

SPECIAL REPORT: 2015 CHILE BUSINESS REPORT

Decade of ‘free trade’ drives China-Chile ties

Synergy Media Specialists asked Minister of Foreign Affairs of Chile **Heraldo Muñoz** about his country's relations with China.

**How would you characterise Chile-China relations today?**  
Relations between Chile and China today are among the most solid our country has worldwide and, certainly, in the Asia-Pacific region. Chile was the first Latin American country to sign a free-trade agreement (FTA) with China, as well as the first South American nation to establish diplomatic relations with China and grant market economy status to China. Another “first” was achieved during Premier Li Keqiang’s official visit in May, when Chile took steps to become a financial platform for the internationalisation of the renminbi in Latin America.

Throughout the last decade, Chile furthered its already positive relationship with China in the political and economic fields. In political terms, in 2012, both countries agreed to elevate their bilateral relationship to the status of “strategic association”, implementing high-level cooperation mechanisms in the political and economic areas.  
In the economic sphere, the entry into force of the Chile-China FTA has brought about an important increase in bilateral trade. Since then, our countries have negotiated supplementary agreements in services (in force since 2010) and investment (in force since 2014), with the objective of deepening trade and investment ties.  
**How strong is the present state of bilateral trade between Chile and China today?**  
Today, China is Chile’s first trading partner

in the world. Moreover, during the visit of Premier Li Keqiang, we were able to make important progress beyond the area of trade in goods, with the signing of significant cooperation agreements promoting reciprocal investment and cooperation in new sectors.  
For Chile, one of the main objectives of the FTA with China is to diversify our exports to China and progressively include new goods and services.  
During 2014, trade between Chile and China reached US\$32.671 billion, representing 24 per cent of the Chilean foreign trade. Chilean exports reached US\$18.437 billion. Moreover, China is our second partner on non-copper shipments, with US\$4.215 billion in 2014, and a 6 per cent more than the previous year. Trade increased last year due to the growth of agricultural and forest industry goods, which grew by US\$245 million and US\$169 million, respectively.

The trade balance has been favourable for Chile since 2002 and in 2014 the surplus reached US\$4.204 billion. Also, between 2002 and 2014, trade grew at an average annual rate of 24 per cent while exports to China increased by 25 per cent yearly.  
**What sectors will benefit the most from a closer relationship?**  
Chile is focusing its effort in diversifying its export basket to the world, including China. In this context, during the next few years, Chile will promote trade opportunities in the areas of agricultural and manufactured products.  
The free-trade agreement between Chile and China went into effect nine years ago this October. Since January 1 this year, all Chilean exports to China enter tariff free. This means that 1,611 additional Chilean products were added to the 5,725 that had this benefit.

Among the main Chilean goods to benefit are fresh grapes, wine, fish flour, frozen trout, salmon, olive oil and iron manufacturing.  
To mention just a few examples, in 2004 less than 0.2 per cent of fresh fruits shipments from Chile had China as their destination; nowadays, 16.6 per cent goes to that market. Food products also increased their participation going from 1.4 to 7.9 per cent. The same happened with the wine macro-sector that increased from 2 to 8 per cent and the forest industry from 11 to 24 per cent, all of them in the same period.  
Imports coming from China have also shown a constant increase, with an annual increase of 19 per cent during the 2005-2014 period.  
**Visit [www.synergymediaspecialists.com](http://www.synergymediaspecialists.com) for the complete interview and more information on China-Chile relations.**



Minister of Foreign Affairs of Chile Heraldo Muñoz



Grandes Vinos de San Pedro, VSPT Wine Group's premium division

VSPT Wine Group has a successful history of over 70 years in Asia

With nine wineries across Chile, including in San Pedro, Tarapacá, Leyda and Santa Helena, VSPT Wine Group has become the leader of fine wine sales in the country. The group is the second-largest exporter of Chilean wine and today delivers some of Chile's best wines to Asia.  
The Group's Viña San Pedro winery, founded in 1865, is the oldest Chilean large-scale winery. This year marks 150 years of viticulture with the winery's renowned brands including Altair, 1865 Santa Vineyard and Gato Negro. The winery commercialised its wines for the Asian market in 1940, when the group first exported wines to Japan.  
Viña Tarapacá, founded in 1874, is

the No 1 winery for ultrapremium wines in Chile, and its Gran Reserva has become a leading wine in Chile and abroad.  
VSPT Wine Group's Viña Leyda winery has won numerous awards and gained international recognition. The winery's location in the region's cool, coastal climate produces highly sought-after sauvignon blanc and pinot noir wines.  
The group continues to strengthen its ties to Asian markets and has significantly increased its sales in China, Hong Kong, South Korea and Japan.  
“We have built our business on our solid business strategy, strong brands and quality products,” says Pedro Herane, VSPT Wine Group's CEO. “As a global producer, we are today recognised both for our processes and the high quality of our wines.”  
The group exports wines to more than 80 countries and this year invested US\$35 million in vineyard plantations and the expansion of its main bottling plant, which is set to be the most modern in South America.  
“This investment will allow us to double our production capacity,” Herane says.  
“Combined with our world-class infrastructure and technology, we look forward to competing more efficiently within the established and growing international wine markets.”  
[www.vspwinegroup.com](http://www.vspwinegroup.com)



Pedro Herane, CEO



**WE CREATE PRODUCTS THAT IMPROVE PEOPLE'S LIVES.**  
We produce pulp, panels, timber and energy. Through our work and innovation, we manufacture a wide range of quality products, inspiring solutions that improve the lives of millions of people around the world.  
**Renewables for a better life**  
**ARAUCO**  
Growing the Future

ARAUCO is planting the seeds of success in China

One of the largest forestry companies in the world, employing over 13,000 people, ARAUCO has 30 global production facilities and a sales presence in over 80 countries. Charles Kimber, ARAUCO's senior vice-president of commercial and corporate affairs, shares his thoughts on business in China.  
**When did ARAUCO establish its business in China, and how has it evolved?**  
ARAUCO started doing business with China in 1977 with sales of saw logs for the sawn timber industry and wood pulp for the paper industry. Our annual pulp sales have increased to over US\$1 billion, and important volumes of sawn timber have been added to our product offering. When ARAUCO entered the Chinese market, our export products were shipped to



ARAUCO delivers products to over 200 customers, including paper producers and wood product processors in China.

only one port in China. Today, we have over 200 customers and deliver products to paper producers and wood product processors across the country. ARAUCO is currently one of China's main pulp suppliers, and our continuous presence in the Chinese market for

over 38 years has helped us build steady and trustworthy relationships in China.  
**What factors contributed to ARAUCO's successes in China?**  
Gaining the trust of the Chinese market takes years of work, and ARAUCO was able to pass that hurdle. However, maintaining trust is no less of a challenge. Since we have been in China, we have experienced the changes in the market. Initially, we saw China as a spot market with significant variations. Today, customers in the Chinese market require agreements from suppliers that translate into annual sales programmes. A key factor for our success in China has been the country's sustained growth rate. Chile and China have also driven and promoted alliances and agreements which have contributed

to our strong and stable trade relationship.  
**What does the future hold?**  
China is ARAUCO's largest market, and our presence here is very important. The Chinese market has the greatest growth rates in the world in terms of wood pulp, paper consumption and wood products in general. In addition to the country being an exporter of finished products that require importing raw materials, there is huge potential in China for growth right across the domestic end-consumer market. Following our strategy and long-term vision, ARAUCO will continue to support the growth of the Chinese paper and wood products industries with quality products and our reliable commercial partnership approach to doing business.  
[www.arauco.cl](http://www.arauco.cl)

Supplying South America with quality products from China and Asia

With over five decades of experience as a leading trading firm in South America, Capricorn represents the biggest Chinese groups and enterprises engaged in a wide range of industries including food, power, construction and electrical.  
“We supply steel towers for transmission lines, technology products, textiles, chemicals, plastics and a diverse selection of other products sourced from our reliable partners in China,” says Mark Argy, president of Capricorn. “We are currently working on the largest transmission line project in South America. Our supplier for the project is the largest steel tower manufacturer in the world.”  
The company has been active in China for 25 years and has established close relations with

**CAPRICORN - CHILE**  
Fono: (56-2) 2925 1400  
[info@capricorn.cl](mailto:info@capricorn.cl)  
  
**CAPRICORN - CHINA**  
Fono: 86 20 3839 4541  
[info@capricorn-cn.com](mailto:info@capricorn-cn.com)

Chinese businesses. Capricorn has also benefited from the free trade agreement (FTA) signed between China and Chile in 2005. “When you eliminate tariffs on steel and chemical products, you create an enormous advantage for businesses and, ultimately, customers,” Argy says.

Capricorn also has offices in Lima, Peru, and Medellín, Colombia, and will set up a new office in Sao Paulo, Brazil, in the coming months.  
Capricorn's office in Guangzhou is dedicated to quality control to ensure products are tested before they are shipped to Chile. “We support many large South American companies with offices in China who ask us to support them in monitoring suppliers from a quality and delivery perspective,” Argy says. “We share our expertise and experience in China while connecting Chinese companies to partners in South America.”  
As demand for Chinese products in South America continues to increase, Argy constantly evaluates suppliers looking to serve his customers in the region. “We are

planning to establish joint venture projects with Chinese companies in Chile and are in discussion with large groups in China,” Argy says. “Today, Chinese companies are being encouraged to enter international markets and to import more foreign products into China. In both cases, they need international partners, and we can fulfil that role for them.”  
With a firm strategy in place, Capricorn looks set to strengthen its relationship with China. Argy says: “The quality of Chinese-made products continues to improve. In the beginning, we simply imported basic raw materials; today, we import high-technology products. We will continue to grow in line with the reputation and quality of Chinese products.”  
[www.capricorn.cl](http://www.capricorn.cl)



Mark Argy, president

Helping two-way investment between Chinese and Chilean companies

/Carey

Carey, Chile's largest law firm with more than 200 legal professionals, will be opening its first overseas representative office in Beijing later this year.  
“We have established strong relations with large Chinese law firms over the years,” says Jaime Carey, managing partner of Carey. “We feel the time is right to establish an office in China to facilitate two-way investment between Chinese and Chilean companies.”  
The firm was actively involved in the first wave of Chinese investments into Chile and is anticipating a



Jaime Carey, managing partner

second wave of Chinese investors looking at opportunities in the telecom, mining, infrastructure, finance and agro sectors.

As the winner of Chambers Latin America: “Latin American Law Firm of the Year” in 2012, Carey's clients include large multinational firms and Chile's leading cross-industry companies.  
As a full service firm, Carey is an effective bridge between jurisdictions and is committed to being the first point of contact for Chinese investment into Chile.  
“The opening of our representative office in Beijing symbolises our commitment to our China practice,” Carey says.  
“We are focused on opportunities in the Chinese market and fully expect Chile and China to further increase their business and trade ties in the years to come.”  
[www.carey.cl](http://www.carey.cl)

Eight generations of winemakers from Chile's Loncomilla valley reach out to China

Viña Carta Vieja's proud family heritage dates back to 1825, when Carlos Adolfo del Pedregal brought European grape vines from his native Asturias, Spain, and planted them in Chile's Loncomilla valley.  
“Our family history can be found in every bottle of wine we produce,” says José Manuel del Pedregal Labbé, CEO of Viña Carta Vieja. “Our family lives and breathes the business, and our quality wines are appreciated by our customers.”  
Since 1825, Origen, Aves del Sur, Carta Vieja and G7 are the Del Pedregal brands. Ninety-five per cent of the wines produced are for export, and a third of these reach China and the rest of Asia.  
“China was our first export destination in Asia, and we established an office in Shanghai about three years ago as a result of the growth in the market,” says José Manuel del Pedregal Mujica, an eighth-generation family member, son of the CEO and export director of America and Europe. “Last year, we recognised the potential of the rest of Asia and moved our operations to Hong Kong.”

**Viña Carta Vieja**  
Chile  
In China, the Carta Vieja and G7 brands are gaining popularity. Carta Vieja is the most emblematic brand, while G7 represents the pride of seven generations of winemaking.  
“We have changed the taste of these wines to make them even more enjoyable,” del Pedregal Labbé says. “Our wines reveal the identity of Chile: cool, fresh whites and warm, intense reds.”  
With anticipated growth in China and the rest of the world, the family recently bought a new farm and increased their total land area to 1,300 hectares.  
“This increase in capacity means we are now self-sufficient in terms of grapes and technology,” del Pedregal Mujica says.  
“We intend to build our wine brands and deliver excellent wines to our customers in China and the rest of the world.”  
[www.delpedregalfamilywines.com](http://www.delpedregalfamilywines.com)



José Manuel del Pedregal Labbé, CEO

Port of Valparaíso brings Chile and China closer together

Puerto Valparaíso

The Port of Valparaíso is Chile's main container and passenger port, and one of the South Pacific's most important seaports. Today, considering the Port of Valparaíso's cargo throughput, China has become the No 1 import partner and No 2 export partner, and the port is helping with an increasing amount of trade between the two countries.  
“Since the free trade agreement between our countries was established in 2005, total cargo through the port has increased from 5.8 million tons in the first year to more than 11 million tons in 2014,” says Gonzalo Davagnino, general manager of the Port of Valparaíso. “By 2014, 30 per cent of imports through the Port of



Gonzalo Davagnino, general manager

Valparaíso were from China.” Increased bilateral trade and the Port of Valparaíso's “brotherhood agreement” with the Port of Shanghai symbolise strong connections between Chile and China. Today, continuing developmental plans for the Port of Valparaíso present tremendous

opportunities for Chinese investors, port operators and infrastructure developers.  
The port has been awarding concessions to leading global firms to operate and expand Terminals 1 and 2, allowing the port to serve four Post Panamax vessels simultaneously.  
Future projects include a new world-class passenger terminal, an intermodal station to handle increased trans-shipped rail cargo, and a third 2.2 million 20-foot equivalent (TEU) unit capacity terminal. “These significant projects may eventually require a concessioner to build and operate them,” Davagnino says. “We feel these projects could be attractive for Chinese investors looking for opportunities in Chile, as both countries continue to strengthen their very close relationship.”  
[www.puertovalparaiso.cl](http://www.puertovalparaiso.cl)