

The Chilean telecom market remains one of the most active sectors in the country with an average annual investment of US\$1 billion from 1997 to 2002. Imports in this sector are imperative due to the absence of a hi-tech telecom equipment manufacturing base in Chile.

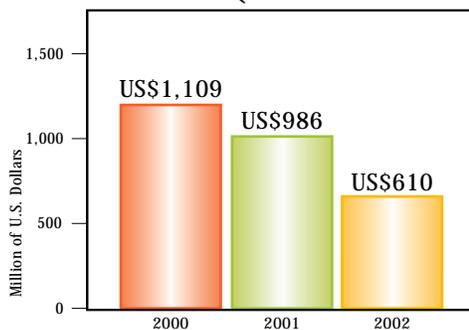
Market Overview

- ▶ After the high growth in the 90's due to privatization of the sector, growth has been moderate. The market matured, stabilized and became very competitive, especially since the initiation of the multicarrier system in 1994 – which opened up both the long-distance and the local fixed-line market to all telecom companies.
- ▶ In 2001, Chile's telecom sector invested US\$986 million, accounting for 7% of total investment in the country. In 2002, investment dropped to US\$610 million. Fixed and mobile telephony attracted the majority of investment with 33% and 35% respectively.
- ▶ Cable and wire represent the majority of locally manufactured inputs in the telecom sector, with the Chilean manufacturer, Madeco, positioned as the dominant producer.
- ▶ The Undersecretariat of Telecommunications (SUBTEL) is the primary authority for supervising and regulating all

telecommunications services.

- ▶ Total imports of telecom equipment in 2002 reached US\$277 million, compared to US\$451 million imported in 2001. According to SUBTEL, this decrease is due both to the global telecom crisis and to the maturity of the sector in Chile. Imports and investment during 2003 should mirror those of 2002, with the most important focus being in equipment for the installation of wireless and Internet networks.
- ▶ Telecom penetration rates grew 16.3% during 2002, including 22.3% growth in mobile telephony (41.1% penetration), and 8.5% growth in Internet connections (from 700,372 connections to 759,959).
- ▶ The Chilean market is very competitive and includes 18 fixed telephony operators, four of which are rural telephony companies. In addition there are six mobile operators, 33 long-distance carriers, and 52 ISPs.

Telecom Investment in Chile (US\$ Millions)



Source: SUBTEL, based on company information.

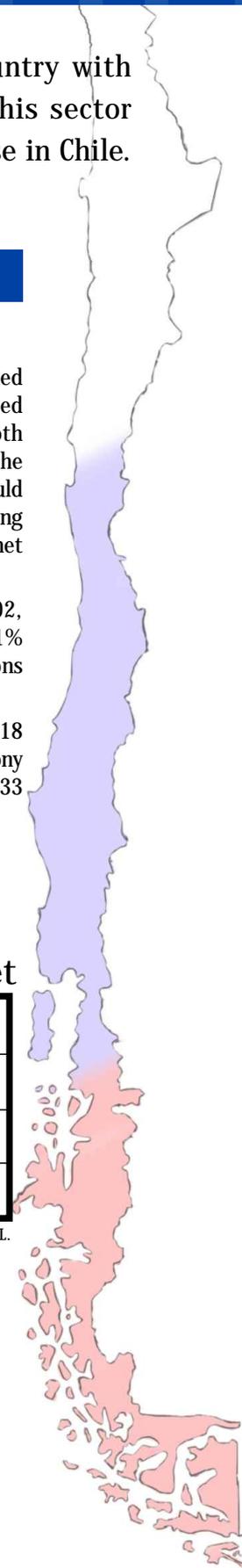
Chile Telecommunications Market

US\$ Millions	2001	2002	2003 (e)
Total Market Size	986	610	650
Imports	451	277	296
Imports from the U.S.	135	83	89

Source: CS Santiago estimates based on information obtained from SUBTEL.

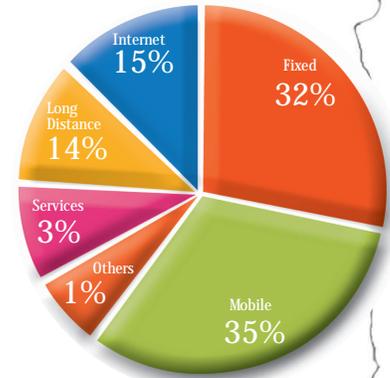
U.S. Position

- ▶ U.S. products are highly regarded in Chile for their reliability and quality. Aggressive marketing and a willingness to form partnerships have allowed U.S. companies such as Bellsouth, GlobalCom, Motorola, and other U.S. firms to make a substantial penetration into the Chilean market. The U.S. is one of Chile's largest telecom equipment suppliers, representing approximately 30% of total imports, mainly cellular infrastructure equipment and mobile telephones.



Main Players	Controlled by	Services
Bellsouth	Bellsouth Corporation U.S.A	Long distance, wireless
Compañía de Telecomunicaciones de Chile (CTC)	Telefónica Spain	Fixed, long distance, wireless, Internet
Empresa Nacional de Telecomunicaciones (ENTEL)	Telecom Italia	Fixed, long distance, wireless, Internet
Smartcom	Endesa Telecommunications Spain	Wireless
VTR	Global Com U.S.A.	Fixed, long distance, wireless, Internet, cable TV

2002 Investment by Segment



Source: Foreign Investment Committee 2002.

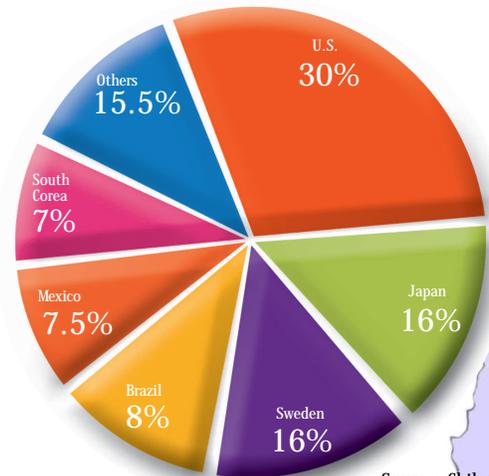
Competitors

- ▶ The majority of telecom equipment is imported due to the lack of a sophisticated hi-tech manufacturing base in Chile. Domestic production is minimal and limited to wire and cable. The only Chilean telecom export is cable, which is mainly exported to other countries within the local region.
- ▶ In the past, the Chilean market was dominated by European firms such as Alcatel, Siemens and Ericsson, which remain competitive through low interest rates, attractive financing and their ties with some local operators. Japanese companies, such as Nec, have also become large equipment suppliers.

Principal Sub Sectors

- ▶ Fixed Telephony
- ▶ Internet Services
- ▶ Mobile Telephony
- ▶ Trunking
- ▶ Cable TV Services
- ▶ Long Distance Services

Telecom Equipment Imports



Source: Chilean Customs Service.

Commercial Opportunities

- ▶ Key sub sectors: Internet connectivity and Broadband, mobile and cable TV equipment.
- ▶ Value added services. Most telecom companies compete with the most advanced technologies. For example, 600, 700 and 800 services, hot lines and infobox services, home-security services, automatic collect-calls and others.
- ▶ Corporate communications services, including corporate applications software. For example: videoconferences, teleconferences, business TV, ISDN, DSL.
- ▶ Network Equipment: switching & transmission equipment for basic telephony and PCS systems; radio-based communications infrastructure & equipment infrastructure; external TV cable network equipment.
- ▶ Voice over Internet solutions, wireless local loop, and local multipoint distribution systems.

Other Resources

- ▶ U.S. Department of Commerce Information/Technology Team contacts, Ellen Moorel: emoore@mail.doc.gov, and Beth Graham: beth.graham@mail.doc.gov
- ▶ Undersecretariat of Telecommunications: www.subtel.cl
- ▶ Chilean Association of IT Companies: www.acti.cl

CONTACT US

We hope that you find this information useful. If you would like further information, please contact Isabel.Valenzuela@mail.doc.gov, the CS Santiago Telecommunications Specialist. Visit our website (www.buyusa.gov/chile) to discover other commercial opportunities in Chile.

This report was produced by Puente Sur Ltd.



www.puente-sur.com