialized publication that conducts a ranking evaluating the salmon industry each year, 12 of the 30 largest salmon breeders in the world are Chilean. They include AquaChile (6th place), Camanchaca (9th place) and Multiexport (which ranked 10th).

this is the case with Delta Airlines and Air France that opened up their reservations and call centers for Latin America in Chile.

Focus on Senior Citizens

In Chile, 70% of the population is under 40 years old. Now, for the first time in Chile's history, people over 65 represent more than 10% of the population. Improving the quality of life for these citizens is one of the challenges that the administrations of the Coalition of Parties for Democracy set out to achieve. This is why the National Committee for Senior Citizens was established in 1995 and a national policy was designed especially for this age group.

A new measure to benefit senior citizens was launched on July 1, 2001. Seniors will receive free medical care in the public health care system. President Ricardo Lagos had announced this measure in his second Message to Congress, on May 21, 2001.

And that is not all. The Instituto de Normalización Previsional (INP) implemented, for the second time, an Internet training program as a way to incorporate senior citizens to the process of modernization. The Banco del Estado, the INP and the Sernatur (the national tourism service) launched a program called "Vacations for Seniors", which will enable over 16,000 pensioners from low income sectors to tour Chile at very low cost.

Environmentally Friendly Tailings

A successful project has shown that mining can be compatible with caring for the environment. The Codelco (national copper corporation) is using the tailings of the El Teniente copper mine for agriculture and animal feed.

Since 1987, mining wastes are discharged through an 87 kilometer-long aqueduct to the Carén reservoir, near Melipilla, which is very close to Santiago. The water, which is gradually decanted en route to its destination, is thus ready for agricultural use.

Studies requested by Codelco show highly favorable results: there have been no problems with either the animals or the crops. Moreover, over 20,000 crates of nectarines – irrigated with Carén water – were exported in 2000. And, together with the Conaf (national forestry corporation), thousands of native trees have been planted.

Quotes from President Lagos

“The Courts have shown their equanimity, independence and autonomy, which are essential in a Republic”. “Decisions by the Courts are to be obeyed and not remarked upon.”

“Human rights violations evidently need to be investigated.”

“The government is neither satisfied nor dissatisfied. The government is satisfied when justice works. That is what is important. The Courts are responsible for evaluating the fundamental aspects of any decision, but the satisfaction of the government is expressed when the Courts do their job.”

On the sentence of the Court of Appeals which temporarily suspended proceedings against Augusto Pinochet. July 9

“I hope that substantial progress will be made, but I do not think that this will solve the issue, because these issues can not be closed.”

On human rights violations. In an interview granted to Reuters.

“We cannot but celebrate this decision and state our willingness to keep up activities for maximum coordination, because we are going to have the same standpoints with regard to the same issues. And the strength with which it can be done is quite different if we do it separately than if we do it jointly.”

On the decision adopted by Mercosur to initiate trade talks with the United States. Mercosur Summit Meeting, Paraguay

Looking out at the universe

María Teresa Ruiz is dedicated to looking out at the universe. As an astronomer she discovered an exploding supernova, two planetary nebulae in the halo of the Galaxy and – more importantly – a “brown dwarf” in the vicinity of the solar system.

She is one of the seven Chilean researchers who recently received the Guggenheim Fellowship for 2001.

Dr. Ruiz holds a Ph. D. in Astrophysics from Princeton University. She has worked in different universities in the United States and Europe and has authored important scientific papers published in major astronomical journals. In 1997, she was the first woman to be granted the National Science Award.

Her discovery of the first “brown dwarf” made world telescopes scrutinize the firmament. “Brown dwarfs” are stars whose gaseous mass is too small to produce the energy needed to shine like more massive stars.

Festivity of La Tirana

In mid-desert, 1,900 kilometers north of Santiago, there is a village dedicated exclusively to religious worship: La Tirana. Barely 800 people live there throughout the year, but the entire scene changes from July 12 through 18. Around 40,000 people arrive from all over the Andean plateau to worship the Virgin of Carmel, Chile’s patron saint, at a highly colorful festivity.

The celebration combines Christian symbols with Indian rites, Catholic fervor with Andean traditions, ancient beliefs with popular fantasies. The pious walk for hundreds of kilometers, defying the heat of day and the cold of night. Dancing is the most important feature, with the dancers in their colorful dresses dancing to the sound of the *queñas* (Indian flutes), *zampoñas* (Panpipes), drums, and whistles. During La Tirana festivities, there is a ban on the sale of alcohol.

According to the legend, the name La Tirana (“the tyrant”) dates back to Colonial times – around 1535 – when a young Indian woman who had been carried off by the Spaniards, managed to escape and take refuge in a nearby oasis. She established herself there with some followers, and decided to take revenge on any foreigner who fell into her hands. This went on until she fell in love with a young Portuguese man, after which she converted and became a Catholic.

Overheard

“I am very optimistic about Chile. I believe that democracy has clearly recovered here. After all, this is the country with the longest constitutional tradition in the continent. With regard to its economic recovery, people on Wall Street who follow what goes on in South America told President Lagos, during his recent visit, that when they look at Chile they can only say What a country!”

John O’Leary,
United States Ambassador
to Chile. July 4

“We want to join the European Union and thus also open up doors and other possibilities for Chile, the same way as we hope that Chile will help us to open doors to other worlds.”

Rudolf Schuster,
President of Slovakia.
Santiago, July 5

“My recommendation to my clients would be for them to invest in Chile now since what we said in the late 90s still holds today. Chile is the best option for investment in Latin America because, despite being ‘farther away,’ considering its economic performance, the balance leans favorably towards Chile.”

Magnus Lagerkvist,
Chairman of Lagerkvist & Partners.
Interview with *El Diario*. June 1

Agenda

- 🗓️ July 28: President Ricardo Lagos will attend the swearing in of President Alejandro Toledo in Perú.
- 🗓️ July 29: Ceremony in Macchu Picchu.
- 🗓️ July 30: State visit to Perú.

Q&A

Agreements to Avoid Double Taxation

What are they?

Double taxation basically affects companies that operate in more than one country. This happens when two or more countries deem that they are entitled to collect taxes on the same income or equity. To avoid this situation, countries sign agreements consenting to have only one of the countries collect the taxes or else they may agree to a system whereby they share the taxes collected.

What do they involve for Chile?

In an open economy – such as the Chilean one – these agreements help encourage investment and stimulate the adoption of international practices implemented by economies that export capital and services. Furthermore, they help liberalize transactions involving technology; they open up new forms of foreign trade; and they allow achieving a high degree of cooperation and sharing of information among the tax authorities of the pertinent countries which helps deal with tax evasion.

The most important feature is that the accords are an incentive to capital inflows since they provide certainty to investors with regard to the tax system applicable in each country involved.

How many of these agreements has Chile signed?

At this moment, the agreements executed with Argentina, Mexico and Canada are in full force and effect. Agreements signed with Ecuador and Poland still need to be ratified by Congress. Tax agreements with Brazil and Peru are still awaiting processing by the legislature. An agreement has already been negotiated with Norway but it is yet to be signed.

Double taxation agreements are being negotiated with the United States, Germany, South Korea, Malaysia, United Kingdom, Venezuela, Spain, Finland, France, The Netherlands and Sweden. It is hoped that talks with Switzerland and New Zealand on this issue will begin shortly.

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