



DOING BUSINESS IN CHILE

Officially called the Republic of Chile, it is the world's narrowest country with a land mass approximately 109% of the size of Texas in the US and ranks 64th in the world as measured by GDP. Bordered by the Pacific Ocean on the west, Peru on the north and Argentina on the east, it is a country of deserts, mountains, lakes and has a climate which is Mediterranean in the central and south, desert and temperate in the north and stretches into the arctic at its very bottom. If Chile were superimposed on a north/south position over the central United States it would stretch from Winnipeg, Canada in the north to Mexico City in the south, covering the central United States and the capital of Santiago would be in central Nebraska.

Politically stable since the 70's, the population of almost 20 million inhabitants enjoys a lifestyle that offers excellent healthcare, educational opportunities, and an affordable cost of living. The country has become a haven for expats from all over the world. Chile has an upscale society with Santiago being the largest of the cities in the country. Public transportation is excellent and connects many of the country's metropolitan areas. Approximately 90% of the population is in the middle third of the country around the capital of Santiago; the far north, anchored by the Atacama Desert and the extreme south are relatively underpopulated. Chile has historically been a country of emigration but has slowly become more attractive to immigrants since transitioning to democracy and improving its economic stability.

One of the factors in a general assessment of the marketplace is the fixed and mobile telephony which is evolving at a rapid pace. The mobile rate is among the highest in South America. Infrastructure is extensive and 5G spectrum auctions which took place in February 2021 are expected to prompt the deployment of 5G networks by the end of 2023 following extensive trials. Fixed broadband is relatively high for the region, with services among the fastest and least expensive in Latin America. Government initiatives, such as the National Fiber Optic project are providing high-capacity connectivity across the country and will further increase fixed-line broadband. There is a strong emphasis on fiber broadband, with the number of fiber subscribers having increased 61.7% in 2020. This growth in the infrastructure with the latest technology fosters the growth of communication and security, which is a very burgeoning market in the country.

The economy is based primarily on agriculture, copper, iron and nitrate mining along with exploitation of sea resources. Additionally, Chile is developing an economy based on manufacturing as well, which has created a more urbanized society with a growing middle class. Economic reforms have contributed to a steady growth in personal purchasing power and reduced poverty rates by more than half since the seventies. During this same period Chile has also played a strong leadership role in the region.

Considered a Republic with three branches of government, the country has instituted many reforms in the government structure. Since the country gained its independence from Spain in 1810, it has gone through many changes in government structure including dictatorships into the 1970's. The country's constitution was adopted in 1980 which has stabilized the election process, greatly influenced economic growth, and promoted a civil society. Part of the government structure is the election of representatives. Members of the Senate (Senado 50 seats) are directly elected by an open party-list proportional to the population of the region they represent. Members are elected for a term of 8 years with one half of the membership renewed every 4 years. The Camara de Diputados (Chamber of Deputies 155 seats) is elected every 4 years also by proportional representation. The judicial branch has a Corte Suprema (Supreme Court, 20 members or ministers) and a Constitutional Court (10 members) which is independent of the rest of the judiciary and deals only with cases related to the constitution. There are also subordinate courts, courts of appeals, military tribunals, criminal tribunals, and courts dealing with matters such as labor, family, customs, taxes, and electoral affairs.

In terms of starting a business in Chile, one of the biggest factors that must be considered along with labor and market potential is taxes. The main taxing authority (FISCO) represents the interests of the state and charged with tax collection for the General Treasury (Tesoreria General de la Republica) The tax system is very similar to that of other Latin American countries. Based upon revenue, all branches, ownership and profit distribution is taxed at a rate of 10 to 25percent of the total business revenues. The tax code also allows for deductions from profit consisting of tax-deductible expenses and direct costs. Payroll taxes are also part of the tax code. Taxes to employees/employers cover Social Security, health, pension as well as occupational accident and disease insurance. In most cases the employee contribution ranges from .95% to 1.15% of the employee's salary except for health insurance which is equivalent to 7% of the employee's salary depending on the plan selected. The employer is also bound to make contributions of varying percentages to the individual segments of the payroll structure.

The various religions which prevail in the country are broken down into three major groups with many smaller religious groups.

The major religions that make up the religious community in the country is as follows:

- Roman Catholic 66.7%
- Protestant (including Evangelical Traditionalists) 16.4%
- Jehovah's Witness 1.0%
- All other religions make up the balance of 15.9% which includes Islam, Hinduism, Buddhism, Judaism and Sikhism.

The government is very tolerant of all religions and the citizens do have freedom of religion; Interestingly many of the recognized national holidays are of a religious nature such as Christmas, Good Friday, Feast of the Virgin Carmen, Feast of Peter & Paul, All Saints Day, and the Immaculate Conception. This, however, is a unique situation and does not hold true in other parts of Latin America. Companies are not obligated to offer all holidays to the

employees. Again, the society is very tolerant and respectful of all religions and the various sects are not in any way connected to the government as in other countries with single party rule.

When considering the opportunity to open a business or branch in Chile or in any other country, languages spoken is very important during the course of everyday business activities. Unlike many English-speaking countries, multiple languages may be spoken in a country, region or even a city. Chile is no different. The breakdown of languages spoken is as follows:

- Spanish 99.5 %
- English 10.2%
- Indigenous 1.0%
- Other 2.3%

While Indigenous languages account for only 1.0% of the spoken and written word, they also constitute a variety of unique languages spoken within the country including Mapadungun, Ayman, Quecha, and Rapa Nui and coupled with that variety is .2% of spoken languages classified as “unspecified.”

The sum of the percentages is more than 100.0% because many of the respondents to the 2012 census spoke more than one language. So again, while the numbers portray what looks to be a difficult problem of communication, it is quite simple. Most of the population centered around the metropolitan areas speak Spanish, English or both. Business is typically conducted in Spanish, however, depending on the market or region, be prepared to experience different pockets of “Other or Indigenous languages” which are part of everyday communication.

Now let’s look at the country as an opportunity. Firstly, the potential market for security is expanding and becoming more sophisticated, it has an excellent infrastructure and a stable government. The cost of doing business is low and the government encourages business in the form of the legal structure to make it less daunting to start and maintain a business. The population is educated and there is a labor supply to support expansion. The necessary components to start a business or open a branch are available to anyone willing to expand their operation at a low cost.

It is most important to look at the opportunity over a long period of time. Like any business in any country, it takes time to secure a foothold and grow, it’s no different in Chile. What is different is the expanding population, the economic potential of the country and the available infrastructure.

Certainly, the quality of life is good with many recreational options, a good climate and educational system. However, to begin a process of starting a business or branch, the first thing is to fully explore the opportunity, secure a banking relationship and engage a local attorney to act as your representative. Be sure you are committed to follow up and have secured the manpower and equipment to begin the venture. Again, it is no different than in any other country, it rests on two major factors: capital and a clear focus on your objective. As the

country's infrastructure and economic expansion grows so will the business if started and managed properly.

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Peter Raymond, former president of Security Protective Services established PF Raymond, Inc, a consulting company specializing in the security space, over twenty-five years ago. The company has a US domestic client base along with clients in South and Central America, Europe and Asia. The company assists companies with foreign operations in developing and maintaining their electronic and physical security requirements. The company is well versed in the rules and regulations of establishing a security program in foreign countries. The company develops programs which include design, implementation, and maintenance of the security platform.

To reach Peter you may contact him at rpeter5@aol.com

Or, contact the Life Safety Alliance at info@lifesafetyalliance.org.

To learn more about the LSA, visit www.lifesafetyalliance.org