

# Report on Situation of Foreign Direct Investment (FDI) in Chile

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## InvestChile Executive Summary

**Title of study:** Report on Situation of Foreign Direct Investment (FDI) in Chile - 2019

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*Note: InvestChile will publish an update of this Report in the second half of 2020.*

This Report highlights the role that InvestChile plays in the promotion and attraction of foreign investment and the results of its work in 2018 when the value of projects at different stages of development increased by 82%.

The study also analyzes the behavior of different economic sectors, including mining, energy and global services.

**Energy:** The behavior and evolution of the non-conventional renewable energy (NCRE) sector are analyzed, emphasizing investment projects related to foreign investors and their effect on prices and supply of energy from these sources.

**Mining:** This is a sector in which reductions in Gross Fixed Capital Formation (GFCF) have been detected. The study, therefore, examines the behavior of investment in the industry and its relation with swings in metals prices in order to highlight the exogenous component of the reduction in investment. This analysis is based on data from the Capital Goods Corporation (CBC).

**Global services:** The study underlines the important increase in exports seen in this sector of which foreign investment accounts for 50%. Exports are concentrated in the subsectors with the highest demand for advanced human capital (BPO and KPO).

The study also notes that, in 2018, global FDI flows contracted for the third consecutive year, according to reports published by UNCTAD and the OECD. This situation was reflected in Latin America where there was a 6% drop in inward investment in 2018.

The FDI figures published by ECLAC are based on a different methodology and indicate that, for a sample of Latin American countries, the drop reached 15%.

The drop in global FDI flows affected Latin America's copper exporting countries, Chile and Peru.

FDI in Chile as measured by the Central Bank has shown a marked downward trend in the last four years, with a slight rebound in 2018.

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The downward trend was seen principally in the debt and equity components of FDI. In terms of sectors, it occurred mainly in the mining industry where it was explained by the end of the mining cycle.

Investment from China has become very important, due to a series of acquisitions in 2017 and 2018, of which the purchase of a 24% stake in SQM was the largest.

Looking beyond these figures, which do not necessarily coincide with the increase in total investment in the country, InvestChile has focused on new foreign investment projects that do affect gross fixed capital formation (GFCF).

The Report notes that the numbers associated with these efforts are consistent with those provided by fDi Markets with regard to the increase in the value of the new (greenfield) projects implemented in Chile.

Finally, the Report includes details of FDI projects announced in 2018 that will have a positive effect on this indicator in subsequent years.

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## International FDI Context

### Reports of international organizations

According to a report released by UNCTAD in June 2019, global FDI flows fell by 13% in 2018. This was consistent with figures published by the OECD in April 2019, which showed a 16% drop, with flows into member countries down by 23%, albeit increasing by 4% in the case of Chile. In August 2019, ECLAC also reported a 13% drop in global FDI flows in 2018, indicating that this was more pronounced in the developed economies (27%).

The UNCTAD report noted that this was the third consecutive year in which global FDI flows had shown a contraction.

These results were consistent with the decline in investment by OECD countries in the rest of the world which, in 2018, was down by 41% on 2017. The OECD report attributed this to sustained repatriation of profits by multinationals headquartered in the United States.<sup>1</sup> Both UNCTAD and ECLAC also cited this explanation in their reports. FDI by US companies in the rest of the world dropped by US\$350,000 million in 2018, giving a negative flow of US\$47,828 million although, taking into account only the second half of the year, the United States remained the principal source of investment.

Given that the United States is Chile's main source of investment, the conclusions of the UNCTAD, OECD and ECLAC reports are consistent with a drop in FDI in Chile. In the case of Canada, another important source of investment in Chile, the OECD and UNCTAD reports indicated a drop of 37% in FDI in the rest of the world.

This contraction of FDI was not reflected in the income paid and received as a result of FDI by OECD countries, since these increased by 17% and 9%, respectively. The OECD report indicated that, in the case of Chile, income generated by foreign investors rose by 9% in 2018 to US\$15,701 million. This was the highest figure since 2013 when it reached a record US\$16,836 million.

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<sup>1</sup> <http://www.oecd.org/investment/FDI-in-Figures-April-2019.pdf>.

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## Latin America countries

The UNCTAD report considered a sample of Latin American countries and found that they had experienced a 6% drop in FDI inflows in 2018. To measure this, the report used homogeneous criteria reported by the countries themselves, finding that only Argentina and Chile saw a small increase.

The methodology used by UNCTAD and the OECD differs from that used by ECLAC, leading to significant differences in the figures they report for 2018. Indeed, according to ECLAC, FDI in the same group of Latin American countries rose by an average 15%. The differences are particularly marked for Brazil, Mexico and Panama (Figures 2.1 and 2.2).

ECLAC indicated that most of the increase in investment in these three countries took the form of related borrowing. Depending on the methodology used and the domicile of the parent company, these flows may or may not be included in FDI. The treatment of this component of FDI is, therefore, the main source of discrepancies.<sup>2</sup> In the case of Brazil, for example, half of the capital that entered the country in 2018 as lending between companies corresponded to loans from the overseas subsidiaries of Brazilian companies to the parent company in Brazil.<sup>3</sup>

Regardless of the methodology used, Brazil and Mexico were the largest recipients of FDI among the sample of companies (Figure 1). Despite the growth of FDI in Chile, it was far from the position it achieved during the commodity price boom (Figure 3).

In a special report on FDI in Latin America, the OECD coincided with the figures published by UNCTAD, noting that, despite the persistent decline in flows, the region's share of global FDI increased from 9% to 11%.

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<sup>2</sup> Under UNCTAD's directional criterion for FDI statistics, related borrowing received by a parent company from overseas subsidiaries is not included in the inflow of FDI to the country where the parent company is domiciled.

<sup>3</sup> FDI Report 2019, ECLAC, page 30.

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## FDI associated with copper exports

The world's main copper exporters are Chile, Peru and, to a lesser extent, Australia. In recent years, both Chile and Peru have seen a decrease in inward FDI. In 2018, they received a similar amount which, for Chile, represented a slight increase and, for Peru, a decrease of 9% (5% according to ECLAC). In other words, the two countries are similar in terms of the level of inward FDI. In Chile, copper exports reached US\$36,400 million, accounting for 48% of total exports, while, in Peru, they reached US\$14,900 million or 30% of total exports.

Australia is different. In 2018, FDI in Australia increased by 25%, according to the OECD (43% according to UNCTAD). Although it is the world's third most important copper exporter - albeit far behind Chile and Peru - copper is not its main export. A large percentage of its exports are commodities, but they have a very different composition. The main products are iron ore (US\$48,200 million), coal briquettes (US\$47,000 million), gold (US\$29,100 million), petroleum gas (US\$20,300 million) and wheat (US\$4,880 million). At US\$4,500 million, copper is in seventh place, accounting for just under 2% of total exports.

In other words, Chile and Peru are very similar in terms of FDI flows while Australia is different because its export matrix is different.

## FDI from China

The People's Republic of China has become a key trading partner for Chile. It is the market for a third of Chilean exports, a figure that has been growing year by year. From the financial standpoint, increasingly interesting agreements have also been reached. In recent years, two Chinese banks, China Construction Bank and Bank of China, have opened representative offices in Chile and, in 2015, the Central Bank of Chile and the People's Bank of China (PBC) signed a Memorandum of Understanding (MoU) to promote conditions that facilitate the use of the renminbi (RMB) in Chile.

It is important to note that, while Chinese investment in the world has decreased, it has increased in Latin America. Considering the mergers and acquisitions completed in 2017, China was the largest investor in the region.<sup>4</sup> Transnational companies are developing increasingly complex organizational structures and, in many cases, do not invest directly through the parent company, preferring to use subsidiaries located in territories with tax advantages.

Taking into account mergers and acquisitions completed in 2018, China was the third largest investor in the region, with the United States and Europe regaining the leading position from which they had been displaced by China in 2017. Chinese companies made some strategic investments in

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<sup>4</sup> Foreign Direct Investment in Latin America and the Caribbean, 2018, ECLAC, page 40.

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infrastructure and lithium mining in 2018, but not on the scale of operations in 2017. As a result, China lost ground as the origin of mergers and acquisitions, accounting for 19% of the total value of cross-border mergers and acquisitions in the region in 2018, down from 37% in 2017.<sup>5</sup>

Chinese investment can have important benefits for Chile. For example, when Tianqi acquired its stake in SQM, it paid US\$1,000 million in taxes in Chile.

In 2018, the Chinese giant Three Gorges Corporation closed its first investment in Chile, acquiring the Rucalhue hydro plant in the Bío-Bío Region. Prior to this, China's State Power Investment Corporation (SPIC) had acquired the assets of Pacific Hydro in the O'Higgins Region.

Other Chinese companies that have invested in Chile include the Mobike bicycle company, the Lenovo, AOC and Haier technology companies and the Chery, Great Wall and ByD car manufacturers. In the aquaculture sector, Joyvio acquired Australis Seafoods. In the wine sector, the Bethia group sold 85% of its wine operation, which includes the Indomita, Santa Alicia and Dos Andes vineyards, to Yantai Changyu Pioneer Wine, the largest Chinese company in the field, in 2017. Another key operation in this sector was the sale in 2018 of 12.5% of Viña San Pedro Tarapacá to Yanghe, a subsidiary of the Jiangsu Yanghe Distillery Group. In the infrastructure sector, Chec China is building the expansion of the port of San Antonio.

As mentioned above, China Construction Bank and Bank of China have offices in Chile. They are the world's second and fourth largest banks, respectively. Their investments enter Chile in the form of lending. For example, China Construction Bank has lent to Chile's Antofagasta Minerals.

More recently, the Huawei technology company has shown interest in participating in the construction of a submarine fiber optic cable between Asia and the Americas. It is already building part of the Southern Fiber Optic Project in Chile and sources at Huawei Chile have indicated that the local office is trying to convince the head office to invest in the construction of a data center in Chile, focusing on cloud services.

Chilean law firms, investment banks and accounting firms have been involved in all Chinese investments in Chile, generating business locally. In 2017, one of Chile's leading law firms, Carey, opened its first international office in Shanghai, China. Similarly, the most important commission related to Tianqi's acquisition of its stake in SQM went to local stock brokerage company Larraín Vial.

When China Southern Power Grid became the largest shareholder in the Transelec power transmission company, it established new management standards. In China, it serves 230 million

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<sup>5</sup> Foreign Direct Investment in Latin America and the Caribbean, 2018, ECLAC, page 44.

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people, with a limit of six hours of outage per year, whereas Transelec serves 10 million people and has a limit of 20 hours.

In light of the above, InvestChile is increasingly working to attract Chinese investment that increases the country's production capacity.

## Central Bank of Chile FDI Figures

Net foreign direct investment (FDI) in Chile, measured according to balance of payments accounting standards, **has decreased in recent years, albeit with a slight rebound in 2018** (Figure 3).

As shown in Figure 4, the decrease since 2015 has been explained mainly by two factors:

**A drop in the net inflow of lending** from related parties (from US\$10,633 million in 2015 to - US\$1,548 million in 2018);

**A drop in equity from overseas** (from US\$6,494 million in 2015 to US\$2,032 million in 2018).

The breakdown of the inflow by sector shows that the decrease is explained mainly by **a sustained drop in foreign investment in the mining sector over the last five years** (Table 1). Similarly, related debt, which has historically represented an important component of FDI, has dropped in recent years.

It is important to note that FDI flows do not necessarily represent an increase in investment measured as gross fixed capital formation (GFCF) or an increase in the recipient country's production capital (for example, machinery, equipment, plant, etc.). A timing problem means that registration of the entry of the FDI does not coincide with the actual investment. In addition, FDI can be used to acquire existing assets and, in this case, does not imply an increase in the country's stock of capital. Companies can also use bank borrowing to acquire capital goods and, although this represents a productive investment, it does not constitute FDI.

In line with this, the present report analyzes FDI from the standpoint of who ultimately exercises control of the company implementing an investment project in Chile.

According to this criterion, FDI implemented by companies that are within the chain of control of the foreign investor is classified as having an overseas origin.



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## FDI in Investment Projects

For the reasons set out above, InvestChile emphasizes **new investment projects** that have a positive impact on the Chilean economy, due to both the resulting job creation and the capital involved, and that correspond to the investment promotion and attraction activities with which the Agency is charged.

In this context, the FDI portfolio, measured according to the services provided by InvestChile, increased by 82% from US\$7,736 million in 2017 to an estimated US\$14,108 million in 2018 when it comprised 277 projects in different stages of development, up from 196 projects in 2017.

The largest amounts corresponded to the mining and energy sectors. As shown below, this was consistent with the survey carried out by the Capital Goods Corporation (CBC). Mining and energy were followed by the global services sector, which stood out for both the amount of investment involved and the number of projects attended by InvestChile (Table 2).

The value of the investment portfolio attended by InvestChile and the number of projects it contained were consistent with fDi Markets' estimate that 88 new (greenfield) projects were implemented in 2018, representing a total investment of US\$7,604 million. This represented an increase of 63% in the number of projects and 79% in investment. In Latin America, the amount of capital invested was exceeded only by much larger economies such as Brazil and Mexico (Table 3). The number and value of greenfield projects were also highlighted by UNCTAD in the report it published in 2019.

The present report also examines gross fixed capital formation (GFCF), which is reflected in the statistics published by the Central Bank of Chile. As a breakdown of GFCF by origin of the investment (domestic or foreign) is not available, information from the Capital Goods Corporation (CBC) was used to obtain an approximate figure for the percentage with an overseas origin.

As indicated above, the origin of the investment was determined according to the controller or parent company of the company implementing the project.

The Central Bank's breakdown of GFCF by sector provides figures through to 2017. This confirms that **the drop in investment occurred almost exclusively in the mining sector**. This may have been a result of a drop in the copper price, which also affected foreign investment in the sector. The sector's share of GFCF fell from 29% in 2013 to 18% in 2017 and it was the only sector to experience a drop (Table 4). This was also reflected in the absolute value of GFCF by sector (Table 5).

Historically, FDI has accounted for around **55% of total mining investment** (including Codelco) and **95% of private mining investment**. However, the share of Codelco has shown a sustained increase (Figure 5).

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## Capital Goods Corporation (CBC)

### Investment in mining

As noted above, figures are not available in Chile for gross fixed capital formation that has its origin overseas. Approximate figures have, therefore, been estimated using information from the Capital Goods Corporation (CBC), which separates investment projects by origin.

Given that the mining sector accounts for much of the drop in FDI in Chile, it was analyzed specifically.

A correlation with the copper price is evident, **suggesting that a price recovery could prompt a reactivation of foreign investment in the sector** (Figure 5).

The main foreign investments in mining in 2016-2018 corresponded to BHP in its Escondida, Spence and Cerro Colorado projects, Antofagasta Minerals (AMSA) in its Centinela, Esperanza and Los Pelambres projects and Teck in its Quebrada Blanca project. The increase seen in foreign investment in mining confirms the clear relationship between expectations of higher copper prices and the investment being prepared.

The portfolio of projects registered by the Mining Council shows that the projects being implemented by overseas companies increased from US\$3,315 million in the 2017 portfolio to US\$9,293 million in the portfolio at the end of 2018 (Tables 6.1 and 6.2).

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## Investment in energy

One of the focuses of the energy sector authorities as regards investment has been **a modification of the electricity matrix to migrate to cleaner sources and reduce prices**. In 2018, investment in the energy sector reached over US\$3,100 million, accounting for 21% of total investment. This positioned it as the third most important sector after mining and public works.<sup>6</sup> According to the National Energy Commission (CNE), non-conventional renewable energies (NCRE) grew by 2.9% in 2018 when they accounted for 20.8% of the electricity matrix.

A total of 55 projects, representing an installed capacity of 929 MWh, came on line in 2018. The list was led by variable power plants, especially wind and photovoltaic solar plants, followed by hydroelectric projects.<sup>7</sup>

The investment in energy in 2018 indicated above is consistent with the figures of the CBC which, in its report for the last quarter of the year, gave an estimate of US\$3,125 million. The report also estimated that investment in the energy sector would increase by 15% to US\$3,573 million in 2019.

**In the future, energy investment is expected to increase and overseas companies will be an important part of this process.** The energy projects submitted by overseas companies to the Environmental Impact Evaluation System (SEIA) in 2018 that have either been “Approved” or are “Under Evaluation” total US\$3,866 million, out of which US\$3,189 million corresponds to NCRE generation projects.

Using this information, **Tables 7.1 and 7.2** show the country of origin of the NCRE projects submitted to the SEIA by overseas companies or companies in which they have a stake.

In other words, FDI in the energy sector has been and is expected to continue to be important in the modification of Chile’s electricity matrix, in the reduction of prices in supply tenders and in supply security.

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<sup>6</sup> Reporte Mensual ERNC, CNE. N° 29 January 2019, page 2.

<sup>7</sup> Revista Electricidad N° 228, March 2019.

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## Investment in other sectors

The CBC report for the last quarter of 2018 listed a number of investment projects among which those with a foreign origin were estimated by InvestChile to represent a projected investment of US\$22,739 million during the five years from 2018 to 2022 (**Table 8.1**). Out of this, US\$5,904 million corresponded to 2018 and US\$6,827 million to 2019. According to the CBC report, domestic private investment over the five-year period would reach US\$22,901 million (**Table 8.2**), accounting for approximately half of total private investment.

A more detailed analysis of the CBC survey implies distinguishing between projects that have obtained approval from the Environmental Evaluation Service (SEA) and those that are still in the process of evaluation, excluding projects with a lower probability of implementation. The results of this analysis, shown in **Tables 9.1 and 9.2.**, indicate that investment with a foreign origin exceeds 50% of total projected private investment.

These estimates for 2019 suggest that, considering projects that have been “Approved” or are “Under Evaluation”, US\$1,185 million corresponded to FDI, up by 24% on 2018. The main industrial sector for this investment was mining, followed by the energy industry, explaining why these two sectors are analyzed in detail in this report.

FDI in the public works sector corresponds mainly to concessioned highways and airports.

## Investment in Global Services

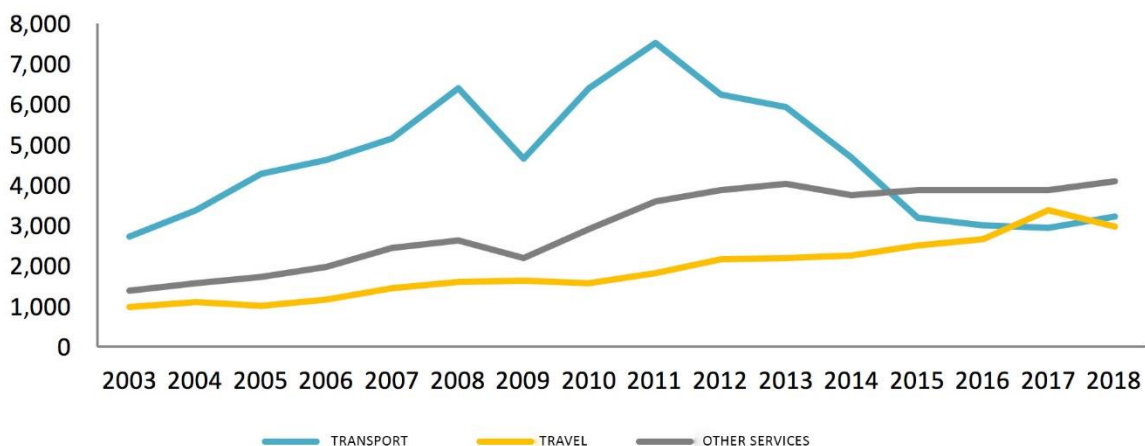
Non-traditional services that are intensive in the use of advanced human capital or in information technologies (IT) are referred to as global services (GGSS). Chile has a GGSS promotion strategy that dates back to collaboration in the launch of the Technological Investment Attraction Program of the government’s Economic Development Agency (CORFO) in 2000 and the public-private missions to Silicon Valley, India and New York, organized by the Innovation Forum, in 2006 and 2007. In late 2007, this work was boosted by the Cluster Program and the consequent formation of the Strategic Public-Private Council for Global Services, implemented by CORFO through methodological, financial and operational support for the executive secretariat of the Cluster’s strategic public-private council.

Empirical evidence shows that this sector has seen a sustained expansion in the past 15 years, growing well ahead of goods and the country, and currently generates revenues of the order of US\$3,500 million dollars. It creates more sophisticated jobs in terms of capabilities and level of skills and has better wealth distribution indexes. It exports principally to the United States (30%), Latin America (40%) and the European Union (20%).

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In 2017, promotion took the form of work between institutions and public services in collaboration with private organizations and associations. This led to a number of lines of actions as regards the strengthening of human capital, trade facilitation, the improvement of regulatory and tax systems, international promotion, the design of financing instruments and the generation and publication of information about the sector. In 2018, efforts focused on specific sectors such as engineering services, architecture, information technologies and creative services, particularly audiovisual services and video games.

Service Exports, 2003-2018 (US\$ million)



Source: Central Bank of Chile

In 2010-2018, service exports grew at an average annual rate of 3%, reaching US\$10,273 million in 2018. This was explained mainly by the dynamism of non-traditional service exports, that is, those other than transport and travel.

Exports of transport services contracted at an average rate of 2% between 2010 and 2018 while exports of non-traditional services grew at an average rate of 7.9%.

Despite protectionist trends such as Brexit and the trade war between the United States and China, exports of non-traditional services grew by 5.6% in 2018, driven mainly by telecommunications, IT and information services, which grew by 15.8%, and, in the first quarter of 2019, by almost 30%.

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A global services proxy was constructed using data from the balance of payments of the Central Bank of Chile. The results are shown in the table below:

GGSS	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>US\$ million</b>	798	1,033	1,264	1,474	1,365	1,218	1,246	1,116	1,149	1,470
Variation	-19.2%	29.5%	22.4%	16.6%	-7.4%	-10.8%	2.4%	-10.5%	3.0%	28.0%

In 2010-2018, exports of global services grew at an average rate of 8.1%, led by the expansion of IT services and exports of professional and technical services.

In 2017, there were approximately 1,851 exporters of global services in Chile.<sup>8</sup> Their distribution by type of global service was as follows:

Type of GGSS	N° Companies
<b>KPO</b>	938
<b>ITO</b>	359
<b>BPO</b>	491
<b>IPO</b>	63
<b>Total</b>	1,851

- KPO (Knowledge Process Outsourcing)
- ITO (Information Technology Outsourcing)
- BPO (Business Process Outsourcing)
- IPO (Innovation Process Outsourcing)

<sup>8</sup> According to data from the National Tax Service (SII) and the Customs Service. To facilitate the calculation, companies were assumed to export the service related with their principal economic activity as declared in the monthly F29 form required by the SII.

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Out of these exporters, 17.2% were large companies, defined as having annual sales of more than 100,000 *unidades de fomento* (UF).

	Large Companies (N°)	
	Foreign	Chilean
<b>KPO</b>	68	52
<b>ITO</b>	36	45
<b>BPO</b>	45	53
<b>IPO</b>	12	8
<b>Total</b>	161	158

More than 50% of the large companies exporting global services were of foreign origin. Out of these companies, 70% were in the KPO and BPO sectors. The majority of large foreign companies exporting global services exported KPO services whereas most large Chilean companies exported BPO services.

According to information from the Customs Service, Chile's exports of different services totaled around US\$1,017 million in 2017.<sup>9</sup> Out of this, US\$727 million (71%) corresponded to global services.

Type of GGSS	US\$ mill.	%
BPO	277	27%
IPO	32	3%
ITO	249	24%
KPO	170	17%
No GGSS	289	29%
<b>Total</b>	<b>1,017</b>	<b>100%</b>

<sup>9</sup> Using customs data, it is possible to identify the exact service exported. For this purpose, the IDC code harmonization was used.

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According to customs declarations, large companies accounted for 59% of total service exports. Their distribution by origin of the company's ownership was as follows:

Type of GGSS	Chilean		Foreign		Total
	Amount	%	Amount	%	
BPO	182	62%	61	20%	243
IPO	12	4%	6	2%	18
ITO	70	24%	149	49%	219
KPO	29	10%	90	30%	119
Total	293	100%	306	100%	599

Customs declarations also show that most of the services exported by foreign companies were ITO services (49%), followed by KPO services (30%), BPO services (20%) and IPO services (2%). In the case of large Chilean companies, they corresponded to BPO services (62%), followed by ITO services (24%), KPO services (10%) and IPO services (4%).

The markets of large foreign companies exporting global services were led by the United States (Table 10.1). The markets for exports of global services by type of service are shown in Table 10.2.

The most important foreign companies for each type of service are shown in Tables 11.1 to 11.4.



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## Conclusion

FDI flows are an indicator of an economy's ability to generate conditions for the entry of capital from another economy. However, to assess the effect of this FDI on an economy's stock of capital and job creation, other elements must be incorporated into the analysis. This report shows that it is important to focus on greenfield projects and that the level of the flow does not suffice to determine FDI's impact on an economy.

As highlighted in this report, foreign capital plays a very important role in mining, energy and public works projects, which are implemented by companies within the chain of control of foreign investors.

Using different domestic and international sources, it was possible to assess the impact of FDI on the Chilean economy in 2018 and its future impact according to the projects being implemented.

In this context, InvestChile's work in promoting and attracting foreign investment is very significant. This is reflected in its important portfolio of projects in different stages of development and the large number of projects for which foreign investors are ultimately responsible.

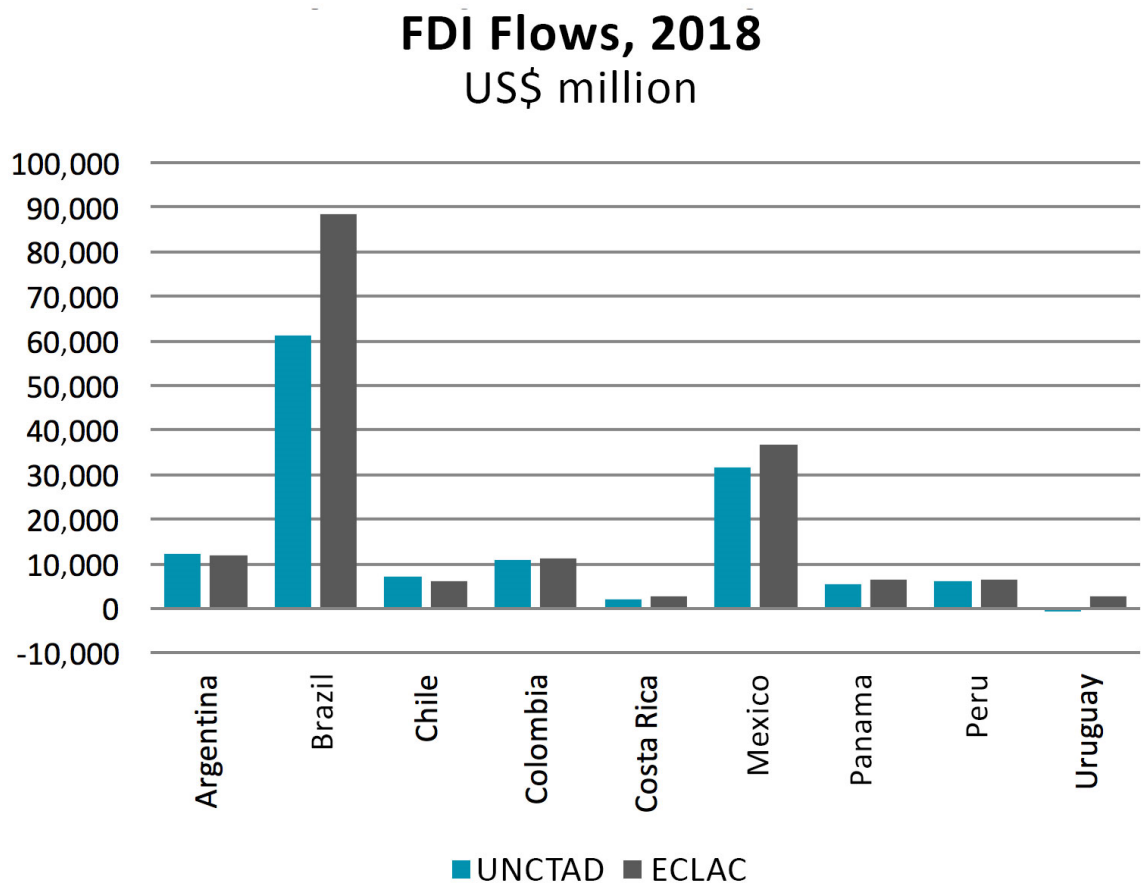
## Announced Investments

Announcements of investments reported in the press are shown in **Table 12**.

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## Appendix: Figures and Tables

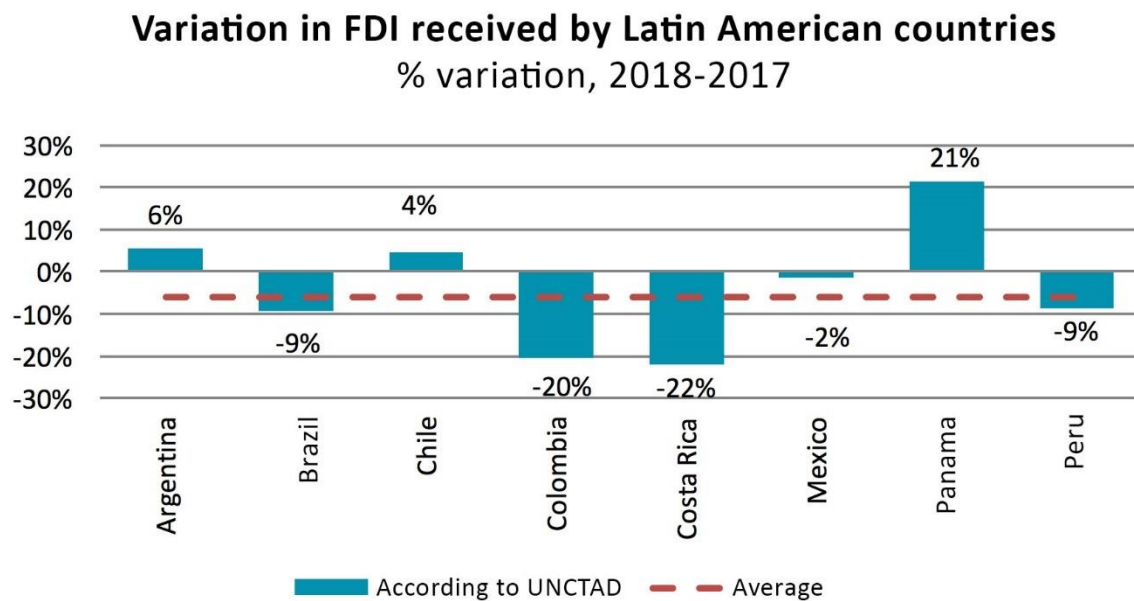
Figure 1: FDI in Latin American countries (US\$ million)



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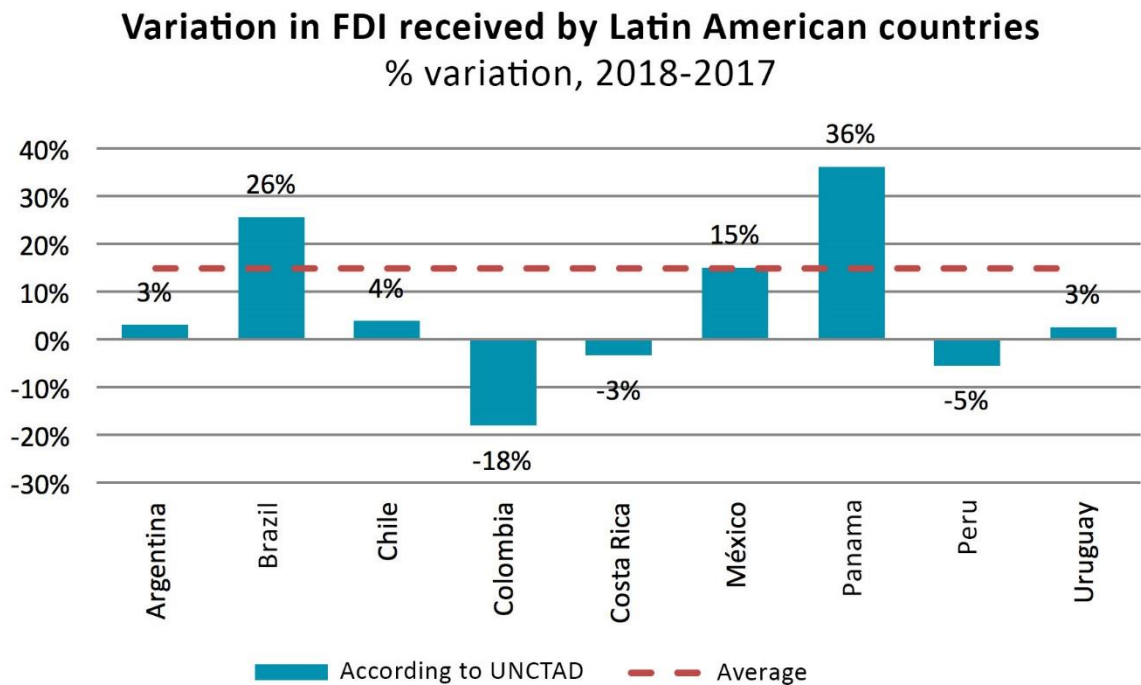
Figures 2: Variation in FDI, Latin American countries

Figure 2.1: According to UNCTAD (directional criterion)



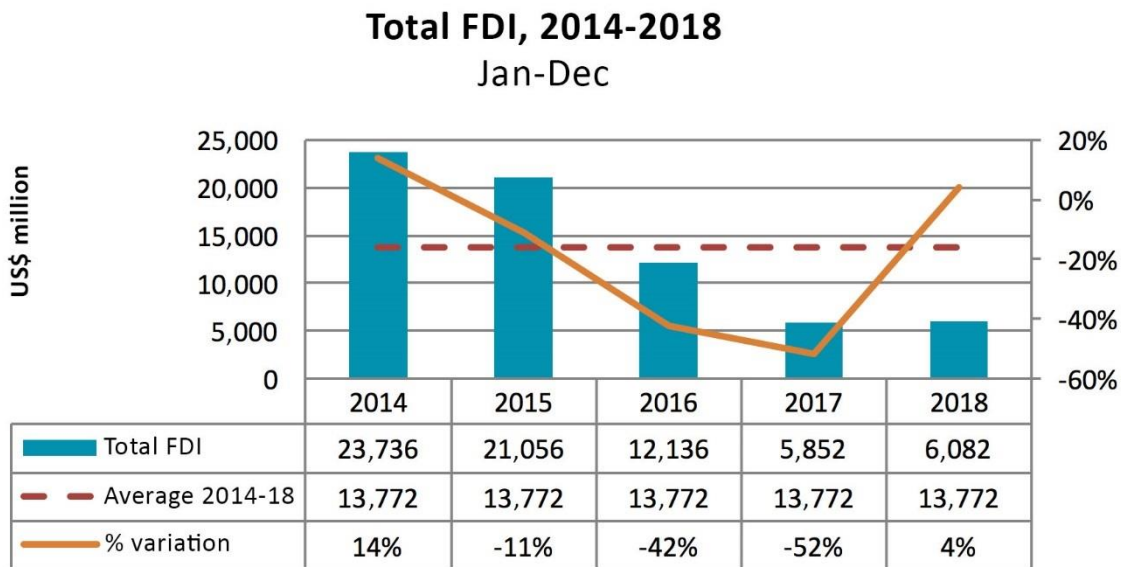
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Figure 2.2: According to ECLAC (assets and liabilities criterion)



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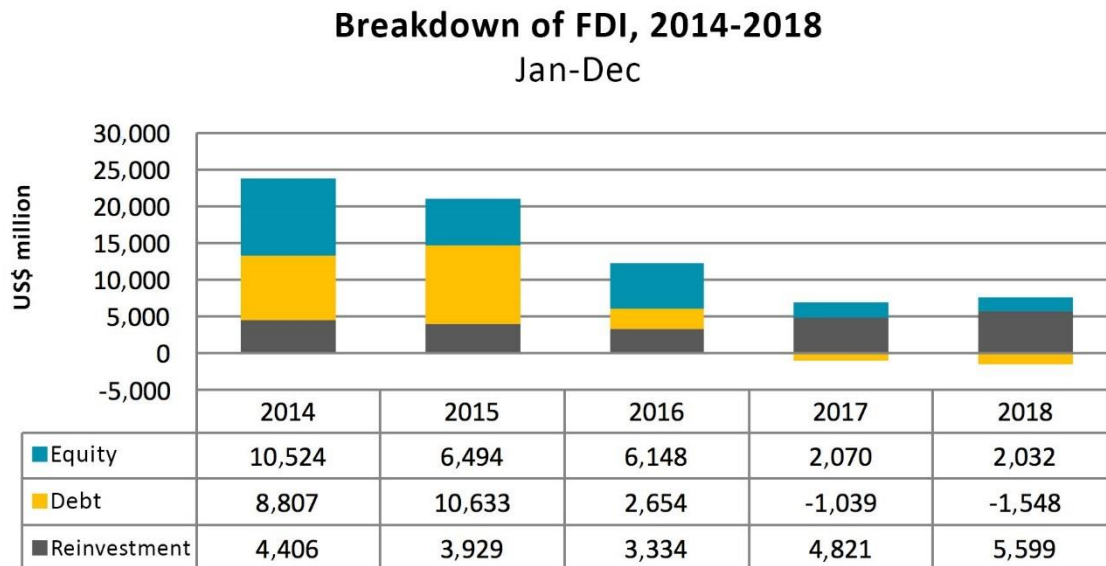
Figure 3: FDI in Chile, 2014-2018



Source: Calculated by InvestChile, using figures from Central Bank of Chile (18/3/2019)

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Figure 4: Breakdown of FDI, 2014-2018 (US\$ million)



Source: Calculated by InvestChile, using figures from Central Bank of Chile. (18/3/2019)

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**Table 1: FDI in Chile by sector**

Sector	2013	2014	2015	2016	2017
Agriculture and fishing	166	421	-118	157	68
Mining	2,096	4,550	8,478	-1,260	33
Manufacturing	2,186	1,510	-491	469	830
Electricity, gas and water	5,210	2,070	3,765	-122	-139
Construction	131	710	-169	229	702
Commerce	1,128	-881	-1,040	-29	1,247
Hotels and restaurants	-22	-22	-47	-105	7
Transport and warehousing	1,303	1,266	-564	-134	-49
Communications	-788	-921	-796	800	-93
Financial services	4,100	7,229	1,347	8,225	5,308
Real estate and business services	-26	410	784	138	494
Other services	300	251	161	120	55
Not assigned	5,041	7,144	9,741	3,884	-2,046
<b>TOTAL</b>	<b>20,825</b>	<b>23,736</b>	<b>21,051</b>	<b>12,374</b>	<b>6,419</b>

Source: Central Bank of Chile.

**Table 2: Portfolio of FDI attended by InvestChile**

InvestChile Portfolio of Projects		
Sector	N° Projects	Amount (US\$ mill.)
Mining	5	4,770
Energy	24	3,981
Global services	87	2,443
Miscellaneous	82	1,677
Foods	57	886
Tourism	21	178
Infrastructure	1	173
<b>Total</b>	<b>277</b>	<b>14,108</b>

Source: InvestChile.

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**Table 3: Greenfield projects, 2017-2018**

Country	2017		2018	
	_ Capex	_ Projects	_ Capex	_ Projects
Mexico	26,331	459	25,111	448
Brazil	9,249	179	15,237	316
Chile	4,241	54	7,604	88
Argentina	4,310	58	6,719	104
Peru	4,060	44	5,402	57
Colombia	2,250	74	4,846	162
Ecuador	1,063	12	1,604	23
Bolivia	14	2	1,329	11
Costa Rica	1,165	49	1,074	52
Panama	1,258	21	594	18
Paraguay	209	8	372	10
Uruguay	4,546	9	82	8
<b>Total</b>	<b>58,697</b>	<b>969</b>	<b>69,975</b>	<b>1,297</b>

Source: fDi Markets.

**Table 4: Gross fixed capital formation by sector (% of total investment)**

Sector	2013	2014	2015	2016	2017
Mining	29%	27%	21%	18%	18%
Housing and real estate services	15%	16%	17%	18%	18%
Transport, information and communications	14%	15%	14%	15%	14%
Electricity, gas and water	6%	7%	11%	10%	10%
Manufacturing	7%	7%	7%	8%	8%
Public administration	7%	7%	9%	8%	8%
Personal services	6%	6%	6%	7%	7%
Others	16%	16%	15%	15%	16%
<b>Gross fixed capital formation (thousands of millions of pesos)</b>	<b>34,199</b>	<b>32,546</b>	<b>32,452</b>	<b>32,018</b>	<b>31,152</b>



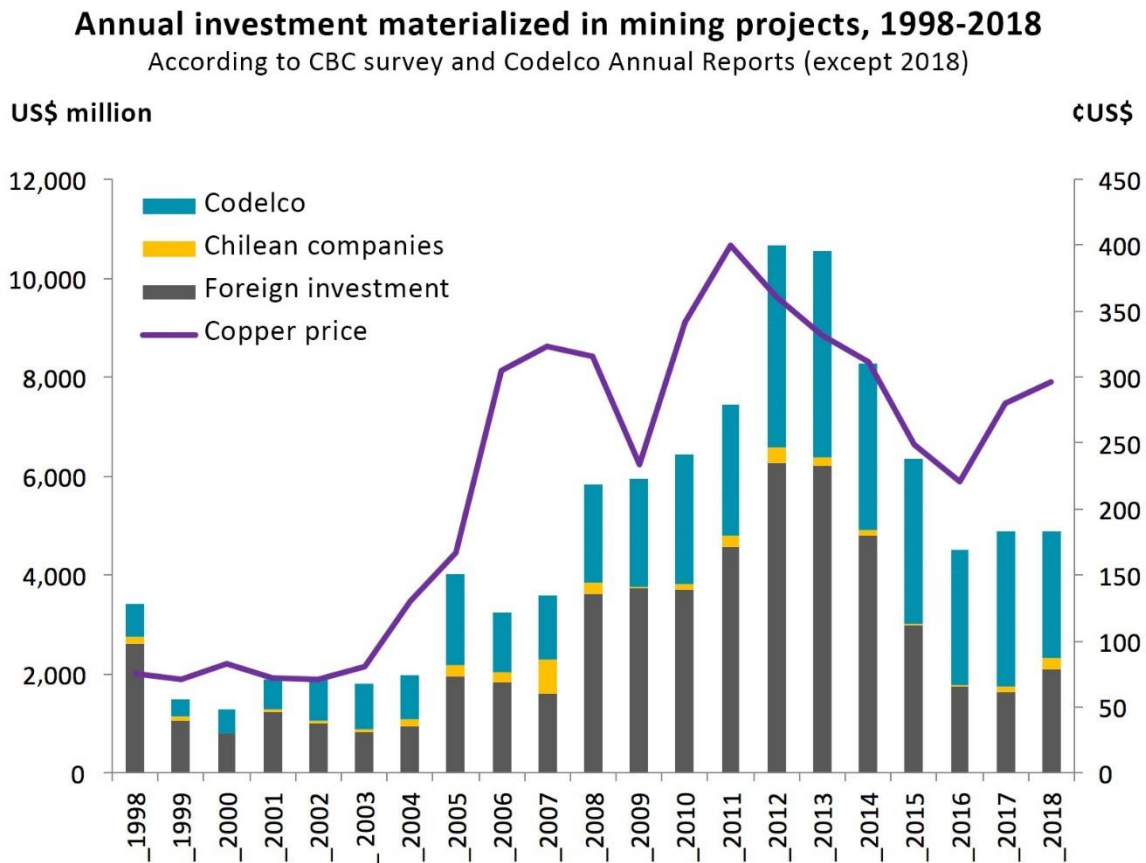
# Report on Situation of Foreign Direct Investment (FDI) in Chile

**Table 5: Gross fixed capital formation by sector (thousands of millions of pesos)**

<b>Sector</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Mining	9,950	8,681	6,912	5,690	5,692
Housing and real estate services	5,171	5,134	5,505	5,878	5,551
Transport, information and communications	4,881	4,736	4,671	4,721	4,389
Electricity, gas and water	2,122	2,308	3,450	3,357	3,155
Manufacturing	2,273	2,210	2,260	2,476	2,457
Public administration	2,393	2,418	2,839	2,664	2,583
Personal services	1,988	1,946	2,063	2,354	2,232
Others	5,421	5,113	4,752	4,877	5,092
<b>Gross fixed capital formation</b>	<b>34,199</b>	<b>32,546</b>	<b>32,452</b>	<b>32,018</b>	<b>31,152</b>

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Figure 5: Investment in mining by origin of capital (US\$ million)



Source: Calculated by InvestChile, using figures from Capital Goods Corporation (CBC) and Codelco.

# Report on Situation of Foreign Direct Investment (FDI) in Chile

Tables 6: Mining projects by overseas companies, to December 2018 and December 2017

Table 6.1: To December 2018

Start-up	Project	Operator	Region	Stage	Estimated investment (US\$ mill.)
2019	Ball Mill Upgrade Line 3	Collahuasi	Tarapacá	Implementation	178
2019	3rd High-Rate Thickener	Collahuasi	Tarapacá	Implementation	120
2021	Spence Growth Option (SGO)	Minera Spence	Antofagasta	Implementation	2,460
2021	Escondida Water Supply Expansion	Minera Escondida	Antofagasta	Implementation	535
2021	Los Pelambres Expansion Project	Minera Los Pelambres	Coquimbo	Implementation	1,300
2022	Quebrada Blanca Phase 2	Teck Resources Chile	Tarapacá	Implementation	4,700
2020	Sierra Gorda Optimization Project – Mine Area Plant	KGHM	Antofagasta	Evaluation	1,500
2022	Development Centinela District (DMC)	Minera Centinela	Antofagasta	Evaluation	2,700
n/a	NuevaUnión	Teck Resources Chile and Goldcorp	Atacama	Evaluation	3,500
n/a	Norte Abierto (ex-Cerro Casale)	Barrick and Goldcorp	Atacama	Evaluation	6,000
n/a	La Coipa Phase 7 SCM	SCM Mantos de Oro	Atacama	Evaluation	200
n/a	Lobo Marte	Minera Lobo Marte	Atacama	Evaluation	800
n/a	Pascua	Cía Minera Nevada	Atacama	Evaluation	8,500

# Report on Situation of Foreign Direct Investment (FDI) in Chile

<b>Total in implementation</b>	<b>9,293</b>
<b>Total in evaluation</b>	<b>23,200</b>

**Table 6.2: To December 2017**

Start-up	Project	Operator	Region	Stage	Estimated investment (US\$ mill.)
2018	Candelaria 2030	CC Minera Candelaria	Atacama	Implementation	400
2018	Molybdenum Plant	Minera Centinela	Antofagasta	Implementation	125
2018	Reactivation 24-Cell Project	Collahuasi	Tarapacá	Implementation	152
2019	Ball Mill Upgrade	Collahuasi	Tarapacá	Implementation	178
2021	Spence Growth Option (SGO)	Minera Spence	Antofagasta	Implementation	2,460
2019	3rd High-Rate Thickener	Collahuasi	Tarapacá	Evaluation	120
2020	Sierra Gorda Optimization Project – Mine Area Plant	KGHM	Antofagasta	Evaluation	1,500
2021	Infrastructure project	Minera Los Pelambres	Coquimbo	Evaluation	1,100
2022	Development Centinela District (DMC)	Minera Centinela	Antofagasta	Evaluation	2,700
2022	Cerro Negro Norte Expansion and Pellet Plant	Cía Minera del Pacífico	Atacama	Evaluation	455
n/a	El Soldado Operational Continuity	Anglo American Sur	Valparaíso	Evaluation	170

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n/a	Quebrada Blanca Phase 2	Teck Resources Chile	Tarapacá	Evaluation	4,700
n/a	NuevaUnión	Teck Resources Chile and Goldcorp	Atacama	Evaluation	3,900
n/a	La Coipa Phase 7 SCM	Mantos de Oro	Atacama	Evaluation	200
n/a	Lobo Marte	Minera Lobo Marte	Atacama	Evaluation	800
n/a	Cerro Casale	Compañía Minera Casale	Atacama	Evaluation	6,000
n/a	Pascua Cía.	Minera Nevada	Atacama	Evaluation	8,500
<b>Total in implementation</b>					<b>3,315</b>
<b>Total in evaluation</b>					<b>30,145</b>

**Table 7.1: Non-conventional renewal energy (NCRE) foreign investment projects submitted for environmental evaluation by SEIA in 2018 by country of origin**

Country	N° NCRE projects			
	Wind	Photovoltaic	Solar	Total
Spain	2	15	1	18
Ireland	5	1	1	7
United States		3		3
France	1		1	2
Czech Republic			2	2
Canada		1		1
<b>Total</b>	<b>8</b>	<b>20</b>	<b>5</b>	<b>33</b>

**Table 7.2: Value of non-conventional renewal energy (NCRE) foreign investment projects submitted for environmental evaluation by SEIA in 2018 by country of origin**

Country	Amount of investment in NCRE projects (US\$ mill.)			
	Wind	Photovoltaic	Solar	Total
Ireland	1,491	150	150	1,791
Spain	189	828	12	1,029
France	200		101	301
United States		41		41
Czech Republic			16	16
Canada		12		12
<b>Total</b>	<b>1,879</b>	<b>1,031</b>	<b>279</b>	<b>3,189</b>

# Report on Situation of Foreign Direct Investment (FDI) in Chile

**Table 8.1: Projected industrial FDI by sector**  
(US\$ million)

Sector	2018	2019	2020	2021	2022	2018-2022
Mining	2,055	3,028	2,187	1,588	980	9,837
Energy	2,189	2,662	2,101	635	71	7,658
Public works	606	631	580	573	435	2,825
Others	781	303	363	283	128	1,858
Industrial	229	150	40	0	0	420
Real estate	44	52	31	12	0	140
<b>Total</b>	<b>5,904</b>	<b>6,827</b>	<b>5,303</b>	<b>3,091</b>	<b>1,614</b>	<b>22,739</b>

Source: Calculated by InvestChile, using figures from Capital Goods Corporation (CBC).

**Table 8.2: Projected domestic private industrial investment by sector**  
(US\$ million)

Sector	2018	2019	2020	2021	2022	2018-2022
Real estate	2,560	2,652	2,230	1,360	877	9,679
Public works	254	403	629	945	1,386	3,616
Energy	837	841	410	248	150	2,486
Forestry	234	771	1,027	162	0	2,194
Mining	268	925	692	15	9	1,910
Industrial	511	565	442	166	27	1,710
Others	434	429	396	0	0	1,259
Ports	8	38	0	0	0	47
<b>Total</b>	<b>5,105</b>	<b>6,626</b>	<b>5,825</b>	<b>2,896</b>	<b>2,448</b>	<b>22,901</b>

Source: Calculated by InvestChile, using figures from Capital Goods Corporation.

# Report on Situation of Foreign Direct Investment (FDI) in Chile

**Table 9.1: Projected FDI (approved, in admittance and under evaluation by SEA) by sector (US\$ million)**

Sector	2018	2019	2020	2021	2022	2018-2022
Mining	2,035	3,028	2,187	1,588	980	9,818
Energy	2,086	2,349	1,912	627	71	7,045
Public works	501	548	425	265	10	1,749
Industrial	229	150	40	0	0	420
Others	138	73	73	27	27	339
Real estate	10	36	17	10	0	74
<b>Total</b>	<b>5,000</b>	<b>6,185</b>	<b>4,653</b>	<b>2,518</b>	<b>1,089</b>	<b>19,444</b>

**Table 9.2: Projected domestic private investment (approved, in admittance and under evaluation by SEA) by sector (US\$ million)**

Sector	2018	2019	2020	2021	2022	2018-2022
Real estate	1,549	1,725	1,576	1,013	647	6,510
Forestry	234	771	1,027	162	0	2,194
Energy	601	607	314	246	150	1,917
Mining	268	925	692	15	9	1,910
Industrial	480	547	428	155	21	1,631
Public works	166	271	305	344	330	1,418
Ports	8	38	0	0	0	47
<b>Total</b>	<b>3,307</b>	<b>4,885</b>	<b>4,341</b>	<b>1,935</b>	<b>1,157</b>	<b>15,626</b>

# Report on Situation of Foreign Direct Investment (FDI) in Chile

**Table 10.1: Distribution of global services of large overseas companies**

Country	Amount (US\$ mill.)	%
<b>US</b>	157	51.4%
<b>Peru</b>	36	11.9%
<b>Switzerland</b>	20	6.7%
<b>UK</b>	15	4.9%
<b>Spain</b>	13	4.1%
<b>Panama</b>	12	3.8%
<b>Argentina</b>	7	2.3%
<b>Colombia</b>	6	2.0%
<b>Mexico</b>	5	1.7%
<b>Brazil</b>	4	1.4%
<b>Canada</b>	4	1.4%
<b>Japan</b>	4	1.2%
<b>Others</b>	22	7.1%

**Table 10.2: Distribution by type of global service and destination**

BPO		IPO		ITO		KPO	
Country	%	Country	%	Country	%	Country	%
Switzerland	20%	<b>France</b>	36%	<b>US</b>	79%	<b>US</b>	33%
UK	17%	<b>Germany</b>	29%	<b>Spain</b>	4%	<b>Peru</b>	26%
USA	14%	<b>Japan</b>	14%	<b>Mexico</b>	3%	<b>Panama</b>	11%
Peru	13%	<b>US</b>	11%	<b>Peru</b>	3%	<b>Switzerland</b>	9%
Spain	10%	<b>Switzerland</b>	7%	<b>Brazil</b>	2%	<b>UK</b>	5%
Argentina	5%	<b>Panama</b>	2%	<b>Colombia</b>	2%	<b>Canada</b>	3%
Colombia	4%	<b>Netherlands</b>	1%	<b>Ecuador</b>	1%	<b>Argentina</b>	3%
Japan	3%	<b>New Zealand</b>	0.5%	<b>Argentina</b>	1%	<b>Luxembourg</b>	2%
Singapore	3%	<b>Denmark</b>	0.1%	<b>Venezuela</b>	1%	<b>Germany</b>	2%
Canada	2%			<b>Panama</b>	1%	<b>Colombia</b>	1%
Others	10%			<b>Others</b>	2%	<b>Others</b>	4%



# Report on Situation of Foreign Direct Investment (FDI) in Chile

**Table 11.1: Top 15 foreign companies exporting BPO services**

N °	BPO	%
1	ANGLO AMERICAN CHILE LTDA.	21.0%
2	EVALUESERVE CHILE S.A.	20.1%
3	BBVA PROC. SERV A. DEL SUR SPA	9.3%
4	MINERA FREEPORT-MCMORAN SOUTH AMERICA LTDA.	9.1%
5	UNISONO SOLUCIONES DE NEGOCIO CHILE S.A.	5.2%
6	CLARO INFRAESTRUCTURA 171 S.A.	4.8%
7	KONECTA CHILE LTDA.	3.3%
8	I-GROUP COMUNIC. PUBLICITARIA	2.9%
9	TURNER Y TOWNSEND LTDA.	2.7%
10	CITIGROUP CHILE S.A.	2.6%
11	AISM CHILE S.A.	2.4%
12	DASSAULT SYSTEMES CHILE S.A.	2.3%
13	GORI CHILE S.A.	2.0%
14	ALBATRANS CHILE S.A.	1.7%
15	WARD VAN LINES S.A.	1.2%

**Table 11.2: Top 12 foreign companies exporting IPO services**

N °	IPO	%
1	LIMAGRAIN CHILE LTDA.	36%
2	BAYER S.A.	29%
3	SAKATA SEED CHILE S.A.	10%
4	SEMILLAS TAKII CHILE LTDA.	7%
5	ARGOR-HERAEUS LATIN AMERICA SP	7%
6	SEMILLAS LATINOAMERICANAS S.A.	3%
7	SOUTH PACIFIC SEEDS CHILE S.A.	3%
8	LABORATORIOS ANDROMACO S.A.	2%
9	DESERT KING CHILE S.A.	2%
10	RIJK ZWAAN CHILE LTDA.	0.5%
11	ORAF TI CHILE S.A.	0.4%
12	SEMILLAS GOLDSTAR S.A.	0.3%

# Report on Situation of Foreign Direct Investment (FDI) in Chile

**Table 11.3: Top 15 foreign companies exporting ITO services**

N°	ITO	%
1	INV. Y SERV. DATALUNA LTDA.	52.0%
2	CITIGROUP CHILE S.A.	17.4%
3	EVERIS	7.8%
4	EXPERIAN SERVICES CHILE S.A.	7.1%
5	MASISA S.A.	4.6%
6	SYNOPSIS CHILE LTDA.	4.0%
7	NISUM CHILE SPA	1.5%
8	AMDOCS CHILE SPA	1.0%
9	KANTAR WORLDPANEL CHILE SPA	0.9%
10	SAP CHILE LDTA.	0.9%
11	ISBAN CHILE S.A.	0.6%
12	SYNOPSIS SPA	0.6%
13	AISM CHILE S.A.	0.5%
14	ADP CONSULTORES LTDA.	0.3%
15	LEVEL 3 CHILE S.A.	0.3%

**Table 11.4: Top 15 foreign companies exporting KPO services**

N°	IPO	%
1	EXPERIAN SERVICES CHILE S.A.	22.7%
2	FLUOR CHILE S.A.	17.7%
3	DASSAULT SYSTEMES CHILE S.A.	10.9%
4	GOODGATE PRODUCTIONS S.A.	9.4%
5	EVALUESERVE CHILE S.A.	6.8%
6	CREDICORP CAPITAL ASSET MANAGEMENT S.A.	5.2%
7	MONEDA S.A. AD. GRAL DE FONDOS	4.9%
8	CIA.SEG.CRED.CONTINENTAL S.A.	4.6%
9	INVERSIONES BARRICK CONOSUR LT	4.1%
10	ANGLO AMERICAN CHILE LTDA.	4.0%
11	JLT CHILE CORREDORES DE REASEGURO LTDA.	3.5%
12	SGS MINERALS S.A.	2.1%
13	SUMITOMO CORP. (CHILE) LTDA.	0.6%
14	TIME MEDIA S.A.	0.6%
15	AISM CHILE S.A.	0.5%

# Report on Situation of Foreign Direct Investment (FDI) in Chile

**Table 12: Key announcements of FDI projects, 2018**

Investor	Purpose	Location	Date announced
<b>Limoneira</b>	San Pablo fruit company	La Serena	June
<b>Patogen</b>	Opening of animal health products office	Puerto Varas	October
<b>Arroyo Energy Investment Partners LLC</b>	El Arrayán wind farm project (29%)	Coquimbo	August
<b>Marubeni</b>	60% of GasValpo	Valparaíso	July
<b>China Southern Power</b>	27.8% of ETC Transmission Holding (owner of Transelec)	Multi-region	March
<b>Actis LLP</b>	50% of El Pelicano solar plant	Vallenar	March
<b>Red Eléctrica de España SAU</b>	Centinela Transmission	Antofagasta	July
<b>Innergex Renewable Energy</b>	Duqueco JV project with Energía Llaima	Bío-Bío Region	July
<b>Teck Resources Ltd.</b>	13.5% of Cía. Quebrada Blanca	Coquimbo	April
<b>Tianqi</b>	24% of SQM	Atacama	December
<b>Unacem Corp</b>	7 concrete producing units	Multi-region	March
<b>Nexus Group (Intercorp)</b>	Sinea plastics producer and PET recycler	San Bernardo	February
<b>Grunenthal</b>	New plant devoted to exports	Santiago Region	March
<b>Nestlé</b>	Purina food plant	Maule	April
<b>Coca-Cola</b>	Comercializadora Novaverde (Guallarauco)	Santiago Region	January
<b>The Bank of Nova Scotia</b>	70% of BBVA	Multi-region	July
<b>Coasin Chile</b>	Logicalis Latin America	Santiago Region	September
<b>Marubeni</b>	50% of Aguas Chañar	Atacama	April
<b>Int Food Services</b>	DEGASA Desarrollos Gastronómicos	Santiago Region	October
<b>Les Néréides París</b>	Inauguration of salesroom	Santiago Region	September
<b>Buonny Brasil</b>	Opening of logistics branch in Chile	Santiago Region	October
<b>Loomis</b>	Compañía Chilena de Valores	Multi-region	January

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<b>UnitedHealth Group</b>	96.8% of Banmédica S.A.	Multi-region	January
<b>Advent International</b>	Association with Enjoy	Multi-region	February
<b>Accel-KKR</b>	I-Med medical technological services	Multi-region	January
<b>Ausolan (Mondragon)</b>	Génova food services	Multi-region	April
<b>GL Evens</b>	60% of FISA (Feria Internacional de Stgo.)	Santiago Region	April
<b>Zurich Group</b>	Euroamérica	Multi-region	November
<b>Colony Capital</b>	51% of Casaideas	Multi-region	June
<b>AB InBev</b>	Expansion of AB InBev plant (ex-Cervecería Chile)	Santiago Region	August
<b>Bimbo</b>	Nutrabien	Santiago Region	November
<b>Renner Hermann</b>	Inauguration of new industrial paint plant	Santiago Region	August
<b>Gold Anda Chile (China)</b>	Inauguration of fresh fruit processing plant	Curicó	December
<b>Google</b>	Expansion of data center	Santiago Region	September
<b>Huawei</b>	Customer service center	Santiago Region	August
<b>Yanghe, subsidiary of Grupo Jiangsu Yanghe Distillery Co. Ltd.</b>	12.5% of Viña San Pedro	Curicó	January
<b>Suffolk Companies (Boston)</b>	Property for resort	Puerto Montt	May
<b>Evergreen Marine Corp</b>	60% of Green Andes Shipping (part of Ultramar)	Multi-region	October

Source: Prepared by InvestChile, using information from Chilean and international media