Chile investment survey released

SANTIAGO / NEW YORK: The United Nations Economic Commission for Latin America and the Caribbean (ECLAC) in Santiago and the Vale Columbia Centre on Sustainable International Investment (VCC) at Columbia University in New York have released the results of their first annual survey of outward investors from Chile.

The report on the results identifies 20 non-financial Chilean multinationals and ranks them on the basis of their foreign assets.

In 2010, these 20 firms accounted for roughly:

- USD 25 billion in foreign assets,
- USD 26 billion in foreign sales,
- 101 foreign affiliates (subsidiaries, etc.) in 18 countries, and
- 159,000 employees abroad.

The leading company among the top 20 was the retail firm Cencosud, which accounted for nearly a quarter of the foreign assets on the list of the top 20 (just over USD 6 billion). The two firms that followed - Arauco, represented by its parent company the COPEC Group, and CMPC - were both in the forestry business and together held a little over a quarter of the list's assets. They were followed by two transport firms, LAN and Sudamericana de Vapores, and then by another retailer, Falabella. These top six firms jointly commanded nearly USD 20 billion (or four-fifths) of the assets on the list. It is worth noting, however, that the distribution of assets on this list is much less top-heavy than in most other emerging markets.

State-owned, ENAP makes list

Other than retail, forestry and transport, the industries represented on the list include food and beverages (four firms, led by Embotelladora Andina), energy (three) and metals (two). Only one of the Chilean top 20 is state-owned: the energy firm ENAP. The other 19 are all privately held companies whose shares trade on stock exchanges. All 19 are listed on the Santiago stock exchange and six of them are also listed on the New York stock exchange.

Several features of Chilean investment abroad are noteworthy. One is the importance of a small country like Chile in Latin American foreign direct investment (FDI). Although no firm among the top 20 Chilean multinationals has the heft of a Cemex or a Vale (foreign assets of USD 40 billion and 35 billion respectively in 2009), Chile is nonetheless the third largest outward investor in Latin America and its smaller multinationals have higher levels of foreign assets than their Brazilian counterparts do.

A striking second feature is that this highly successful outward investing from Chile has taken place with virtually no special effort (e.g. China's 'Go global' initiative) to promote outward FDI by the government. As a rule, successful outward investors from emerging markets have benefited from a variety of dedicated measures such as special financing and information services. In the case of Chile, the government appears to have focused simply on maintaining macroeconomic stability and creating an attractive investment climate for all businesses.

The third feature worth noting is the geographic concentration of Chilean investment. If sales affiliates and those in offshore financial centers are excluded, 16 of the top 20 firms have all their affiliates in Latin America. Chilean firms, with a few exceptions such as Molymet and SQM, have tended to look for customer bases abroad that were much like the home base and would thus allow them to replicate their homegrown corporate strategies. Vast regions of the world are totally avoided - no Chilean multinational has a presence in Sub-Saharan Africa, South Asia or Eastern Europe.

2008 financial crisis had limited imapct

The financial crisis of 2008 and the global economic downturn that followed had a limited impact on Chilean multinationals, mainly because the principal host countries of Chilean investment suffered only a mild and short economic contraction in 2009. Chile's outward FDI flows remained steady in 2008 and 2009, unlike Brazil's and Mexico's, where they dropped substantially in 2009 and 2008 respectively. The largest single transactions in outward investment were both in 2009: CMPC's acquisition of Brazilian Aracruz Cellulose SA-Guaiba for USD 1.4 billion and Sigdo Koppers's greenfield investment of USD 650 million in Peru. In most emerging markets, the largest such transactions tended to be 2007, before the crisis broke.

The report released jointly today by ECLAC and the VCC is part of a long-term study of the rapid global expansion of multinationals from emerging markets, known as the Emerging Market Global Players (EMGP) project. The EMGP is led internationally by the VCC and has some 15 participating economies. Reports have thus far been published on 13 of these (several on some of them): Argentina, Brazil, Chile, China, Hungary, India, Israel, Korea, Mexico, Poland, Russia, Slovenia and Turkey. ECLAC analyses trends and determinants of FDI and publishes the FDI in Latin America and the Caribbean Report every year.

View the and at http://www.cepal.org/ddpe/default.asp Chilean report.