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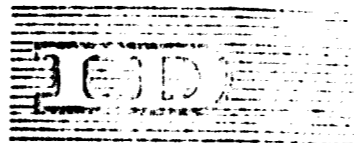
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INDUSTRIAL INVESTMENT PROMOTION ~~AND~~ ACTIVITIES OF THE

UNITED STATES OFFICE OF THE  
CORPORACION DE FOMENTO DE CHILE

submitted by

Marique Vial, Managing Director

We regret that some of the pages in the microfiche copy of this report may not be up to the proper legibility standards, even though the best possible copy was used for preparing the master fiche.

INVESTMENT PROMOTION EXPERIENCE OF THE NEW YORK AGENCY  
OF  
CORPORACION DE FOMENTO DE CHILE

I. CORPORACION DE FOMENTO

Corporacion de Fomento de la Produccion de Chile, CORFO in Chile, FOMENTO in New York, is a Government agency for promoting the country's economic development. It was created in 1939 in Chile, and its New York Agency was opened in 1940.

To explain the New York Agency's work, it is absolutely necessary to understand first just what CORFO is and what it does. CORFO was created by law as an autonomous organization of the Chilean Government, financed through the national budget, and is connected with public administration through the Ministry of Economy. The Minister is Chairman of the Board, which is composed of representatives of both the main economic organization of the Government and the private sector. The Board approves the policies of the organization, its plans, programs and projects. The budget is divided into two areas: one, development, when it is unnecessary to recover expenditures; the other, investments, the main purpose of which is to finance through loans or investments in priority productive enterprises. During the past years the budget has been around \$180 Million per annum.

The management is made up of an Executive Vice President - who also acts as permanent chairman - one general manager and four managers, one each for technical matters, economic planning, financial promotion, and international affairs, the latter in charge of the New York Agency.

2.

The actual titles of each position are slightly different from those mentioned, but the ones indicated are more descriptive of basic main duties.

The main fields in which CORFO has worked are the following:

### 1. Resources Investigations

Several subsidiary organizations have been created by CORFO for this purpose, such as the Forestry Institute, which was the basis for cellulose development, the Fishing, the Geological, and the Soil Institutes, etc.

Great importance has also been given to human resources, and for that purpose, two other institutions have been formed:

First, the National Institute of Vocational Skills (INACAP), which is preparing around 32,000 workers annually, 50% of the new yearly contingent in three to six-month courses, or training in the factories. The programs have been prepared and worked out with the technical assistance of ILO and with the financial help of ILO and the World Bank.

Second, the Servicio de Cooperacion Tecnica, an organization for rendering all types of technical assistance to Chilean enterprises - private or governmental - with emphasis also on preparing employers in industrial administration and executive skills for administrative positions.

### 2. Technical Assistance

CORFO has been developing technical skills and rendering assistance to the country in various ways:

a) Direct technical assistance to entrepreneurs through loan studies. During the studies, our people visit factories and make recommendations; correct the new projects; set up accounting procedures, etc.

b) Through the Servicio de Cooperación Técnica mentioned above.

c) Through assigning different studies and projects to private Chilean engineering assistance firms.

d) Through special credit lines under a program with IDB and another with AID for financing preinvestment studies and projects.

### 3. Project Studies and Investments

CORFO is constantly preparing new development programs and projects in all areas - industrial, mining, agricultural, and to some extent, in marketing technique. These programs are carried out by CORFO, but specific projects are mainly to be worked out with the private sector. An example of one of these projects is the Steel Mill, created some 20 years ago, and presently producing one million tons of ingots and by-products. Once the plant was operating efficiently, 70% of the shares was sold to private interests. The same is true of the largest copper plant in Chile, the tire factory, electronic, fishing and timber industries, and many others, totaling around 100 in various areas. At the moment CORFO is promoting and investing in joint ventures in two cellulose plants, a PVC and polyethylene plant, a phosphate plant, etc.

### 4. Promotional Enterprises

In a small developing country there are some types of enterprises that are not good business for all areas but are basic for revitalizing and improving the economy. In this category is electric energy, for which CORFO has developed and owns a subsidiary, ENDESA, which is presently producing around one-third of the country's needs. CORFO also has a subsidiary for long distance and overseas telecommunication; is working on a joint venture with the coal mines; owns the sugar beet plants which, more than a business enterprise, improve agricultural and livestock yields;

has a chain of good hotels to help economic activity in areas where previously there were no privately owned satisfactory ones.

#### 5. Financial Lines

In addition to the foregoing, CORFO has provided long-term credit available for developing production in priority areas of the economy. It has agricultural, industrial and mining credit lines up to amounts of \$50 million per year. For this purpose it has a budget with fiscal support in addition to its own income, and complementary funds, mainly foreign currencies, from different sources - international financing agencies, suppliers, or foreign governments. Additionally, CORFO guarantees foreign credits for Chilean private and, in some cases, government enterprises to the foreign lenders. a tool that has been essential to facilitate use of international financial possibilities.

#### 6. Sectoral Developing Programs

One of CORFO's main tasks is the sectoral "Developing Programs", which in essence are a composite of all its work. Now being undertaken is the "Forest and Timber Program", which includes improving and installing bigger saw mills within the private sector; enlarging and installing new plants for timber manufacture, such as veneers, pressed wood and plywood; projects for the utilization of these materials, such as prefabricated houses, furniture for export, etc. This comprises a whole program. Others cover development of livestock, fishing, fruit and metallurgical industries, as well as regional plans including even industrial urbanisation.

#### 7. General Economic Planning

CORFO has an Economic Planning Department which up to the past two years worked on the National Development Program, the first one having

been completed about ten years ago. It took about ten years to organize, prepare and train its staff for conducting the studies. It was necessary to coordinate the public and private sectors, various organizations and industries, in order to procure the necessary statistics and material. Today half of its Planning Department has been transferred to the Presidential offices, and the sectional planning for industrial, agricultural, mining, energy, telecommunication and other special fields, including regional economic planning, has been retained.

## II. BACKGROUND OF THE NEW YORK AGENCY

The Agency is 27 years old, having been founded in 1940, as previously mentioned. Its purposes are broad and can be described as follows:

### A. OBJECTIVES

#### 1. Financing

The Agency takes care of the main part of the Chilean public sector foreign financing, including obviously CORFO's needs. It also helps the private sector obtain financial assistance, when requested. In this capacity it has to deal closely with the private banks in the area, with international financing organizations, such as the World Bank, the Inter-American Bank, AID, Eximbank, etc. and with different financial groups.

#### 2. Promotion of Exports

There is a great need in Chile to increase its exports, and principally to diversify them. CORFO's New York Agency is working closely on the export program, such as fruit, manufactured products, capital and consumer goods, as well as specific projects. For this purpose it is working closely with the corresponding Chilean agencies and private sector,

investigating markets, securing foreign assistance, making contacts with American buyers for private exporters, etc. It has also processed some specific pilot exports, such as flowers, handcrafted furniture, knitted woolen clothes, and brass appliances.

### 3. Foreign Investments

This is one of its most important tasks and is the motive for the present report. This point is covered in the following pages.

### 4. Technical Assistance and Connections

The Agency, with its various connections and technical background, is used by the Main Office and its subsidiaries to obtain contacts and determine the best technical assistance supplied by International engineering offices for studying different projects in Chile. In some cases it helps the Chilean private sector when requested. As an example, in 1967 the Agency has directly investigated and secured technical assistance, among others, for the following projects:

Assistance in determining Chilean consumer goods  
for export and help to the exporters in that area;

Exportation of industrial spare parts;

Manufacture of clothings;

Export of wine;

Irradiation of potatoes;

Fruit fumigation;

Merging of the two largest home appliance industries  
in order to supply the IAFIA market;

Feasibility of manufacturing semi-conductors and other  
electronic equipment.



## 5. Purchasing and Shipping

The New York Office handles a variety of commercial and banking matters. In this way it buys, finances and ships equipment, raw material and other goods for CORFO's subsidiaries, i.e., ENDESA for electric energy; ENAP, oil enterprises; ENTEL for telecommunication; HONSA for hotels, etc. in the amount of \$25 million per year. It also works in the same way for other governmental agencies.

### B. ORGANIZATION OF THE AGENCY

The Agency is an integrated group of CORFO and representatives of its two main subsidiaries - ENDESA and ENAP, all working under CORFO's New York Agency. Also, the Copper Corporation of Chile has just integrated an office within the CORFO group. The staff of the group has a specific job for these companies, but each one also has an additional task of collaborating in the promotional aspects previously mentioned. In this way CORFO's New York Agency has an important group of technicians made up as follows:

- 1 Director of the office, a civil engineer with 16 years in CORFO as Chief of the Industrial Department and Manager of Operations in charge of the Industrial and Mining Department;
- 1 Deputy Director, civil engineer, past Manager of Operations in CORFO;
- 1 Administrative Director, commercial engineer, past Director of Finance in CORFO;
- 2 Civil Electrical Engineers;
- 2 Civil Engineers;
- 1 Mining Engineer;
- 1 Chemical Engineer;
- 1 Promotion Officer in charge of the Information Department for Chilean legal, economic and general statistical informatics;
- 1 Public Relations and Press Information Officer.

The entire staff, including professional, purchasing, traffic and accounting personnel, is a total of 60 people.

### C. BUDGET

CORFO's total budget is around \$180 million annually, and the New York Agency's, for administrative purposes mentioned above, about \$750,000, which is generally self-financed through the charges for the services provided to the different subsidiaries and other Chilean organizations.

### D. PROMOTIONAL ACTIVITIES OF THE AGENCY

A description has been given of the general activities of the Agency. Under this heading only the main purpose of this outline will be mentioned, namely, INVESTMENT PROMOTION.

#### 1. Basic Points to consider in Promotion

Capital investment can be promoted by a foreign agency through specific projects of the respective organizations of the country and by taking advantage of all the opportunities that can be detected in daily contacts. In the latter case, it is absolutely necessary that there be clear national policies and that they be very well known to the foreign agency officials. In my personal opinion this is one of the main problems in trying to promote investments in countries which do not have clear policies, or who try to handle their promotion activities through their foreign diplomatic service if the latter has no promotion specialists.

As CORFO is a "general development organization", it has to deal with almost all the productive fields in the country, and obviously with those which have the highest priority within the economic goals; that is to say:

- a) Basic industries including mining and agricultural production, especially those with high technological needs;
- b) Export production;
- c) Regional activities in underdeveloped zones of the country.

The priorities are predicated on the General Economic Plan.

The Chilean Government has a defined policy for investments with no limitations to private initiative and with some limitations only in three areas: public services, enterprises which are necessarily monopolistic due to small domestic markets, and the very large enterprises, such as the big copper mines, which because of their tremendous size affect the national interests. In the latter two areas, the Government prefers a mixed enterprise, or a joint venture with private enterprise in these fields, generally with a small minority, so as to avoid the establishment of controls but to keep an eye on operations for the mutual benefit of the country and the enterprise. A good example of these policies is the copper arrangements just finished, which will permit doubling the copper production in the next four years from 600,000 tons of refined copper to 1.2 million tons. Or another example is the basic petrochemicals which are the raw materials for the end products. Some of the industries for these products have to be a monopoly in Chile in order to keep within the economical size of the plants, such as the polyethylene and PVC plants where CORFO has just entered into a very convenient agreement for both sides with an important international firm.

All the other activities which have not been included in the three groups above mentioned are left wholly to private initiative.

In addition to the above, it is also clear in the Chilean economic policies that any foreign investor can establish an industry in the country under the same conditions which apply to a Chilean investor, but some preferred activities are granted special conditions, conditions that are extended to other Chilean enterprises when granted to a foreign investor. These preferred activities can be summarized as follows:

- a) Export industries
- b) Basic new industries

c) Industries of economic interest to the country which are determined by a special committee composed of government officials and private organizations of entrepreneurs. In this connection it can be said that the 12 years during which these regulations have been in effect are sufficient for an expert to determine in most cases when an activity belongs to this last group.

2. Another basic condition for foreign capital promotion is the promoter himself. A good promoter not only must have a good knowledge of his country's possibilities, but also should be an expert on technical matters, so that he can talk intelligently to the investors. That is why CORFO always selects for its New York Agency people who have worked for many years in different positions in the institution in Chile.

3. Also, if not absolutely necessary, a very important requisite is that the promotion agency have a counterpart in its own country, so that both can work together intelligently. The foreign agency cannot do all the work; it has to be handled at both ends. At some time the investor will have to visit the country, and the same language has to be spoken on both sides. The Agency should have a permanent contact with its headquarters. The best impression is made by the speed in which the exact answer is given. In the case of our Agency, this has always been the policy and special consideration is given to obtain the required information from Santiago as quickly as possible.

4. It has to be generally expected that the investor will talk to other people to become acquainted with the country he is studying; for instance, other foreign companies established there, preferably of his same national origin. Also the banks are sources of information. This makes it necessary to have good contacts with these firms and banks, especially the

latter, so that they may be well informed about the country. Experience shows that the same information can have opposite interpretations. A good example regarding Chile is in connection with the world copper prices which have a great influence there. When copper went up in the past two years, the country could pay its short-term debts and concentrate on special investment programs. When the price was coming down, some people in financial circles felt that bad times were coming to Chile, instead of realizing that the high prices were absolutely abnormal, and even today are substantially better than that to be ordinarily expected. When this was pointed out to our friends, including the press, most of them understood it and the results were immediately seen in the articles which were then written. This is just an example to clarify what type of information is required and what can be done.

The Agency stresses the importance of furnishing information on the economic highlights of the country to the press, industries and banks, and for this reason is publishing twice monthly "Economic Notes", distributing the reports to everyone the Agency believes would be interested. As mentioned previously, there is a specialist in charge of this work, and it is an informative publication for promotional purposes.

5. Even when the country may have a general policy toward foreign investment and a clear idea of its priorities, it always has to be kept in mind that business look mainly for special opportunities. In relation to Latin America and Chile, there are clear examples of the lines where better results can be obtained. If it should be necessary to seek some special areas for promotion, in addition to specific projects that the Agency has been given by their headquarters, there are fields to work even without a project or a feasibility study. Developing countries do not

always have projects, and sometimes it is sufficient only to point out to investors where the possibilities are and the government's interest in investment. In such cases the project can even be unnecessary because those companies knew their business and can easily study their possibilities if some general and technical information is provided. Some of these fields could be the following:

a) If there is a good market for the industry to be promoted. Sometimes there is an interesting investment possibility which has not been exploited. Local investors may not have the technical know-how; there may be industrial areas not well developed with few or no entrepreneurs with the capacity or drive to get business going. Also, other local entrepreneurs are not interested in further competition, which is very common in underdeveloped areas. Some of the industries that can be included in this category are some petrochemical products where the technology of foreign industrialized countries is almost always necessary, also electronic industries or manufactured goods. As the country grows, there are always new industries that can be started in the next step of industrialization.

b) Activities related to the country's special conditions. In the case of Chile, we have a special climate for cellulose, fishing possibilities, wine, fresh fruits and vegetables, canned, frozen or dried products. Many types of minerals can also be included because of the country's exceptional conditions, such as sulphur, iron ore, copper and others.

c) Industries which have a high proportionate share of man hours, such as motion pictures - where salaries have become a major problem in developed areas - perhaps certain types of clothing manufacture, or

shows for export. As an example, we have seen in CORFO that in an industry where cost in man hours is more than 20 to 25%, it is interesting to look for export possibilities, provided there is also a chance to increase the workers productive efficiency. It is true that this is not all, however, because in exporting great complementary efforts are also needed in a developing country, but this is just what a foreign enterprise with knowledge of marketing very often can provide. With a general background in this, it is possible to discover potential investors who can be approached even without a project to initiate.

6. Notwithstanding the points mentioned in the preceding paragraphs, the best results are obtained when there is a complete sequence in approaching the foreign investor. The ordinary procedure can be illustrated with many examples of complete success which our organization has had. Most of these start with a feasibility study, and even before. The best illustration to give in this paper is the manner in which the PVC and polyethylene projects were handled. With the availability of enormous oil gases in Chile, because of the natural resources in Magallanes, or the oil refineries in Concepcion and Con Con, we first approached some outstanding international companies whom we believed might become interested in investing in some Chilean petrochemical plants. This was done after establishing an internal policy that the country itself could not engage in petrochemical development because of the enormous know-how needed.

Many of the companies answered by requesting more precise information or a feasibility study. After knowing their interest we looked for technical advice for the study, selecting the best qualified firms.

We then approached the petrochemical companies we had contacted to ascertain which of the 10 firms would be most qualified. Through this procedure we selected five companies for furnishing proposals, one of which was finally chosen. The study took into consideration the best petrochemical possibilities for the country, and upon its completion CORFO established the conditions under which it was willing to receive proposals and then invited the petrochemical companies to participate. In this way, a complete agreement has been reached for the PVC and polyethylene plants; the Chilean oil enterprise, ENAP, is installing a 60,000-ton ethylene plant, as well as a cresosoda plant, and there are several other projects under consideration with foreign investment proposals. This has been the way to approach the development of the petrochemical field in the country. The New York Agency was very helpful in the selection of the first 20 advisory firms and for the contacts of the petrochemical companies, as well as later on in obtaining the foreign investors' interest upon completion of the feasibility studies.

The sewing machine project (now being installed) was similarly approached two years ago with prospects for the LAFTA market. Also under study are some products in the electronic field, clothing industries, as well as a large poultry farm to help the country centuplicate the production of the last five or six years from 250,000 chickens in 1961 to about 2 1/2 million for the present year. Also of interest, under consideration are two fruit and vegetable processing industries, a phosphate plant, one ammonium nitrate plant, etc. In all of these projects, with the exception of the sewing machine factory, the New York Office's participation has been vital; as a matter of fact, some of them originated in the Agency.



There are other projects under consideration which have been promoted through CORFO's New York Agency, but for the time being are at a standstill awaiting some special regulations or additional requirements. To be mentioned also are a motion picture project and an important Chilean fishing industry integration with another from a IANFA country, the latter having originated through contacts made by officers of the other country with CORFO's New York Agency.

#### E. PROBLEMS AND EXPERIENCES ENCOUNTERED IN PROMOTIONAL ACTIVITIES

It is rather difficult to generalize about the problems of promoting investments. Every business negotiation is different, the people vary, the approaches are not the same, and the interest evoked by a new foreign activity varies from one investor to another.

Promotional activities of this sort are never a sole force in getting business to a developing country - they are only a complementary factor - and are used in varying degrees to give an additional push to many other factors not always working in the same direction. This also means that it is rather difficult to measure the concrete results of promotion, because there are always other parallel promoters who have helped and appear especially when the business has been successfully organized.

#### Agency Promotion

There are two ways: one, when the agency has a sound project to sell; the other, when approached by businessmen who are considering investing abroad. For both, it is necessary that the agency be well sold to the business community in its parent country and abroad. This is very difficult for a government office. Business people all over the world do not

like to do business through governments, mainly when they are looking for partners. In addition, the government people of most developing countries, if not of any country in the world, are not business-minded, and promotion to a great extent is a business capability.

Fortunately, CORFO and its New York Office have achieved the confidence of the private sector. As a governmental organization it has all the advantages of being able to speak with an official voice. Also it is autonomous and can express an independent opinion. In other words, it does not convey a straight governmental image to the businessman, or at least not to those who get to know it well!

The New York Agency has an "In-depth" relationship with top financial and business circles in the United States which has been built up over the course of 27 years of operations in this country. A great deal of the confidence it enjoys is due to the fact that the Agency has never once failed to meet its payments to banks or suppliers. Because CORFO is a governmental institution, and on account of its reputation, the Chilean business community, at least a large part of it, has become accustomed to taking CORFO into its confidence and asking it to seek foreign partners, also many Chilean entrepreneurs rely on CORFO's financial help with their projects.

CORFO also has its own projects to promote, and the New York Office works on many of these, such as recently the petrochemical and cellulose plants.

On the other hand, CORFO's New York Agency purchases some \$35 million worth of capital equipment every year, which produces good relations with business throughout the world. Also, it handles the repayments of Chile's

foreign debt, which gives it many contacts with international financial institutions. In addition, and as is logical, the Agency is in constant touch with large companies which have investments in Chile. Finally, CORFO officials conduct a school in promotion by working permanently on Chilean business development and financing.

All the above-mentioned characteristics may make this Agency's approaches different from those used by others. CORFO has in addition wide powers of negotiation. For example, CORFO acts as the Secretariat of the Foreign Investments Committee in Chile and its technical analysis of the proposed investment is almost always the deciding factor. CORFO is authorized by law to give its own guarantee to credits which would facilitate a foreign investment, and can give the Chilean Government's guarantee to loan operations by a simple approval of the Board of Directors. It can also give its own financial support or participate in any way in the enterprise being promoted. Final negotiation with the investor is generally concluded in Chile, but the New York Agency does a lot of the promoting, particularly having the higher rank on the organization level, which permits the office to make important commitments without lengthy consultations.

In this way have been solved many of the problems common to any governmental promotion. The following are some strengths the Agency has:

- Important and sound projects to promote;
- Enough power to commit itself on official matters;
- Important incentives to offer;
- Good connections with Chile's business community and that of the United States;
- Trained personnel with thorough knowledge of Chile's economy, industry, politics and technical know-how.

This does not mean that the Agency has no problems! Far from it .

4. Stability of Regulations, which is not a common factor in developing countries whose economies subject them to permanent changes. Chile's solution to insure stable rules has been a legal procedure which works as a "contract law", guaranteeing the foreign investor tax and other conditions for a ten to twenty-year period, which cannot be changed by subsequent laws. This is based on a contract concept, providing that when and if one party fulfills its obligations, the other one - in this case the Chilean Government - has to do the same.

5. Developed Countries' Progress, being far more rapid than that of the developing world means better opportunities with less risk for businessmen to invest or reinvest in the industrialized areas. An interesting measure of this "investment barrier" is the profit level that now prevails. For example, in the United States capital can be found for investments with a yearly return of 1/15; whereas developing countries need to offer as much as 1/6, or even more. This means that only the cream of the business in the developing areas is suitable for foreign promotion. A moderating factor has been the international financing agencies, which offer long-term credits at low interest. But this factor is further reduced if it is considered that most of the credits from the international agencies are for infrastructure, and there is keen competition in the capital markets, which are not easily accessible to companies working in developing areas.

The conclusions of the above comments in relation to finding potential foreign investors are that interest can only be generated when aspects as the following are favorable:

a) a good and profitable business, substantially better than what a foreign investor could find in an industrialized country;

b) a possibility of improving the investment income by obtaining additional profits, such as selling or participating with already amortized high-cost know-how, or supplying the equipment when the investor is a machinery producer;

c) Lowering risks, or getting high participation with reduced economic effort through a good financial offer from the host country, such as government guarantees for foreign loans and for starting with a small working capital-equity ratio. Cases in developing countries can be encountered like a specific one available to CORFO's New York Agency information where a twenty million-dollar business has been started with six million dollars, of which four million was the foreign investment (including properly evaluated know-how) and the rest was foreign credits obtained with the government guarantees. It is true that such cases are very special ones where international know-how and management are substantial, but they illustrate a situation where a foreign investor gets 66% equity in a twenty-million dollar company, with an actual participation of little more than two million, or in other words, 10% of the whole investment. This case also shows what offers the developing countries sometimes must resort to in order to get investments, even after they have carefully covered the entire investor spectrum.

d) A possibility for those companies already established in the host countries to make additional investments to improve substantially their efficiency;

e) When the host country has some substantially important raw material which is scarce on international markets, such as some minerals, some fishery resources, determined agricultural products, or skilled and

cheap manpower, or when the investor owns a superior process or a unique product that can be produced and marketed rather easily and profitably in some of the developing areas;

f) When the investment represents a "last chance" in a developing area; for example, the automobile industry in Latin America where, in order to integrate with other countries, some nations are now limiting the number of plants which will be permitted.

There may be other factors, but these are the ones which CORFO's experience shows among the most important.

6. Foreign Investment Race - This is another substantial problem for investment promotion, mainly for the smaller developing nations. Many countries, including some big ones, are competing for foreign investors by offering greater incentives than what might be economically advisable. If the smaller countries cannot match these incentives, such as tax holidays or export subsidies, they won't get foreign investments, and thus will be in a more disadvantageous position than they already are. Thus, to run in this race means fundamental economic problems, but not to run in it could be worse. This situation is more acute in an area in the process of integration, such as Latin America, where staying out of the know-how, marketing experience and other valuable factors of developed countries' enterprises, will mean that in future the markets will belong to those countries which are now converting themselves into "investors' paradise". The smaller countries are losing their capacity to promote, because whatever they may offer is still less than those others. (On the other hand, obviously it is not possible to discriminate in favor of foreign investments or against local entrepreneurs.) Some general

International norms for foreign investment activities and incentives would have to be considered soon.

7. Project Sophistication Level - In the degree that the sophistication of the project oversteps the country's industrial level, the more difficulties encountered in the promotion. The governments of developing countries are sometimes inclined to promote factories for which the nation is not yet prepared. Nevertheless, it appears that as much as these nations overestimate their industrial potential, foreign investors underestimate it. Management in developing countries is accustomed to dealing imaginatively with "lack of supply" problems which their counterpart in industrialized countries do not have to face. There is a gap between these two approaches, and the promoter has the specific job of bridging it.

#### F. ROLE THAT UNIDO CAN PLAY

Assistance would be welcome among developing countries for the following:

- 1) Organizing and operating agencies for promotion of investments for different developing countries, and the preparation and distribution of information through these agencies.
- 2) Project preparation. Many industrialists and farmers in developing countries have plans for enlarging their business for new installations, but these need to be put into promotable form, such as a project study. A special lack exists as to agribusiness projects.
- 3) Suggesting economic measures which would create more confidence among investors and lower their risks.
- 4) Making foreign investment procedures more efficient.

5. It is absolutely necessary to take some overall financial and economic measures to change the present trend of foreign investment in developing countries, which is becoming proportionately lower. The economic imbalance between developed and developing countries is acute; the faster the former grow, the faster they take the next step ahead, and the slower the developing countries' progress, the slower their future speed. To change this trend will not damage the economy of industrialized countries. On the contrary, the richer the poor countries become, the greater the business for the developed ones. Pushing the poor economies ahead is not only a humanitarian responsibility, it is also good business.

Some success can be attained by better foreign investment promotional organizations, but it is not the major remedy to this basic problem. The measures to correct that problem are not easy to sell to the powerful economies; this could be a UNIDO goal. If real results are to be obtained, some measures, such as an International Business Insurance Fund, an interest equalization fund, or others of this order, would have to be implemented so as to equalize to a certain extent the chances of enterprises of developing countries to reach international financial markets in comparison with similar business from developed economies.

If developing countries cannot get enough capital with the necessary speed it is clear that a very obvious alternative is to abandon the capitalistic form of development.

Fortunately, Chile is currently in an advantageous position to attract foreign investments due to the special conditions I have

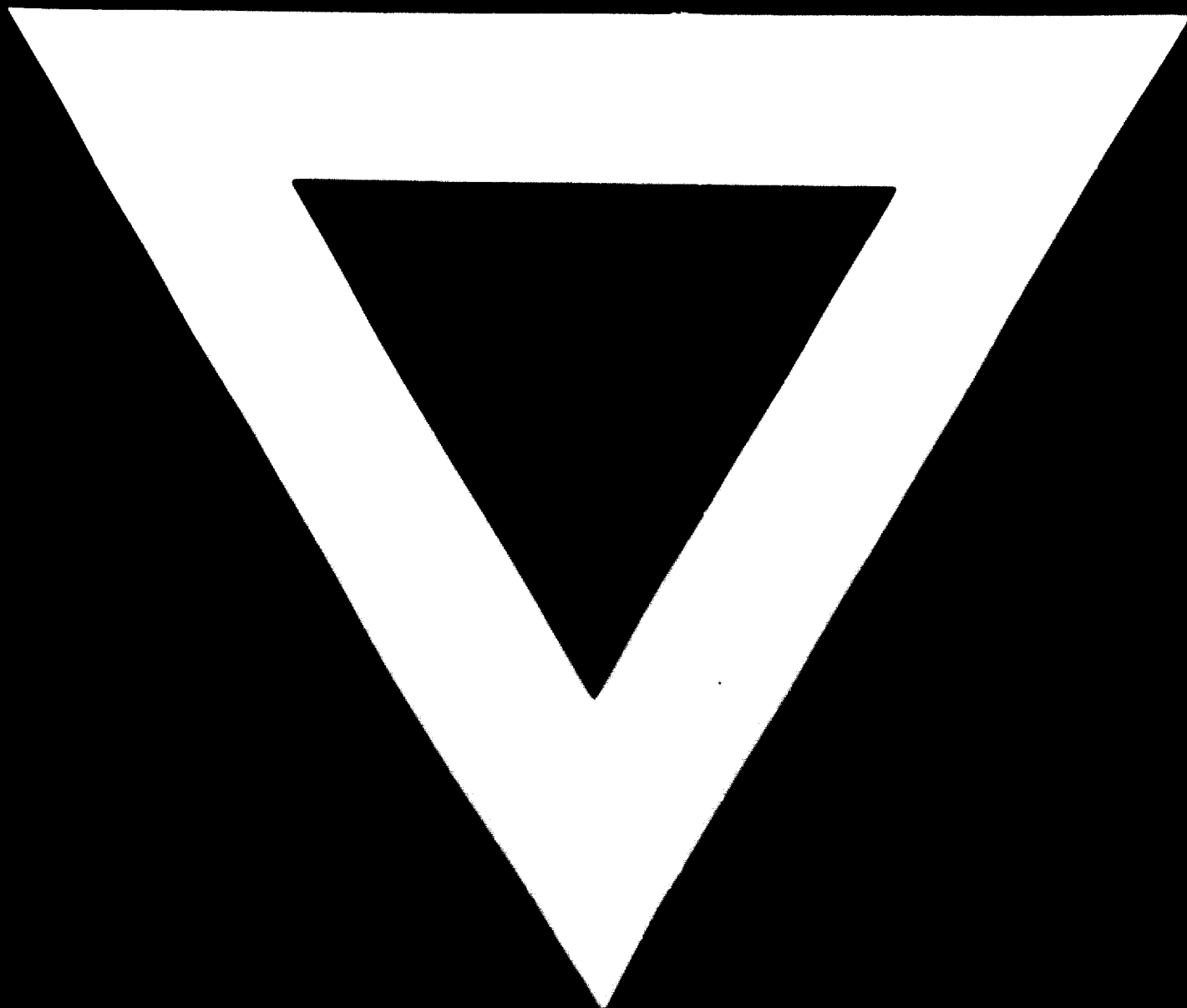


outlined, such as its favorable climate for fruit, vegetables, forestry, wine and others. In mining, practically all resources are available, many of exceptionally advantageous conditions. Its copper reserves are the largest in the world, and iron, sulphur, vast coal reserves, petroleum, petroleum gases, fish resources rich in quantity as well as quality, algae, etc. are also available. In summary, Chile has an important field of development to offer.

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June 1967





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