

bUSINESS CHILE

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Entrepreneurship in Chile: Beyond the Start-Up

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Next Stop Brazil for
Chilean Dotcom

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Chile's Entrepreneurs – Agents of Change

2012 is the Year of Entrepreneurship in Chile. The entrepreneur is the bridge between capital and labor, generating value for society and acting as a catalyst for change. The entrepreneur is often seen as a modern day hero, particularly in growing economies where new businesses provide an important base for job creation. The entrepreneur sees opportunities where others see roadblocks. Their ability to convert these opportunities into value is what accelerates growth.

Being an entrepreneur is also about taking responsibility since he or she must assume and manage risks to generate and sustain wealth. In many parts of the world, entrepreneurship is a necessity given high levels of unemployment, but this is not the case in Chile which is near to full employment.

Entrepreneurship is blossoming in Chile because of an increasing number of opportunities available to a broader base of the population. As pointed out in this month's cover story, over 100,000 new businesses have been created in Chile since 2010. This represents a significant change from the past when it was perceived that Chilean culture – particularly risk averseness – discouraged young people from choosing a start-up over more traditional employment choices.

Why has this happened? Is this trend really significant for Chile?

The reasons are many – better and more-broadly available education, greater global connectivity (both virtual and physical), well-focused and implemented public programs, as well as better economic conditions which have made it possible for more Chileans to take managed risks.

An additional factor often overlooked is the

example provided by Chile's businesspeople. The country's business elite is mainly composed of entrepreneurs who, in the majority of cases, have built their businesses in the last few decades. Their success has motivated others to take new risks and assume new responsibilities, thereby building a culture of entrepreneurship.

And this is very significant for the country!

Chile has been considered an example of economic success because of its strong macroeconomic management. But the country needs to take the final steps to development – and the most significant of these involves consolidating the budding culture of entrepreneurship to perpetuate growth and create opportunities for its people.

This month's issue of bUSINESS Chile highlights several examples of this dynamic new entrepreneurial spirit. On the technology side, the start-up CompararOnline.com shows how a young entrepreneur has formed a new business based on a US model, and is moving ahead with financing from venture capital investors to bring this model to the region. In the Spotlight we highlight AmCham's initiative to promote new business in biotechnology, taking advantage of the Chile-Massachusetts agreement signed between the governments of Chile and the United States.

Entrepreneurs are Chile's agents of change, pushing the country towards development. This spirit is a value that is shared with the United States. We at AmCham see this as one of the greatest opportunities to build new bridges for trade and investment and will be working hard to make such opportunities into realities for the benefit of the people of both nations.



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Next Stop Brazil for Chilean Dotcom

ComparaOnline, a Chilean price comparison service, is using capital raised from an Argentine venture capital company to finance its expansion into Brazil.

By Ruth Bradley

Not many entrepreneurs get lucky with their first project. But so far that seems to be the case for Sebastián Valin, the founder of ComparaOnline.com, an Internet start-up for which, in just three years, he has raised some US\$5 million in seed and venture capital.

Fresh from studying structural

civil engineering at the Los Andes University in Santiago - "where entrepreneurship wasn't on the syllabus" - Valin knew the traditional career path of a well-paid job in a large company wasn't for him and, instead, wanted to start his own business. The problem was he didn't have a project.

The answer came when, already eyeing insurance as a possible field, he decided to help a younger brother insure his new car and set about tracking down the different options and their respective prices. In that process, he discovered two things.

First, getting the information wasn't easy. "I spent a week making phone calls and often had the feeling I wasn't getting all I needed to know," he recalls. "In many cases, I was offered just one option but with no way of knowing whether it was the best one for me or the interests of the person I was speaking to."

With an engineer's approach, he compiled an Excel spreadsheet with the results, but then came the second problem - struggling through the mass of information to compare the alternatives. There were, moreover, huge differences in price even for the same product, depending on whether it was being sold by a bank, a retail

store, a broker or the insurance company itself.

What Valin did in that spreadsheet is much what ComparaOnline now does for consumers in Chile and, soon, Brazil. It doesn't actually sell car insurance - or any of the other financial and telecommunications services into which it has since diversified - but it does allow users to compare prices simply, quickly and free-of-charge and, when they do buy a product, takes a cut from the seller.

"In the markets where we operate, there is typically asymmetry in access to information and we help to make them more transparent," points out Valin. Indeed, in order to ensure its impartiality, the company charges sellers a fixed fee for each product so that it has no reason to favor one over another.

Valin declines to reveal the company's sales but does say that its website receives some 250,000 unique visitors each month and, in its three years in operation, has provided around 1 million quotes. And, with a 90-strong workforce, its smart offices in Santiago's Providencia district are a far cry from the warehouse of a family friend where he set up his first solitary office.



Sebastián Valin, ComparaOnline

Challenges and adjustments

But it has not all been plain sailing. The first challenge, says Valin, was to overcome his fear of failure. "I'd done well at university, had a lot to lose... and didn't want to seem to be opting out," he recalls.

There were also some reality checks along the way. "When I hit on the idea of a car insurance comparison service, I thought I was a genius... until I realized there were plenty of them in other countries."

Before launching ComparaOnline, he spent a month in Spain and England visiting companies like the UK's uSwitch. "I learned a lot because, at that stage, I didn't really understand how the business worked and how it made money."

Back in Chile, one of the key challenges was to persuade insurance companies to sign up with ComparaOnline. "It wasn't easy," admits Valin, "but it helped that we only charge them for something real - a sale - not just for clicks or visits."

It was usually smaller companies, with a lower profile, that joined first. Today, however, the insurance companies quoting on the site include large players such as Chilena Consolidada, BCI Seguros and Consorcio.

But, about eight months into the company's operations, Valin found that its sales just weren't growing. That was partly because its business model wasn't quite right for Chile.

One problem was that - like the companies Valin had seen in the UK - it didn't initially have its own call center and was relying on the insurance companies to follow up on quotes. "They weren't doing a very good job," says Valin, "so

we had to adjust the model to do it ourselves."

By comparison, raising capital was easy, he says. In the company's first round, obtained on the basis of a 24-month business plan he wrote with the help of a textbook - "we weren't taught that at university" - he raised an impressive 400 million pesos (some US\$800,000) from family and friends. He was, he admits, lucky in having access to a network with those resources.

That round took the company through to breakeven on just car insurance. The same partners then put in more capital to allow it to expand into other products such as travel insurance, consumer finance and telecommunications services.

But its first institutional round of financing came only recently with the entry - for an undisclosed amount - of Kaszek Ventures, an Argentine venture capital company formed by Hernán Kazah, co-founder of MercadoLibre - Latin America's eBay - and Nicolás Szekasy, its former CFO. That investment, Kaszek's first

in Chile, will be used to finance ComparaOnline's expansion to Brazil where it has already opened an office in São Paulo.

The choice of Brazil as its next market was "a very complex decision and probably the most important strategic decision we have taken," says Valin. Some of the insurers that ComparaOnline works with in Chile are also in Brazil but, apart from the market's size, there is also the difference that - unlike Chile when it started there - it will have competitors.

"There's lots of competition," admits Valin, "but they're all newer than we are and still learning."

ComparaOnline's subsequent step will probably be a much easier Colombia but, although Valin is cautious about the details, its plans don't stop there. Eventually, he hopes to see the start-up he launched when he was just 24 years old emerge as the leading regional player in its field. **bUSINESS CHILE**

Ruth Bradley is a freelance journalist based in Santiago and a former editor of bUSINESS CHILE.



A Single Window Customs Clearance System

Despite Chile's numerous free trade agreements and relatively efficient customs procedures, obtaining clearance to export and import goods can be time consuming, but a new single window system is designed to change that.

By Aaron Nelsen

Long before farm-raised salmon in Patagonian waters are processed, packaged and shipped to markets across the globe, companies must first comply with a myriad of logistical requirements, including approval by Chile's fishing regulator Sernapesca,

customs certification, and an out of the way trip to the Port of Valparaíso for embarkation.

The sheer volume of paperwork and distances involved make the process of exporting goods unnecessarily burdensome, particularly for an industry that exports 95% of its production, says Carlos Odebret, CEO of SalmonChile, the country's largest salmon trade organization.

"We're an industry dedicated to looking beyond our borders, and so the role of customs is tremendously important," he said.

Chile sees itself as a business leader and model of economic stability in the region, but this image is belied by unwieldy customs procedures. Development agencies are fond of using Chile as a benchmark in Latin America for trade facilitation initiatives. And yet, according to a recent World Bank report, Chile's clearance procedures "remain time consuming and cumbersome".

Overall, Chile ranks 14th in the Global Enabling Trade Index 2012, up four positions from 2010 and top in the region. But the report says

it takes 21 days to export goods from the country versus an average 18 days in Latin America and the Caribbean, 10.9 days in the OECD, and just six days in the United States.

According to World Bank estimates, a day's delay reduces exports by around 1%. Therefore, given that Chile's goods exports reached US\$80.6 billion in 2011, every additional day of delay entails costs of some US\$806 million. Halving the clearance time could, in theory, save the country around US\$8 billion annually.

The report notes that, in spite of these problems, Chile has made significant strides toward modernizing its customs regime, including efficient procedures and little corruption, but clearly there is more to be done.

Jose Raúl Perales, executive director of the Association of American Chambers of Commerce in Latin America (AACCLA), says Chile stands out among its peers in terms of its customs management and port facilities.

As part of the Pathways to



"For export-based industries like ours, the role of customs is tremendously important."

Carlos Odebret,
SalmonChile



Prosperity in the Americas initiative launched by the United States last year, member countries have been divided into subgroups including one concerned with promoting trade facilitation that is co-chaired by Chile and Costa Rica.

Chile has also achieved an advanced system of customs management aimed at simplifying procedures. In fact, Chile has reduced tariffs on almost all its imports and is considering a bill that would gradually eliminate the general import duty by 2015, which would be a tremendous incentive for trade.

Yet, despite these advances, considerable challenges remain. When compared to the developed economies of the OECD, Chile ranks near the bottom in terms of the expediency of moving merchandise. And there are still difficulties and limitations with the digitalization of procedures, as well as occasionally poor coordination between the various ministries, private agencies and the Armed Forces, says Perales.

"You may have a situation where you're bringing in a good that appears on the Armed Forces control list," Perales explained, "and they can detain that good without being fully cognizant of the rules and regulations in the Free Trade Agreement."

Single window system

To avoid these types of messy entanglements and reduce red tape, Chile is working on a single window system, known as the Integrated Trade System (*Sistema Integrado de Comercio Exterior, or SICEX*), which is designed to

halve the average number of days required to clear customs.

The idea behind this, explained Alejandra Arriaza, technical manager at Chile's National Customs Service in Valparaíso, is to provide government agencies, exporters and importers with an online process for coordinating the movement of goods in and out of the country.

Chile has been working on an electronic trade facilitation system since 2004. It integrated some customs agencies in 2006 and created a website to provide information for exporters in 2008, but the government of President Sebastián Piñera has made the single window system a priority.

A presidential advisory committee was created to study this in November 2010 and, a year later, an international bidding process was launched for the design and implementation of SICEX. The winning bidder of the contract, announced in March this year, was a consortium comprised of the Spanish consulting firm Everis and eTrade services provider CrimsonLogic Panama.

In its first stage, the new system will incorporate 18 different government agencies by the end of this year, capping the export clearance procedure at 14 days. The second phase, scheduled to be up and running by mid-2013, will incorporate importers, and in 2014, the system will attempt to bring transport and logistics companies into the fold, a feat that Arriza says would reduce clearance times by several more days.

"The absence of a unified system is a problem because it involves

physically going to several different places before a product can be exported or imported," said Paulina Nazal, head of Market Access at the Foreign Ministry's Department of International Economic Affairs (Direcon).

"Exporters and importers tell us all the time that if there was an integrated system where they could get all the necessary certificates in one place, it would make their job much easier."

Seasoned customs broker Alan Smith, who heads the National Association of Customs Brokers (ANAGENA), also believes the single window system will improve procedures that he says can, at times and for some specific products, be a bureaucratic nightmare.

However, he points out that the SICEX system, as it is currently designed, does not incorporate private companies such as freight forwarders, shipping lines, port terminals, customs warehouses, insurance surveyors and local trucking firms. Even if these companies were included in the system at a later date, he is dubious that they can all be successfully brought under the umbrella of one system.

"The problem with all these private actors in the logistics chain is that each has its own procedures and different costs for services," Smith said. "There is no authority that can regulate this aspect of services, so we don't think this will change easily."

But there are other ways to speed up the customs process. One feature of the current import system allows for advance clearance up to a week before arriving at port,



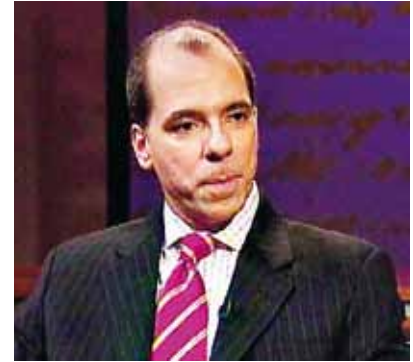
"The problem with all the private actors in the logistics chain is that each has its own procedures and costs for services."

Alan Smith,
National Association of
Customs Brokers (ANAGENA)



"The absence of an integrated customs system is a problem for certain products and markets."

Paulina Nazal,
Direcon



"Chile stands out among its peers in terms of its customs management, but its institutions need updating."

José Raúl Perales,
Association of American Chambers of
Commerce in Latin America (AACCLA)

shaving potentially days off the time it takes to clear customs. Given such time-saving devices, Smith disputes that clearance procedures average anywhere near 21 days, as the World Bank indicates.

"We estimate the number to be somewhere between 10 and 14 days," he said. Around 80% of all cargo has left the pier within 48 hours of arrival, while another 20% - usually agricultural products - requires additional inspection, but the average time for that cargo to clear is between 3 to 4 days.

In general, exporters of perishable items have few complaints about customs procedures, which include inspection by the Agriculture and Livestock Service (SAG). The paper trail occasionally causes "some minor delays when demand is high," according to Ronald Bown, president of the Chilean Association of Fruit Exporters (ASOEX), but nothing that can't be fixed with a little tweaking.

In reality, however, there are other obstacles that companies face in achieving smoother import and export procedures, which a single window can't fix.

Infrastructure bottleneck

The challenges faced by fruit exporters are fairly representative of the country's infrastructure

limitations. The Ministry of Agriculture recently reported that more than 90% of all produce is exported from the ports of San Antonio and Valparaíso. In fact, around 70% of all exports and imports move through these two ports, creating a bottleneck and occasional issues with the movement of merchandise.

While there have been efforts to develop ports in Iquique and Punta Arenas, the fact remains that Chile has a complicated geography.

Beyond this, however, Chile's institutions need updating, says AACCLA's Perales.

Over the past decade, while the country was busily signing free trade agreements, notably with the United States in 2003, modernizing its customs procedures and port infrastructure wasn't considered a necessary part of negotiations because there was already a very good system in place - imports had been electronically processed since 1997 and exports followed shortly after in 2000. Since then, the US has penned free trade agreements with Peru and Colombia as well as Central American countries, all of which contain commitments addressing trade facilitation.

"One of the things Chile doesn't have with the United States that

countries in Central America do is a chapter on capacities to modernize customs and allow for the faster movement of goods," noted Perales.

"Part of that was because Chile came first, but part of it was the Chileans had already done a lot of the leg work before the agreement was in place, and in the minds of US and Chilean negotiators Chile did not have a need to develop its institutions."

Nevertheless, export-based industries have high hopes that a single window system will solve many of their problems. The salmon industry was developed almost entirely for export with nearly 400,000 tons of frozen and fresh salmon sent annually to markets in Japan, the European Union, Brazil and the United States. Given the diversity of its markets, SalmonChile's Odebret says the incorporation of customs services and technology under a unified system is the best way to simplify the export process.

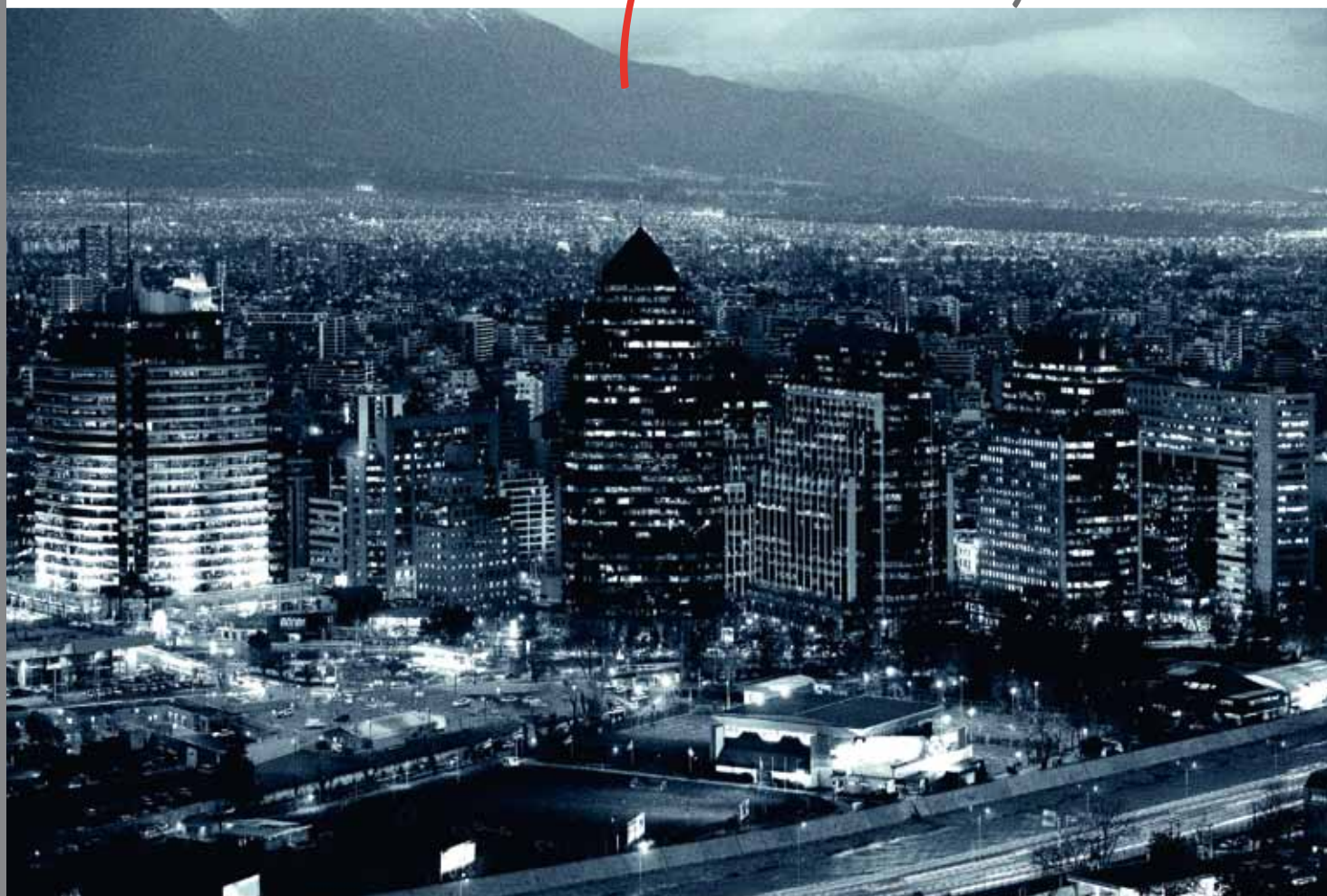
"We expect this will considerably reduce the amount of paperwork required to export," Odebret said. "It's inconceivable that fresh salmon could take 12 days to export, if it did it wouldn't be fresh."

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Aaron Nelson is a freelance journalist based in Santiago

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Entrepreneurship in Chile: Beyond the Start-Up

Entrepreneurship is key to Chile's economic development and government programs are encouraging more young Chileans to take the plunge, but entrepreneurs still face obstacles and more venture capital is needed for start-ups to expand globally.

By Julian Dowling

When Nathan Lustig, a 26-year old entrepreneur from Wisconsin, arrived in Chile in 2010 to develop his start-up Entrustet with cash provided by Start-Up Chile - a government program that gives entrepreneurs US\$40,000 to spend six months developing their ideas in Chile - he found that many of his Chilean friends weren't too excited about entrepreneurship.

"Many looked at entrepreneurs as simply unemployed," he says.

But that has changed according to Lustig, who sold Entrustet to a European competitor last year and returned to Chile in January to join Welcu, a corporate event management start-up.

"Chile still has a long way to go to match the US entrepreneurial culture, but things are moving in the right direction," he observes.

This is shown by the growing number of Chileans taking the entrepreneurial plunge. Since President Piñera took office in March 2010, Chileans have started over 100,000 new businesses, which was the government's goal for its four-year term. This includes 15,007 in the first three months of this year alone, up 37% from the same period in 2011, according to figures



from the Ministry of Economy.

These figures are particularly impressive in an economy at, or close to, full employment. Around 30% of total entrepreneurial activity in Chile is still out of necessity, and most new businesses have less than five employees, but the percentage with

the ambition to grow is climbing.

According to the 2011 report by the Global Entrepreneurship Monitor (GEM), 23.7% of Chileans surveyed said they had started a new business within the last three and a half years - roughly 1 in 4 Chileans - compared to 17% three years ago. Of these, 17.6% said they planned to hire 20 or more people in the next five years, which is up from 14% in 2009.

"The report shows Chile has reached an inflection point in terms of entrepreneurial activity," says José Ernesto Amorós, director of research in the Economics and Business Faculty at the Universidad del Desarrollo, which participated in the GEM study.

Part of the surge in new business creation, after a decade of sluggish growth, can be explained by a cultural change in Chilean society in the last five years that has increased the "social valorization" of entrepreneurship, says Amorós.

And, as entrepreneurship has become fashionable, the number of small business owners calling themselves "entrepreneurs" - from the empanada vendor on the street corner to the founder of an Internet start-up - is rising.

"Being an entrepreneur still isn't

cool in many circles, but as success stories come out, some attitudes are changing,” observes Lustig.

According to Cristián López, executive director of the Chilean association of entrepreneurs (ASECH), Chile feels like Silicon Valley or Israel – a small country, like Chile, which has developed a huge high-tech industry in the last decade.

“It’s exciting, a lot is happening in terms of entrepreneurship,” says López. “Chile is starting to be seen as a country of entrepreneurs, which it wasn’t a few years ago.”

The Year of Entrepreneurship

But Chile’s entrepreneurial explosion would not have been possible without public support. President Piñera understands the



“We need to develop trust between private actors since this is key to generating strategic alliances and, above all, to getting financing in early stages.”

Andrés Concha,
Sofofa

importance of entrepreneurship as a tool for increasing social mobility and meeting his government’s goal of making Chile a developed country within this decade.

In fact, he has declared this to be Chile’s Year of Entrepreneurship to be followed next year by the Year of Innovation. This includes measures to reduce paperwork for entrepreneurs and a series of events throughout the country organized by the government’s Economic Development Agency (CORFO).

“Today, there is much more concern for entrepreneurs than ten years ago. This government has put a lot of emphasis on this issue,” says Andrés Concha, the president of Chile’s manufacturers’ association, Sofofa.

For example, it has reduced the time required to start a new



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business from 27 days to seven, and a bill currently before Congress would allow this procedure to be completed in a single day at zero cost, which Concha says would be a blessing for entrepreneurs.

In January, CORFO created a new Entrepreneurship Division to coordinate and expand the agency's programs in areas such as venture capital, loan guarantees and seed capital. But it's not only about the money, says Cristóbal Undurraga, CORFO's manager of entrepreneurship.

"Money is important, you need it to grow, but there is much more to making a successful business," he says.

According to Undurraga, entrepreneurial spirit, like athletic ability in soccer players, is innate in Chileans, but CORFO must create the conditions for them to thrive. "Many Chileans have the skills to succeed, they just need the right environment," he said. "We're trying to create an ecosystem of entrepreneurship."

This starts with education. In this regard, CORFO has created a

program that has benefited 40,000 students by getting them excited about entrepreneurship from an early age.

Chilean women are another largely untapped source of entrepreneurial potential. Some 45% of women are not currently part of the workforce, but CORFO is working with 10,000 women throughout the country to help them start their own businesses.

"We believe entrepreneurship is an important vehicle for women to create value for themselves, their families and the country," says Undurraga.

CORFO's programs are national, but the proximity to clients and support networks makes it easier to develop high-tech businesses in Santiago. For example, Start-Up Chile, which has selected over 300 start-ups from around the world through five rounds of applications, is biased towards Internet ventures that can be easily moved on a plane.

"Chile's a great place to be if you want to target South America," says Nathan Lustig.

Elsewhere in the country, reconstruction after the February 2010 earthquake helped to drive entrepreneurship in the hardest hit areas, but it is also climbing in areas that weren't affected.

According to the GEM study, the highest rates of entrepreneurship are in the northern regions of Antofagasta and Tarapacá – 27% and 29% respectively, versus 24% in Santiago – mainly due to growth in services related to the mining industry.

The rate is also growing in southern Chile, especially in areas related to agroindustry and tourism, but the regions of Valparaíso, Santiago and BíoBío have the lowest overall rates because they offer more employment opportunities.

"The opportunity cost of entrepreneurship in these areas, especially in Santiago, is much higher," points out Amorós.

Barriers to entrepreneurship

Despite efforts to reduce red tape, there are still important obstacles for entrepreneurs, especially in terms of access to banking services.

CORFO's programs and better protection for intellectual property have had a positive impact on entrepreneurship, but more could be done, says ASECH's López.

For example, in some cases it's almost impossible for entrepreneurs to open a bank account. Many banks require IVA sales tax receipts, which is a problem when you've only just created your company. "If you don't have a bank account, you don't have a place for clients to deposit payments and this creates a vicious cycle," says López.

Then there is the high cost of financing. Even with CORFO guarantees, banks are reluctant to loan money to early stage entrepreneurs who are considered very risky. Even if they do succeed in getting a loan, they are charged relatively high rates.

"This is a major obstacle to



"Entrepreneurs need to work together to obtain the same rights and benefits as larger companies."

Cristian López,
ASECH



"We need to create the conditions for young entrepreneurs to pursue their dreams; it's not just about money."

Cristóbal Undurraga,
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entrepreneurship and something we're working on," says CORFO's Undurraga. "But this can not only come from the government, it's a public-private effort."

There is also the social stigma attached to failure. While this is considered part of the normal business process in other countries, in Chile it can mean difficulty in obtaining loans and even the end of a career.

Part of the problem is Chile's bankruptcy legislation. It can take months for entrepreneurs to extricate themselves from a doomed venture and, by the time they do, their assets have shrivelled. In the United States, lenders recover about 80% of the value of their investment, versus about 30% in Chile.

But the government is working to change the law to make it simpler and faster to close a business. "This represents a significant change

from the past where bankruptcies were synonymous with death of the enterprise and the entrepreneur," says Concha.

Finally, another obstacle is the high concentration in some sectors of Chile's economy. This is a fact of life for entrepreneurs everywhere in the world, but even more so in Chile's small market.

By bringing entrepreneurs together, however, ASECH is trying to level the playing field. "We're not asking for a free ride, but the self-made man needs a chance to make it on his own," says López.

Building a support network

For entrepreneurs starting out the challenges can be daunting, but beyond CORFO's programs there is help available through universities and networks of fellow entrepreneurs.

More universities are offering courses

in entrepreneurship and some, like the Universidad del Desarrollo which has a partnership agreement with Massachusetts' Babson College, are actively facilitating the creation of new businesses.

But academic courses will only take you so far. What entrepreneurs really need, says Julie McPherson, executive director of Endeavor Chile and co-founder of wireless data technology provider Tiixa, is a support network of other entrepreneurs.

Endeavor is a New York-based non-profit organization which acts as an accelerator for "high-impact" entrepreneurs around the world. Its Chilean branch currently has 35 active companies on its portfolio which were selected by an international panel based on innovation and scalability.

"It's the only organization in Chile that gives advice and mentorship without expecting anything in return," she says. But Endeavor

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entrepreneurs are expected to “give back” by sharing their experiences, which is an important part of the entrepreneurial process.

“At the end of the day, the entrepreneur ecosystem works when you have mentors, role models and access to financing,” McPherson explains.

The approach seems to be working. Six years ago, Endeavor Chile picked only two start-ups out of 15 that applied, but last year it screened 350 of which eight were selected and this year it will take 11.

The growth reflects the fact that more university graduates want to be entrepreneurs. Historically, Chile’s best and brightest wanted to become executives in multinational firms. This was partly due to family expectations but also because the opportunity cost of being an entrepreneur was too high.

Today, however, McPherson has noticed a change in attitude. Ten years ago, the ambitions of most Chilean entrepreneurs stopped at the Andes, she points out, but today they are “born global”.

The next step for Endeavor is to create a global network of investors. “We have entrepreneurs, but we don’t necessarily have the investment capital to accompany them in their new businesses,” she says.

Show us the money

Endeavor has proven there is no shortage of entrepreneurs with good ideas in Chile, but lack of investment means many are discouraged from trying while others, who do succeed initially, end up going abroad.

“The venture capital industry is not very developed in Chile so when entrepreneurs need money to grow they often have to leave the country,” says López.

But this is changing. Several venture capital funds have been established in Chile including two by Aurus, an asset management firm formed by a group of Chilean businessmen in 2008. Through its Technology and Life Sciences funds, each worth around US\$32 million, Aurus invests in companies with a global value proposition.

“When we started out there were less than five people trying to do this and we were a new type of investor” says Alex Seelenberger, a managing partner at Aurus and head of its Life Sciences fund.

One third of Aurus’ portfolio is financed by high net-worth individuals and two thirds by CORFO, which offers co-financing up to three times private capital investment with an initial cap of US\$9 million. This means that it can provide up to US\$27 million of additional funding for start-ups.

A caveat is that investments must have trickle down externalities in Chile, which means the funds must be used either to invest in a Chilean company or an offshore firm with a local subsidiary.

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“What funds like ours bring to the market is meritocracy; we will fund the best entrepreneurs with the best ideas.”

Alex Seelenberger,
Aurus



“Since there has been no culture of investment in entrepreneurship, you can’t expect that to grow out of nothing.”

Julie McPherson,
Endeavor

“If it weren’t for CORFO, it would be very hard to raise venture capital in Chile because it’s hard to get the minimum critical mass to be able to operate,” explains Seelenberger.

Finding start-ups with the potential to solve global needs is not a problem, especially in life sciences. “Some people say there is not enough deal-flow in Chile, but we think there is,” says Seelenberger.

Aurus expects both its funds to be fully committed by the end of next year and is considering raising more money. Moreover, with biotechnology start-ups currently facing a financing crunch in the United States, Chile can be an interesting place for them to perform early stage clinical trials at a fraction of the cost, notes Seelenberger.

“Chile has the structural capabilities that can help solve international companies’ needs,” he says.

Despite Chile’s lack of a venture capital track record, Seelenberger says high net-worth individuals would invest more in entrepreneurship if the risk was

lower. But, for that to happen, Chile needs more success stories.

“We live in this Catch-22 and our objective when we came to market was to break it,” he says. So far Aurus hasn’t hit the jackpot with any of its start-ups, but Seelenberger isn’t worried. “This is a long race and this is still very early days.”

There are glimmers of hope – some start-ups have already started subsequent financing rounds after one or two years – but this is an “interim check point”, he admits.

The real test down the road will be whether any of these generate high revenues or are bought for a large amount. “We’re confident we might be on track with some of them,” he says.

Some Chilean start-ups have found buyers. Zappedy and Clandescuento.com were bought by Groupon, and others, like Andes Biotechnologies, are gaining traction or have already made the leap abroad; take Crystal Lagoons, a company that is making waves

in the global luxury resort industry.

None of these have yet to generate the kind of impact that could kick-start the investment cycle, but that doesn’t mean it won’t happen soon.

“Young people will know that if they have a good idea, there will be money to fund them,” says Seelenberger.

Of course, luck plays an important role in entrepreneurship. So to stack the odds, Aurus is co-financing as many early-stage start-ups as possible with the hope that a few will succeed. US venture capital firms are also interested in Latin American start-ups with growth potential, but Endeavor’s McPherson says they prefer a local partner to go forward.

Building trust is a key part of this process, which is why Endeavor is inviting US venture capitalists to meet with Chilean investors and entrepreneurs.

“We need to catalyze this ecosystem so investors can identify opportunities,” says McPherson.

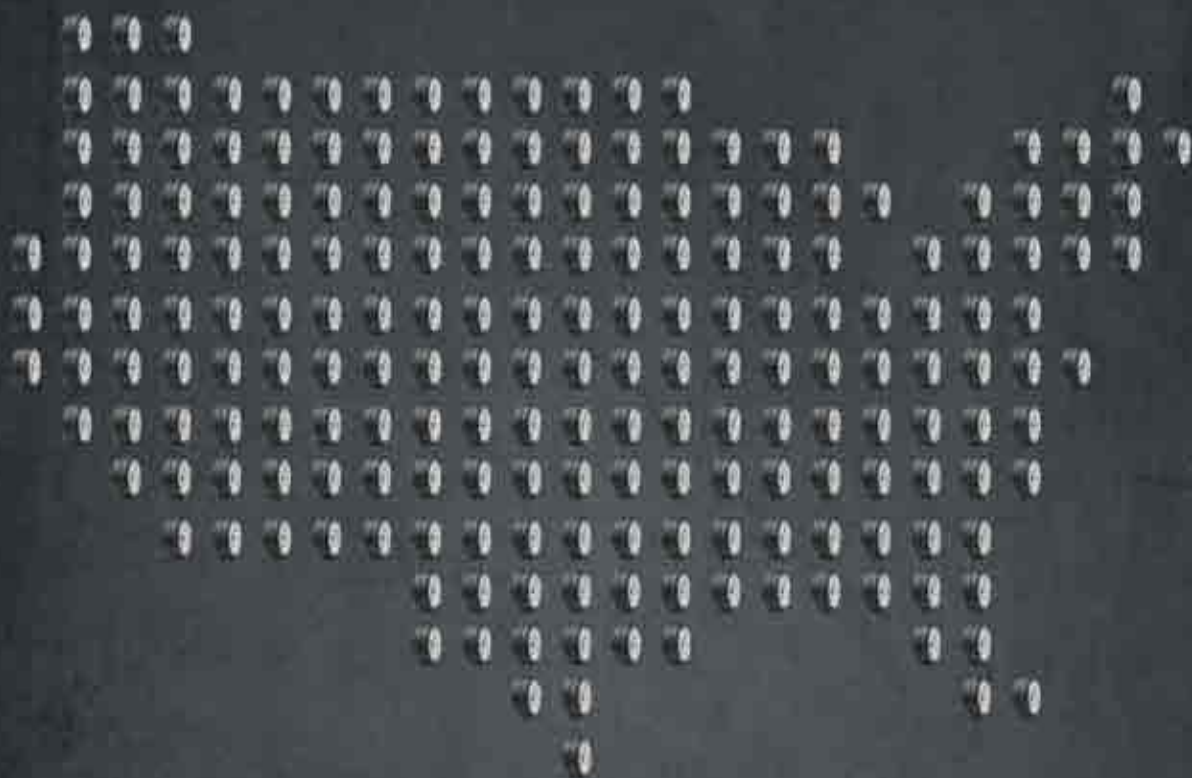
Ultimately, it might take five years for the entrepreneurship ecosystem to be truly formed in Chile, but the government, universities and entrepreneurs share a common objective.

As for entrepreneurs like Nathan Lustig, Chile is an exciting place to be. “I think it’s amazing to see a country taking entrepreneurship seriously, not just talking about it,” he says.

There are still obstacles, but the tidal wave of entrepreneurial fervour appears unstoppable. For the sake of the country’s economic and social development, that is a good thing. As Undurraga says, “Chile will only become a developed nation if people can develop themselves.”

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Julian Dowling is Editor of bUSINESS CHILE



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Waste Management in Chile

Chile's economic growth means it is generating more waste which is costly for municipalities to collect and dispose of. While some, like Vitacura and Easter Island, have successfully developed recycling initiatives, most rubbish still ends up in landfills. The government is considering a green tax to foment the recycling industry, but in the meantime using waste to produce energy could be a cost-effective solution.

By Julian Dowling

Carolina Ortega used to come to the Punto Limpio recycling center in Santiago's upscale Vitacura district every Saturday morning, but since it has become too crowded on weekends she now tries to come during the week.

"I separate everything at home and then bring it all here," she says. "I feel like I'm helping the environment, there are people who say it's insignificant, but this is better than everything ending up in a landfill."

Ortega, a Vitacura resident, has noticed an increase in the number of people, especially families with small children, who show up at the Punto Limpio with carloads of glass bottles, aluminum cans, plastic containers and newspaper, amongst other items.

Most municipalities in Santiago operate their own Puntos Limpios, but Vitacura's is the largest and one of the few that accepts items like batteries and expired medication, as well as oversized rubbish like electronic

appliances and scrap metal.

According to Manuel Valdés, who manages the Punto Limpio, other municipalities from all over Chile, and even other countries in Latin America have visited to see how it works.

"Sixty percent of everything we receive here is recycled," he says. "The biggest problem is building debris, which is a cost because it ends up in the landfill, it doesn't help anyone."

Valdés is employed by Demarco, part of the Urbaser-Danner waste management

group of Spanish and US investors, which has a contract from the Municipality of Vitacura to operate the center.

The municipality also has agreements with companies such as Gerdau Aza, Cristalerías Chile and Cementos Polpaico that collect and recycle the metal, glass and plastic, respectively. These companies do not pay the municipality directly but are required to make charitable donations each month, says Valdés.

The center has been operating since 2005 and today, on average, it receives 400 vehicles daily, which rises to 600-800 on the weekends. In fact, it has proved so popular – average annual growth is 25% – that Valdés is considering limiting entry to Vitacura residents only.

He attributes the growth to education. Information is available through the website and the municipality has launched an educational program in local schools. “It’s the kids who bring their parents,” says Valdés.

Ironically, Vitacura, which is one of the municipalities with the highest per capita income in Chile, also produces the most waste per capita – some 2.09

kilos per day in 2009, according a study by the National Environmental Authority (CONAMA), nearly double the national average of 1.3 kilos – but it is also leading the way in recycling.

Not in my backyard

Vitacura’s Punto Limpio is a special case, but it signals a changing attitude in Chile towards waste. Consumers, often encouraged by their children, are becoming aware of the benefits of recycling and are demanding that companies manage their waste responsibly.

But this change is very recent. As recently as 1995, all of the waste produced in the country ended up in unauthorized rubbish dumps, known as vertederos. Today, however, 69% of the waste generated by Chileans is trucked to landfills that meet environmental and sanitation norms, while 22% goes to vertederos that comply with older legislation and 9% ends up in illegal dumps.

At the same time, population growth and higher incomes mean Chileans are producing more rubbish. The first study on solid waste in Chile, carried out by

CONAMA, showed the country generate 16.9 million tons of waste in 2009, up from around 12 million tons in 2000, of which 6.5 million tons was municipal waste, mostly residential and commercial, while 10.4 million tons was industrial.

About 10% of total solid waste is recycled, which is a big improvement on nothing 20 years ago, but is still much less than developed countries – in the United States about 34% of municipal waste is recycled or composted.

In Chile, municipalities are responsible for collecting and disposing of their own waste as they see fit. The majority award contracts to collection agencies that truck the garbage to privately managed landfills, usually located on the periphery of cities near to poor areas where land is cheap and residents are less likely to complain.

These contracts, as currently designed, offer no incentive to reduce waste since municipalities agree to pay an amount per ton that is lower for higher volumes of garbage.

“Most municipalities limit their management to final disposal of waste without considering possibilities for



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“We need to change the focus of waste management in Chile to prevention instead of final disposal.”

Ricardo Irrázabal,
Undersecretary for the
Environment

prevention or its potential valorization and recycling,” says Ricardo Irrázabal, Chile’s Undersecretary for the Environment.

Currently, the Santiago Metropolitan Region has three landfills: Loma los Colorados (Til Til), Santiago Poniente (Maipú) and Santa Marta (San Bernardo), which receive waste from all over the city including districts like Vitacura and Las Condes that do not have landfills of their own.

Not only is transporting rubbish across the city expensive, says Irrázabal, but the system perpetuates social inequality because cash-strapped municipalities like Maipú and Puente Alto have to maintain smelly, unsightly landfills that affect the quality of life of their inhabitants.

As for industrial waste, a small amount is hazardous including chemical powders and toxic liquids, which companies must transport to one of seven special treatment sites that are similar to sanitary landfills but with better insulation.

About 5% of hazardous waste is converted into alternative fuels, but the rest is buried in leak-proof containers. The waste is tracked through the online System for Declaring and Monitoring Hazardous Waste (SIDREP),

but the problem is that this only works if the company declares the waste.

“If you don’t declare it, it doesn’t exist,” says Frederick Evendt, general manager of the Belgian-Chilean firm Hidronor, which specializes in hazardous waste with sites in Santiago, Antofagasta and Concepción.

As a result, some companies avoid the costs of treatment by dumping waste, and risking fines, in rivers or unpopulated areas. “Better monitoring and control would help reduce this practice,” says Evendt.

Focus on waste prevention

The legal framework for waste management in Chile dates back to 1967 and, through various amendments since then, Chile’s regulations are currently amongst the strictest in the region.

Historically, however, the emphasis has been on final disposal, in other words where to put waste where it is out of sight and mind. But the Ministry of the Environment is trying to change this to focus more on prevention.

“We believe we are ready to make a leap in waste management in Chile,” says Irrázabal.



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According to the Ministry, more than 50% of municipal waste could be reused or recycled, which would substantially reduce the amount that ends up in landfills – or is dumped illegally.

The Ministry's national waste management strategy consists of five steps in an inverted pyramid with disposal at the bottom. Before that drastic final option, however, the more desirable steps are prevention, reutilization, recycling and energy valorization.

"The most important of these steps is preventing waste in the first place," says Irarrázabal.

Apart from the positive environmental and social impacts, this strategy also aims to reduce the cost of for municipalities, which will then have more funds to spend on other programs.

Public education and initiatives at the municipal level, such as Vitacura's program, are helping to increase consumer awareness, but for this strategy to work on a national scale, Chile needs to develop its recycling industry.

Producer responsibility

In its 2005 Environmental Performance

Review of Chile, the Organization for Economic Cooperation and Development (OECD) recommended, amongst other things, that Chile strengthen the application of the "polluter pays" principle.

In other countries, this is known as Extended Producer Responsibility (EPR). This system, implemented in Europe in the 1990s, makes the producer or importer responsible for recovering products such as tires, oils, batteries and light bulbs at the end of their useful life.

But experts say Chile may not be ready for this type of system. Not only does it require strict controls and monitoring, but also a recycling industry with developed markets and a competitive cost structure, which is something Chile doesn't have – yet.

An alternative proposal, included in the government's tax reform bill, is a "green tax" that would charge producers or importers of certain items such as those listed above.

The tax, which would vary from US\$1,000 for a kilo of batteries to US\$60 for a liter of oil, effectively means that the cost will be paid by the consumer. According to the Environment Ministry, this would only increase the final price by 1-2%.

Part of the amount collected would be



"The green tax should reduce unfair competition since companies will pass the cost on to consumers."

Jorge Morales,
National Clean
Production Council

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"It's important to understand that building debris is not all rubbish. Most of it can be recycled."

Álvaro Conte,
Regemac

used to create a "green fund" to subsidise recycling initiatives. The details have yet to be ironed out, but this would finance all or part of the installation, operation and maintenance of recycling programs in the private sector.

The goal is to establish an EPR system to make companies responsible for their products "from the cradle to the grave", says Irrarrazabal, but first Chile needs recycling infrastructure, a culture of recycling and adequate collection planning.

Cleaning up Easter Island

Even though recycling is incipient in Chile, some municipalities like Easter Island have partnered with recycling companies to reduce their waste.

In 2009, Chile's largest steel recycling firm Gerdau Aza, a subsidiary of Brazil's Gerdau group, signed an agreement with the Municipality of Easter Island to recycle the island's scrap metal.

With 70,000 tourists annually, plus 4,000 permanent residents, generating around a kilo of rubbish each daily, the island is running out of room and illegal dumps are contaminating the water table.

"It's the most isolated island in the world, which means waste disposal is a major issue," explains Arturo Harlen,



"Easter Island has a major waste management problem, but we are helping to solve this by recycling their scrap metal."

Arturo Harlen,
Gerdau Aza

communications manager at Gerdau Aza.

Gerdau donated a waste compactor and in two years has removed 40 tons of scrap, mostly cars and broken appliances. Easter Island is the only part of Chile where cases of mosquito-borne Dengue have been reported, which means solid waste must remain in quarantine for at least six months, but the Chilean Navy ships the scrap to the port of Valparaíso free of charge.

"We are losing money on this venture, but we gain in many other areas that are immeasurable," says Harlen.

Overall in Chile, 60% of scrap metal is recycled and around 20% of steel consumed is made from scrap. This is low by international standards – in the United States 52% of steel consumed comes from scrap, says Harlen – but this is changing as the public becomes more educated.

Clean Production Agreements

Other industries in Chile have much lower rates of recycling, especially products like tires, batteries and plastic. But the National Clean Production Council, a public-private initiative led by the Ministry of Economy, is working to change this by facilitating Clean Production Agreements (CPAs) with subsidies from Chile's Economic Development Agency (CORFO).

"Today there is unfair competition because companies that don't take responsibility for their waste have a lower cost than those that do," says Jorge Morales, head of coordination of CPAs at the Council.

The green tax would create a level playing field, he says, because all companies would pay for waste management. But even without the law, some companies are investing in clean production as a matter of Corporate Social Responsibility.

For example, a CPA between 50 companies in the construction industry has created a new firm called Regemac, which is responsible for managing waste from building sites. Currently, around 35-45% of construction debris is recycled, mainly cardboard, metal, wood and plastic, but with greater economies of scale this could increase, says Álvaro Conte, Regemac's general manager.

Transport, however, is a challenge. It accounts for around 60% of the cost of waste management and traffic, as well as the distance of building sites from landfills, has reduced Regemac's efficiency, says Conte.

Outside major cities transport is more expensive since waste must be trucked to Santiago, Antofagasta or Concepción. "If your business is in Iquique or La Araucanía you have to go a long way," points out Morales.

Another CPA formed by tire manufacturers including Goodyear, Pirelli and Michelin organizes the collection of used tires, which previously ended up in illegal dumps or were simply buried.

This agreement has given rise to a new business – making products from recycled rubber. Polambiente, a family business founded in 2010, receives the tires and processes them at its plant on the outskirts of Santiago.

"Recycling is not easy because it implies a change of habit, but we have overcome many obstacles," says Lorena Torres, the company's general manager.

The market was very small initially but has quadrupled in just two years. Currently, Polambiente makes synthetic turf for playing fields, but in the future it could make other products, says Torres. "We are permanently on the lookout for creative products that use recycled rubber, and we are open to innovation."

Polambiente would consider exports, but unless companies pay for recycling Torres says it will be hard to compete with developed countries. "There is no law in Chile, so we have to convince the companies one by one," she says. "We're in no-man's land at the moment."

The green tax would be a step forward, she notes, but it remains to be seen how the money raised will actually be spent. "We hope that within a year we will have a law that stimulates recycling in Chile."

Waste-to-energy

Another part of the solution to Chile's waste management problem is turning it into energy. This has the benefit that, unlike recycling, the market is well developed and the technology could pay for itself quickly.

"It's nice to jump on the green bandwagon and say you're saving polar bears and eagles but the bottom line is money," says Carlos Hart, a managing partner at the Seattle-based industrial recycling firm Busy Beaver.

According to Hart, new technology is now focused on turning garbage into clean energy. "The ability to leapfrog the old business model and move right into energy production should make the recycling environment a great opportunity," he says.



"We need a new law to promote recycling in Chile because it is a very slow process to convince companies to pay for this."

Lorena Torres,
Polambiente

Last year, KDM Energía, another unit of the Urbaner-Dasser group, began operating a biogas project at the Loma Los Colorados landfill. The plant, which burns methane extracted from the landfill thereby reducing CO2 emissions, currently supplies 9

MW to Chile's Central Interconnected System (SIC).

According to Verónica Martínez, an analyst at the Chilean Renewable Energies Center (CER), the project benefits from incentives under the Non-Conventional Renewable Energies Law and is an "attractive" investment at today's high energy prices.

Biogas projects at other landfills, such as Santa Marta in Santiago, flare the gas and sell carbon credits under the Clean Development Mechanism, but do not generate energy.

Potential generation from landfills is estimated at around 50MW, which is a fraction of Chile's energy needs, but if prices remain high more projects like Loma Los Colorados could be developed, says Martínez.

Meanwhile, some companies like forestry products manufacturer Arauco are supplying part of their energy needs by burning waste and selling the excess electricity to the grid. A new fund to be introduced by CORFO later this year will provide subsidies for these types of projects, says Martínez.

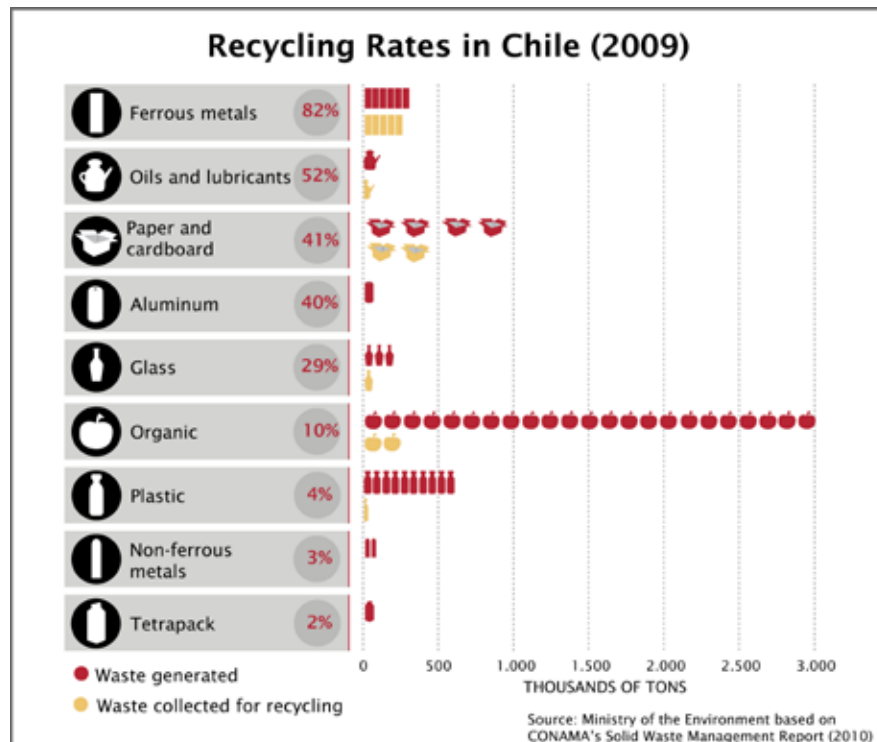
"Energy is one of the highest costs faced by industries in Chile and this could help reduce costs, especially for agroindustry firms," she says.

Ultimately, waste management in Chile comes down to just that – costs. With recycling still expensive, converting biomass into fuel or electricity could be the best way for Chilean companies to make waste pay.

Recycling initiatives like Gerdaul Aza's Easter Island venture are good for public relations, but the benefits are hard to measure and, at any rate, these are isolated examples.

The Punto Limpio in Vitacura shows that when given an opportunity, consumers are willing to go out of their way to recycle. Whether they will also pay more for products that incorporate a green tax remains to be seen.

But, as Chile's economy continues to grow, it will inevitably generate more waste and the cost of managing it responsibly must be borne by producers and consumers. It's a bill Chileans must be prepared to pay now, or future generations will have to – with interest. **bUSINESS CHILE**



Julian Dowling is Editor of bUSINESS CHILE



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Biotechnology: Fueling Chile's Competitiveness

As part of AmCham's strategy to promote new business in biotechnology, it hosted a workshop with Chilean companies in June and led a delegation to an international biotechnology conference in Boston, Massachusetts.

by **María Pía Aqueveque**

On June 12, AmCham joined the Chilean biotechnology association (ASEMBIO) and the Universidad Mayor in organizing a workshop for AmCham members titled 'The Impact of Biotechnology on Business: Opportunities and Challenges'.

The idea was to demonstrate different experiences in which companies have used biotechnology as a business strategy to improve production efficiency and sustainability. The panel was composed of Francisco Lozano, marketing and innovation manager at Chilean wood products manufacturer Arauco, Enrique Guzmán,

environmental manager of LAN Airlines, and Patricio Manqué, director of the Center for Genomics and Bioinformatics at Universidad Mayor.

Lozano said that Arauco has recognized that innovation is the key to integrating excellence in forestry products with the efficient production of value-added goods. As a result, it has created a research and development program called InnovArauco. This program is designed to help the company maintain its competitiveness in the worldwide forestry industry despite rising freight costs.

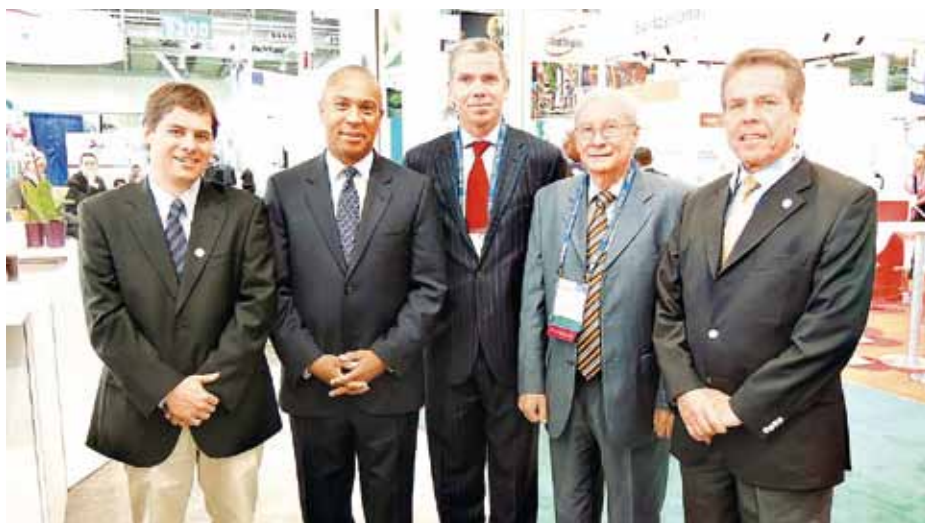
He said the company realized the importance of innovation when it

implemented a program last year that encouraged employees to come up with innovative projects in the business or social areas. These were presented to a panel of experts that chose the most innovative projects. Lozano said this experience was successful and that Arauco did not expect the number and quality of the projects presented. Now, the next goal for Arauco is to find a permanent way to systematize innovation within the company's operations.

Similarly, LAN is also investing in biotechnology in order to achieve sustainability. In line with its goal to reach a balance between economic, social, and environmental excellence, LAN has focused on efficiency and sustainability.

"We use more efficient engines which have less of an environmental impact because they produce less noise and lower emissions. Our aircraft are more aerodynamic and lighter so our flights are more [fuel] efficient," said Guzmán.

LAN aims to be the first airline in Latin America to use the Boeing 787 Dreamliner on commercial routes, which is significantly lighter than older models due to it being made out of carbon fiber instead of titanium. "This causes the plane to consume 25% less fuel," said Guzmán. However, this is not enough for LAN, which aims to halve its carbon emissions by 2050. It is also looking into biofuels. Some of



Felipe Camposano, ASEMBIO; Massachusetts Governor Deval Patrick; Ambassador Felipe Bulnes; Arturo Yudelevich, GrupoBios; and Rodrigo Ballivián, AmCham

LAN's commercial flights already use a 50/50 blend of biodiesel and jet fuel.

Biotechnology can also be used to improve production efficiency. Patricio Manqué discussed the importance of genetics in medicine and in a new scientific field called "synthetic biology". Synthetic biologists aim to construct artificial living systems in order to perform tasks such as producing pharmaceuticals or energy.

"Synthetic biology brings together engineering and the life sciences in order to design and construct new biological parts, devices, and systems that do not currently exist in the natural world," said Manqué.

The experiences of Arauco, LAN, and the Universidad Mayor show how Chilean companies are adapting to global competition by investing in biotechnology. Ten years ago, with the proliferation of free trade agreements, Chilean companies saw business opportunities in exporting their products worldwide to countries with low import tariffs. To take advantage of these new markets, the emphasis was on making production processes as efficient as possible without necessarily taking into account environmental sustainability. Now, the challenge of maintaining competitiveness is more difficult for three main reasons.

Firstly, many countries apart from Chile have signed free trade agreements that reduce import tariffs, so this is no longer a significant advantage. Secondly, these trade agreements include environmental commitments and stakeholders are demanding sustainability in production processes. Finally, consumer demands for goods and services have changed. In this context, biotechnology is a way for companies to make their operations sustainable while meeting the evolving demands of consumers.



Massachusetts Governor Deval Patrick with the Chilean delegation at the 2012 BIO International Convention

Chile-Massachusetts partnership

A week after the workshop, AmCham led a Chilean delegation to the 2012 BIO International Convention that was held in Boston, Massachusetts, on June 18-21. This annual convention is the world's most important biotechnology event, attracting industry leaders, high-level US government officials, and business representatives from more than 60 countries. The Chilean delegation included the Undersecretary of Economy, Tomás Flores, as well as firms from the pharmaceutical, technology, genetics, and agribusiness fields.

During the event, AmCham's executive director, Rodrigo Ballivián, met with Massachusetts Governor Deval Patrick and Chile's Ambassador to the United States, Felipe Bulnes, to discuss progress in implementing the Chile-Massachusetts agreement.

Chile's participation in the conference shows how cooperation with Massachusetts is alive and well, especially when it comes to biotechnology.

The president of ASEMBIO, Felipe Camposano, who joined the Chilean delegation, said "AmCham has the necessary resources and abilities to be the private sector's voice in the Chile-Massachusetts agreement, and ASEMBIO aims to support AmCham in the areas of biotechnology and energy."

Much of the investment in biotechnology in the United States

is concentrated in the states of Massachusetts and California, which are also home to many of the world's top research universities. In fact, in parallel to the conference, Undersecretary Flores signed an MOU with Harvard University's David Rockefeller Center for American Studies to carry out joint research projects and facilitate exchanges with Chilean universities.

But Chile's investment in R&D - around 0.4% of GDP - is still much less than in the United States, especially considering that only about a third comes from the private sector. Chile's agribusiness strategy is to become a "food and forestry power" - the goal is to become one of the world's top ten food exporters by 2020 - but for this to happen agribusiness firms need to invest in biotechnology to produce products with the characteristics demanded by consumers. One example is the research being done by the University of Chile to breed sweeter Fuji apples for export markets.

In brief, AmCham's commitment to support biotechnology R&D in the private sector by building on the Chile-Massachusetts agreement demonstrates its vision to help Chilean businesses achieve global competitiveness and sustainability. **bUSINESS CHILE**

María Pía Aqueveque is head of AmCham's Market Intelligence & Research Department

The Great Corporate Debate 2012

On July 3, AmCham launched The Great Corporate Debate 2012 – an annual debating competition organized by AmCham and El Mercurio that is designed to give Chilean professionals a chance to practice their English and public speaking skills.

In the first round, Walmart beat Siemens arguing for the motion “Chile should have a Ministry of Culture”, and Maersk defeated Bechtel arguing that “Wind, geothermal, hydro and solar sources of clean power are the best solution for Chile’s future energy concerns”. On July 5, DHL triumphed over the Diplomatic Academy, debating against the motion that “Public transport in Chile should not be subsidized”. In the other match-up, Banco Santander edged out Metlife affirming that “Chile should increase the Presidential term from four years to six”.

The final debate will be held on August 14 at the offices of El Mercurio. This year, as in previous years, the moderators are Michael Combes and Drina Rendic, who have been the drivers of this initiative since its conception. The panel of judges is composed of Philip Ilabarra, James Newbold Arnold Cotton, Gonzalo Biggs, Luciano Claude, Robert Kinsman, Karen Poniachik, Ricardo Ossandón, James Channing Jr. and Mike Kinsberg.



Walmart's team: Fay Diederichs, Amanda Ahumada, Alejandro Saenger and Paola Zambra

AMCHAM COMMITTEES

On June 26, Trina D. Gordon, president and CEO of Boyden World Corporation was the guest speaker at a meeting of the Human Capital Committee. The panel was also composed of John Byrne, managing director of Boyden in Santiago; Antonio Sánchez, managing director of Boyden in Bogotá; and AmCham’s executive director, Rodrigo Ballivián. Gordon discussed the trend of young people and women occupying positions of increasing importance in Latin American companies.



John Byrne and Trina Gordon, Boyden; Rodrigo Ballivián, AmCham, and Antonio Sánchez, Boyden



Rodrigo Ballivián, AmCham; Ximena Niño, Deloitte, and Fernando Concha, AmCham

On June 27, Ximena Niño, head of the Tax & Legal Department at Deloitte, was the guest speaker at a meeting of the Finance and Capital Markets Committee chaired by Fernando Concha. Also present was Arthur Platt, a Deloitte partner and member of the Committee. Niño gave a presentation about the economic scenario in Chile before and after the implementation of the new tax reform.

AmCham Team Finishes 2nd in Santiago Softball League

The AmCham Softball Team finished second in the inaugural season of the Santiago Softball League. The team lost a difficult Championship Final game on June 10 against the US Embassy team. The team from Bechtel finished third and the team of teachers from Colegio Nido de Aguilas came in fourth. A new season will start up in September once weather improves, so all AmCham members interested in playing are encouraged to come out.



(Bottom Row, Left to Right): Steve Buchanan, Rodrigo Ballivián, Ignacio Ballivián, Michael Grasty, Pedro Pedrique Jr, (Top Row, Left to Right): Michael Grasty Jr., Alex Grasty, Michael Kaye, Ramiro Virreira, Pedro Pedrique, Mauro Barbagallo, Brian Chase, Stephen Ruddell

NEW MEMBERS

Geoequipos

Mining & Related Services
Rolf Stein
General Manager

Mercantil Commerce Bank

Financial & Investment Services
Andrés Salas
Executive Vice-President

Agreement with Alessandri & Hedge Consulting

On June 14, AmCham signed an agreement with the consulting firm Alessandri & Hedge Consulting, which offers tax, legal, pension and estate planning services. The firm offers AmCham members tax consulting services to avoid fines and penalties. AmCham members will receive a 15% discount on services over 25 UF. For more information see www.ayh.cl



Arturo Alessandri, Alessandri & Hedge Consulting, and Rodrigo Ballivián, AmCham

Chilean Executive to Manage AmCham Business Councils

Rafael Lorenzini has been named executive secretary of AmCham's Business Councils. In this new position, he will be responsible for coordinating proposals arising from AmCham's different working groups to generate value for the Chamber's members. These initiatives include the Chile-US Energy Business Council and Chile's agreements with California and Massachusetts.



Rafael Lorenzini, AmCham

Lorenzini has a diploma in Intellectual Property from the World Intellectual Property Organization in Geneva, and a Master's degree in industrial engineering from the University of Chile. He previously served as executive director of the National Council of Clean Production and was also director of the National Institute of Intellectual Property (INAPI).



Gonzalo Iglesias, Coca Cola Chile

AmCham Members Address Future Business Leaders

Top executives from AmCham member companies were invited to speak at the Young Leaders CEO Forum held on June 19 at the Pedro de Valdivia campus of the Universidad Autónoma.

Alberto Bezanilla, CEO of telecommunications company GTD Teleductos, and Gonzalo Iglesias, CEO of Coca Cola Chile and a member of AmCham's board, discussed the current global economic situation, their professional careers and the next steps for their respective companies.

Organized by El Mercurio, the NGO Jóvenes Líderes and the Universidad Autónoma de Chile, the meeting was an opportunity for the new generation of Chile's future business leaders to learn from senior executives and leading employers in the country.

Arauco to Buy Canada's Flakeboard

Chilean forestry products firm Arauco signed an agreement in June to acquire 100% of the shares of Flakeboard Company Limited, a leading panel manufacturer in the North American market, for US\$242.5 million,

Flakeboard operates seven production facilities in Canada (New Brunswick and Ontario) and the United States (Oregon, Arkansas and South Carolina), which are strategically located in relation to centers of consumption and supply of raw materials.

"This transaction reflects the significant internationalization process that Arauco is undertaking. With this important transaction, Arauco confirms its commitment to leadership in the panel business and to becoming one of the most important actors in this market at the global level," said Arauco's Executive Vice President Matías Domeyko.



Matías Domeyko,
Arauco



Boris Buvinic, Banco Itaú Chile.

UN Highlights Banco Itaú Chile's Social Programs

Banco Itaú Chile's "Business Week" and "Innovation in Financial Education" programs were chosen by the United Nations Global Compact's Regional Support Center for Latin America and the Caribbean as among the best business practices that contribute to social development in the region.

Both cases are included in a publication that highlights the best social and environmental projects in the private sector. This document was presented in the framework of the UN Conference on Sustainable Development (Rio+20) held on June 20-22.

The programs, coordinated by Fundación Itaú, "are representative of our way of doing things, which is why we are proud to have them picked as examples of the best private social investment initiatives in the region," said Boris Buvinic, CEO of Banco Itaú Chile.

Crystal Lagoons Makes a Splash in Mexico

The Chilean firm Crystal Lagoons and Kenneth A. Jowdy, a prominent real estate developer with over 12 years of experience in the Mexican market, have announced the opening of the first luxury resort in Mexico with a crystal clear lagoon.

Diamante Cabo San Lucas is a second home ultra-luxury megaproject covering an area of more than 3,500 hectares in the exclusive resort of Cabo San Lucas on Mexico's Pacific coast.

The project "is a new milestone for Crystal Lagoons in the Mexican market and consolidates the penetration of crystalline lagoons in the region's super luxury segment," said Felipe Pascual, sales director of Crystal Lagoons.



Diamante Cabo San Lucas in Mexico

Maersk Receives Sustainability Award

The next generation of Maersk container ships, known as the Triple-E, received the Sustainia 100 award in June. The award, in the framework of the United Nations Conference on Sustainable Development (Rio+20), recognizes the 100 most sustainable technology solutions in the world.

At 400 meters long, 59 meters wide and 73 meters high, the Triple-E will be the largest container ship that has ever crossed the oceans and also the cleanest.

Its capacity of 18,000 TEU (1 TEU equals a single 20-foot container) is 16% more than the world's largest existing container ship, the Emma Maersk. The Triple-E will produce 20% less CO2 per container transported than the Emma, and 50% less than the industry average on Asia-Europe routes.



Maersk Line Triple-E

DHL Online Service for Small Businesses

The US-based delivery service company DHL has launched a new website, MyDHL (www.dhl.com/mydhl), especially for small and medium-sized enterprises (SMEs) to help them with their daily shipping needs.

The web application allows SMEs access to online shipping tools such as DHL WebShipping DHL and Import Express Online, as well as the delivery monitoring service ProView. Through this initiative, SMEs can track the status of their shipments in real time and receive notifications via text message.



MyDHL service for SMEs

EXECUTIVE APPOINTMENTS



Marcello Marchese,
Finning South America

Marcello Marchese has been appointed executive president of Finning South America in replacement of Juan Carlos Villegas, who was recently named executive vice-president of operations of Finning international. Marchese will have responsibility for all of Finning's operations in Chile, Argentina, Bolivia and Uruguay, strengthening the commitment with its clients and giving continuity to the successful growth of Finning South America, which in 2011 had sales exceeding US\$2.14 billion and employed more than 7,000 workers.

AmCham Breakfast with Felipe Irarrázabal

On June 7, AmCham members and their guests met for breakfast at the InterContinental Santiago Hotel with Chile's National Economic Prosecutor, Felipe Irarrázabal. Irarrázabal, who heads the National Economic Prosecutor's Office (*Fiscalía Nacional Económica*, or FNE) discussed the importance of avoiding competition law violations and a new guide designed to help companies create their own compliance programs.





1 Michael Grasty, AmCham; Rodrigo Rojas, Abdala & Cía. and René Lara, Universidad Mayor **2** Alejandro Berríos and Claudia González, Walmart Chile **3** Jenny Arbunic, independent legal services, with Benjamín Grebe and Angélica Burmester, Prieto & Cía **4** Gonzalo Biggs, Figueroa, Valenzuela & Cía.; Jimena Pérez, American Airlines and Rodrigo Ballivián, AmCham **5** Emilio Pohl, Estudio Jurídico Otero, and Alexander Grasty of Grasty, Quintana, Majlis & Cía. **6** National Economic Prosecutor Felipe Irrázabal and Javier Irrázaval, AmCham

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Chile's Energy Insecurity

By Brian P. Chase



Brian P. Chase
Portfolio Manager,
Head of Andean
Equities, at Itau Asset
Management

Just when the energy sector seemed to be getting back on track after a period of extreme volatility, a series of questionable policy decisions threaten to derail this progress with important economic repercussions.

Chile's history of struggles in the energy sector dates back to the creation of the Electricity Law in 1982, which focused on aligning wholesale prices (or node prices, revised every six months) with near to mid-term marginal costs. This model functioned well enough for roughly 15 years, largely due to little change in the predominantly hydro/coal-based matrix (in 1997, 76% of electricity generation in the country was hydro-based, while 18% was coal). At the time, there was little regard for matrix diversity or creating longer term investment incentives. However, as the country faced rising demand and an impending drought heading into the late 1990s, the government turned to a quick solution in the form of cheap Argentine natural gas piped over the Andes. In 1998, natural gas accounted for 15% of total generation and by 2004 it had reached 36%, while hydro generation declined to 43% of the total.

This solved Chile's supply needs in the short term, but made other generation alternatives, including new hydro and coal-fired facilities, less economically viable. With investment concentrated solely in natural gas-fired facilities, Chile became dangerously dependent on Argentina for its fuel needs. As Argentina recovered from its economic crisis of 2001/02, domestic natural gas needs rose dramatically, but a lack of investment incentives resulted in scarcity, causing the government to curtail exports starting in 2004. By 2007, gas exports to Chile had fallen to nearly zero and have never recovered.

Given the long development timeframes for new large-scale hydro and coal facilities, Chile quickly had to replace its natural gas-fired capacity with idle coal facilities and, more importantly, diesel substitution at international prices. The impact on prices was dramatic with average contract rates climbing more than 200% between 2003 and 2008 to nearly US\$115/MWh, not helped by rising global fuel prices. Although pricing now appeared more attractive, the lack of long-term price stability kept investors away.

Given these dire circumstances, the government enacted key reforms in 2006, creating an auction



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system which allows generators to lock-in fixed prices with indexation mechanisms over 10-15 year periods. At that point Chile embarked on a plan to wean itself off diesel, reduce costs, diversify the matrix, and ultimately improve energy security. At the same time, new incentives for transmission line development and renewable energy were introduced. As a result, investment in the sector boomed while wholesale prices stabilized at around US\$85-US\$110/MWh.

Although drought conditions in the last few years haven't helped the recovery process, sending prices higher once again, there was a consensus among industry experts that, under normal hydro conditions, Chile would achieve the desired cost/pricing normalization by 2012/13. Unfortunately, just as Chile neared inflection, a new nemesis emerged in the form of emboldened social opposition to generation projects.

The powder keg was sparked in August 2010, when President Piñera unilaterally intervened to block the 540MW Barrancones thermoelectric generation project in the Coquimbo Region in response to strong resistance from the local community, despite initial approval from regional authorities. This set a negative precedent, encouraging opposition groups and increasing uncertainty in the entire approval process. In its wake, it left other major projects in limbo, including the coal-fired Castilla (2,100MW) and HidroAysén (2,750MW) megaprojects. Currently, there are about 8,000MW, or US\$20bn, in delayed projects.

This situation threatens to push back the normalization process and creates uncertainty regarding the long term stability of the system. Although improving hydrology and projects already under development should help the supply/demand balance heading into 2013, the real risk lies in the period 2014-2021.

Considering that electricity demand typically grows in line with GDP, if Chile were to grow 5-6% annually in that period, it would require an average of 700-800MW of new capacity per annum. Currently, the National Energy Commission (CNE) is forecasting a more conservative 500-600MW. But even then, the delays in new generation projects are creating considerable execution risk. Given that most projects take at least 3-4 years to develop, it is quite possible that Chile will fall short of its requirements. Ultimately, this threatens to have a widespread negative effect on real GDP growth as investment, especially by energy-intensive sectors like mining and industrial manufacturing, has been and is expected to be a key driver of growth.

The current circumstances require drastic measures, which will hopefully mean key reforms to establish clear rules of the game in the project approval process. However, time is of the essence and if the government fails to act, Chile could face a significant setback on its path to developed country status. **bUSIness CHILE**

Brian P. Chase is Portfolio Manager, Head of Andean Equities, at Itau Asset Management

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Felipe Irarrázabal, National Economic Prosecutor

Competition Law Compliance

By Julian Dowling

Chile is seen as a model of free-market efficiency in a region where protectionism is on the rise. Yet recent cases of collusion involving pharmacies, poultry producers and bus companies have tarnished that image. The companies have denied the charges, which include price-fixing, agreeing on quotas and conspiring to keep other actors out of the market, but Chile's Competition Tribunal (TDLC) has handed out huge fines.

Before cases like these ever get to court, companies are investigated – often for years – by the Office of the National Economic Prosecutor (*Fiscalía Nacional Económico*, or FNE), which is the Chilean equivalent of the U.S. Department of Justice's Antitrust Division. In June, under instructions from President Piñera, it launched Chile's first antitrust compliance guide titled "Guidelines for Competition Law Compliance Programs".

The guide is meant to serve as a "trampoline" for companies to reflect on how to avoid the pitfalls of anticompetitive practices and to design their own compliance manuals, said the National Economic Prosecutor, Felipe Irarrázabal, at an AmCham breakfast on June 7.

Chile's economic freedom has brought great benefits for companies, he said, but also certain risks that must be limited. "We don't aim to replace the market economy, but to strengthen it."

The guide is necessary, he explained,

because some Chilean companies are not aware that their business practices fall into the grey area of competition law or they believe, falsely, that because they have been doing things the same way for years that they are immune from prosecution.

"You can't be like the ostrich, and bury your head, it's better for companies to face it," he said. "We can be very tough [on companies], just ask those we have investigated."

While cases of collusion between large companies have generated the most publicity, the FNE can investigate any company in any sector, including state-owned companies, regardless of their size.

Chile's current competition law was adopted in 1973 by the military government. Enforcement resources were initially small and it was not a major part of Chile's reform program, which emphasized trade liberalization and deregulation. But that has changed since the return of democracy in 1990, especially with the creation of the independent Competition Tribunal in 2003 which has helped to strengthen enforcement.

Today, Chile's enforcement system, with the Tribunal's decisions appealable in the Supreme Court, is "unique" in the world and similar only to South Africa's which was developed in the 1990s, he noted.

The FNE can engage companies in a costly legal war, he said, but it is not the "town sheriff" since it must submit all

cases to the Tribunal for review.

The Tribunal has the power to terminate contracts, dissolve companies or hand out fines up to US\$20 million and US\$30 million in cases of collusion. In 2011, it imposed fines totaling around US\$160 million, which is a large amount for a small country like Chile, he noted.

So why, given these penalties, do firms still risk being caught? Part of the problem is the shortage of rigorous public information. "If there was better quality information, we could see problems faster and make better decisions," he said.

Another problem, he added, is the lack of a "culture of compliance". Unlike in the United States, where companies seek advice from lawyers as a matter of course, compliance in Chile is still considered bad for business, which can generate friction within companies. Indeed, since the rewards of certain dubious sales practices are high, some companies tend to overlook the risks involved, he pointed out.

For example, performance-linked bonuses for sales executives may bring benefits for the company, but they can also be an incentive for employees to engage in anticompetitive practices.

Creating a "carrot and stick" system for employees to avoid risky practices is essential for compliance, but this has a cost as companies must invest in creating internal guidelines, training and monitoring, he said.

Even then, there is no guarantee your company will not be investigated since



there is a large grey area in competition law where interpretation plays a key role. "The law is open and flexible about what you can and can't do," he said.

As a result, the FNE does not certify or approve programs. "We can't write blank checks."

Even without certification, however, the benefits of compliance programs

outweigh the costs, he said. Most importantly, they can help companies avoid infractions or detect them early on, which can result in reduced fines.

The FNE does not have the resources to chase every lead and it must be careful about interfering in the functioning of the market, but if companies act in "good faith" to implement compliance

programs, then the FNE will have less work to do, he said.

The aim is not to "freeze" companies, he emphasized, but rather to make them think about the risks they may be taking. In other words, an ounce of prevention is better than a pound of cure. **bUSINESS CHILE**

Julian Dowling is Editor of bUSINESS CHILE

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Michael Reid, Americas Editor, *The Economist*

Brazil's Slowdown: What it Means for Chile

By Gideon Long

Brazil's economic growth has slowed dramatically in the past 12 months or so, from 7.5% in 2010 to 2.7% last year. Economists expect it to reach just 2.5% this year. That has major implications for Chile. Brazil is Chile's fourth largest trading partner, accounting for 41% of Chilean exports to Latin America. Trade between the two countries hit a record US\$11 billion in 2011.

Michael Reid is the Americas Editor of *The Economist* and a veteran observer of Latin America. In April, his analysis of the social protests in Chile, published in *The Economist*, caused a stir in Santiago and ruffled feathers within the Piñera government.

In his last book, 'Forgotten Continent' (published in 2008), Reid examined 'the battle for Latin America's soul' – a battle, in his view, between populist autocrats and reformist democrats. In his next, he turns his attention to Brazil, where he previously worked as bureau chief for *The Economist*. Here, he talks to bUSINESS CHILE about Brazil's economic slowdown and what it means for Chile and the region.

What's gone wrong with the Brazilian economy?

It has stalled since the middle of last year after a period of overheating, and it's stalled for longer than the government expected. That points to some structural weaknesses. The accelerated growth of the previous 15 years was the result of several forces – the reforms implemented by former President Fernando Cardoso, the opening up of the economy, privatization, a boost from the rise in commodities prices, an improvement in terms of trade, the benefits of wealth redistribution and growth of GDP. All of these forces are now exhausting themselves.

There is a growing consensus among independent economists in Brazil that the trend rate at which the country can grow without risking inflation has now fallen to around 3.5%. That points to the need for another round of structural reform.

That said, the country is not heading for disaster – it has many strengths. I would highlight agriculture, which is very productive and very efficient, and oil and energy where the opportunities are strong and real. Brazil will carry on growing, but the question is whether it will grow as fast as it could.

What's the likely impact of the slowdown on Chile?

In the last few years, you've really started to feel the strength

of the Brazilian economic motor in places like Chile and Peru. There's been increasing trade and foreign direct investment in both directions. You will undoubtedly start to feel that motor less now.

You were in Brazil recently researching your book. Has the atmosphere changed as a result of the slowdown?

I think it's the view of the country from outside that's changed. The outside world was slow to wake up to Brazil's potential and once it did, expectations were exaggerated. There's now a risk that they'll be exaggerated in the other direction. The atmosphere inside the country hasn't really changed, largely because consumer demand has continued to grow, much of it satisfied by imports. I think the atmosphere might deteriorate over the next year or so because inflation is likely to rise. If you combine that with low economic growth, there's a risk that sentiment inside the country will turn negative.

What do you think of President Dilma Rousseff and her government?

In many ways she's been an impressive president. She's tried to reduce the patronage of politics in Brasília. Every time she's faced credible denunciations of abuse of public money by ministers she's acted, and that's good. Many of her priorities are sound, like eliminating extreme poverty, improving education and encouraging private investment in infrastructure.

My question about Dilma is whether she will be radical enough. I think the new oil regime, designed to oversee the exploitation of the new offshore reserves, is a mistake. It's too nationalistic and it places too big a burden on state-controlled Petrobras. It means costs will be higher than they should be. Brazil's tax burden remains too high and it's a very expensive place to do business. It's not clear to me that Dilma will be bold enough in tackling those issues.

Brazil's wine producers recently called for protectionist measures to curb imports of Chilean wine. Is protectionism on the rise in Brazil?

Yes, there's been a noticeable increase in protectionist measures in recent years. It's due largely to a fear of China and the huge increase in imports of Chinese manufactured goods.



Brazil has a significant manufacturing industry and the big fear is deindustrialization. The government's short-term response has been to increase trade tariffs.

Brazil has vast new oil fields and years of experience in biofuels. Could it play a role in solving Chile's energy problems?

It's certainly likely to become a more important exporter of sugarcane-derived ethanol in the coming years, and it will soon have a significant exportable oil surplus. That's good for oil consumers everywhere, including in Chile. For Chile, the tragedy is that Argentina is not a reliable energy partner. The discovery of large shale gas deposits in southern Argentina ought to be a solution to some of Chile's energy problems but I doubt it will be.

The ports of northern Chile are on the same latitude as the industrial heartland of southern Brazil. Could they serve as a Pacific exit for Brazilian exports to Asia?

The main development here has been the completion of a paved highway linking Mato Grosso to the port of Ilo in Peru, so the soya crop can reach the Pacific via that route. The problem for Chile is Bolivia. Any road linking Brazil to Chile's northern ports would pass through Bolivia and, apart from the geographical obstacles involved, which are considerable, there are political obstacles to overcome.

Chile has just formed the Pacific Alliance with Colombia, Mexico and Peru. Is that a sign Chile is distancing itself from Brazil and Mercosur?

I think Chile distanced itself from Mercosur when former President Ricardo Lagos decided to negotiate a free trade agreement with the United States [signed in 2003]. And he was right to do so. Sadly, after a promising start, Mercosur has stagnated. Argentina has become increasingly protectionist and Brazil, mistakenly in my view, has opted to accompany Argentina rather than question it. Mercosur increasingly looks like a defensive high-cost arrangement, and the Pacific countries have drawn their own conclusions from that.

The formation of the Pacific Alliance is extremely interesting. If nothing else, it sends a statement to the world that in Latin America there is an alternative project to Brazil. Not a hostile project, but an alternative one. That ought to act as a healthy challenge to Brazil, and one hopes it will.

Tell me more about your next book...

It's an interpretation of Brazil, looking at why it is the way it is and whether its rise on the world stage is sustainable. It will be published by Yale University Press and should be out before the [FIFA] World Cup comes to Brazil in 2014. **bUSINESS CHILE**

London Calling

By **Santiago Eneldo**

The Olympic spirit is best expressed in the Olympic Creed: "The most important thing in the Olympic Games is not to win but to take part, just as the most important thing in life is not the triumph but the struggle. The essential thing is not to have conquered but to have fought well."

And so how many athletes will travel to London with this in mind? Not many!!

As they say in the US of A: "If winning wasn't important, then why bother keeping score?" And, of course, this is all that really matters – winning, not whining.

There was a time, before World War II (see the movie *Chariots of Fire* when the Olympic Movement truly was (or so they would have us believe...) about fair competition. This was the era of the Amateur; a time when the love of competing was, genuinely, more important than winning.

Well, now it isn't; gold is everything whereas silver and bronze are, at times, a national embarrassment. Personally, I would be absolutely thrilled to win a bronze medal in the Rubber Band Paperslug Distance Challenge, which just happens to be one of the newly recognized Olympic sports this year.

That brings us to London 2012. Here we are, four years on from Beijing 2008 and the magnificent Bird's Nest stadium. It will be interesting to see what London, and Great Britain, can bring to the Olympic Movement... the age-old sport of darts, three-legged races, cricket (which, for Americans, is abhorrent because very often no one wins!), steak-and-kidney pie eating contests, tossing the caber (a Scottish sport, to be honest...), sheep shearing, and let's not forget the old pastime of death by being "hung, drawn and quartered" where you either win or lose absolutely everything...

But, seriously if I may, the Olympic Movement today is all about the Opening and Closing Ceremonies and really not about the sport or the competitors at all.

"Hey there, I won a silver medal for Boxing."

"Oh, mmm, well done, but where were you during the fantastic Opening Ceremony?"

"I was training"

"Oh, shame on you..."

There have been times, of course, when the Olympic Games were more about politics than sport:

- 1964 Tokyo – The International Olympic Committee (IOC) bans South Africa over its apartheid policy on racial segregation.
- 1968 Mexico City – Black Power salute by US African American athletes Tommie Smith and John Carlos.
- 1976 Montreal – 32 African countries boycott the games over the IOC's refusal to ban New Zealand (All Blacks rugby team touring segregated South Africa).
- 1980 Moscow – US-led boycott by 65 Western governments over the Soviet Union's invasion of Afghanistan.
- 1984 Los Angeles – Soviet Union and 13 communist allies



refuse to participate in retaliation for US boycott.

- 1988 Seoul – North Korea refuses to participate due to the failure of its co-hosting bid. Cuba and Ethiopia also stay away in support of North Korea.

- 1992 Barcelona – Santiago Eneldo causes outrage when, after finishing last in the "hop, skip and jump" (now known as the triple jump), he jogs a lap of honor wearing the Chilean flag upside down...

So, what are we in for this year? Well, I can guarantee a few things:

- Cycling will get its usual share of doping positives.
- The men's 100 meters will not be run in under 9 seconds.
- Carl Lewis is not competing – or so we are informed.
- Female synchronized swimmers will remain under water for 5 minutes prompting lifeguards to intervene.
- Football (Soccer) as an Olympic sport will disappoint to the point of abolition.
- Gymnasium volleyball (really BORING!) will be replaced by Minefield volleyball (really EXCITING); Beach volleyball will stay because the players' bodies are admirable...
- Archery is overrated and involves too much technology; demands for a return to the era of Robin Hood and William Tell will abound.

- The Steeplechase will also prove too dull and predictable, bringing calls for changes:

- o Flaming hurdles
- o Crocodile-infested "ponds"
- o Barbwire atop all hurdles

Let's face it; what we all really want is a return to the games of Rome, the Gladiators with their honor, blood and sweat (and not just sweat wrapped in a national flag). The last competitor still standing wins...

The Olympic Movement will find a way through the myriad of potential disasters in London; the games will be a phenomenal success, and records will be broken – but will we remember the true spirit of the Games? Yes, but they are called the Paralympic Games and come after the big show...

I remain, 800 meters behind the rest of the world, but happy just to take part,

Santiago Eneldo

(Doped up and ready to run.... complaints and other sweets – complementary tweets – to santiagoeneldo@yahoo.com)

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