

Analysis of the Competitive Factors of Businesses in Chile

Análisis de los factores competitivos de negocios en Chile

Julio Alejandro ALBUJA ¹; Leonardo Javier MERINO ²

Recibido: 10/01/2017 • Aprobado: 02/02/2017

Content

Introduction

1. Chile business competitive business profile
 2. Implications of cultural differences, different political and economic systems
 3. Business Organisation
 4. Finance and banking systems, legal systems, and business ethics
 5. Conclusions
- References
Appendix

ABSTRACT:

This article presents an in - depth analysis of the different economic, cultural, political and legal factors that influence to in Chile. Additionally, comparisons are made with other highly competitive countries in the banking, agrarian system, among others, and explains how Chile has become the best country to do business in Latin America. This work aims to research the positive factors that have changed in the last decades and to analyze the results obtained to determine the hypothesis of the high level of success in the in this country. The analysis presented is based on different comparisons carried out by consulting the productivity indexes of financially attractive countries in the world.

Palabras-chave: Start businesses, high level of success, entrepreneurs of Chile

RESUMEN:

El artículo presenta un profundo análisis de los diferentes factores económicos, culturales, políticos y legales que influyen para emprender negocios en Chile. Adicionalmente, se presentan comparaciones con otros países altamente competitivos en el sistema bancario, agrario, entre otros, y se explica cómo Chile se ha convertido en el mejor país para hacer negocios en Latino América. Este trabajo tiene como objetivo investigar los factores positivos que han ido cambiado en las últimas décadas y analizar los resultados obtenidos para determinar la hipótesis del alto nivel de éxito en los emprendimientos comerciales en este país. El análisis presentado se basa en distintas comparaciones realizadas consultando los índices de productividad de países financieramente atractivos en el mundo.

Keywords: Inicio de negocios, alto nivel de éxito, emprendedores de Chile

Introduction

Chile is a country who leads open business environment in Latin America mainly due to the policies from its government. This research consisted of an analysis of the cultural and political differences, economic competitiveness, legal system, and finance system. The information was collected from a variety of sources: government reports, industry research reports, and some specialized business magazines. Additionally, there are some comparisons about the facts why Chile is a profitable country to do some investments and contra measures explained when is needed. A number of conclusions are made concerning the establishing of investments, dealing with Chilean culture, and dealing with the best industries that are profitable in this country.

1. Chile business competitive business profile

Chile is in South America and is considered an open business Latin American leader country. Currently, this country has a dynamic business climate with a tax friendly due that has the lowest corporate income tax rates in in the worldwide. Additionally, is a high competitive economy with a highly educated and skilled workforce. In stark contrast, Japan, is known to be the 3rd largest economy in the world and the high-tech powerhouse economy. The cost of living is the same as New York or some European countries, but the quality of life is considered good. Even though the space is reduced in Tokyo, there are some options to find somewhere to live. The transportation system is very effective along the country.

As a way of investing in a business in Chile, some industries are considered profitable business in mining, wines, seafood among other popular industries. This country offers good opportunities to develop some businesses due that its government supports the creation of business.

2. Implications of cultural differences, different political and economic systems

2.1 Culture

Chileans are known to be connected with the world and open to change, without incurring surrender their values. The main language in Chile is Spanish 99.5%, followed by English 10.2%. It is important, in order to operate in Chile, native English businesspeople speakers need to speak Spanish or have an assistant who can speak both English and Spanish (United States of America. Department of Commerce, 2012) (Kwintessential, 2013) (Chile, 2014)

The religion has played a large role in defining social and political life. In fact, most Chileans are Roman Catholics. Currently, abortion is illegal and instruction in public schools has a vast majority Roman Catholic due to the influence of the church.

Another important aspect is the family that occupies a central role in Chilean life. In addition, family and business are intertwined to the extent that nepotism. Surprisingly, this is seen as a positive concept. In fact, many small firms will be 100% family run (The World Factbook, 2014) (OECD Chile, 2014).

2.1.1 Cultural Dimensions

The culture of a country refers to the collective mental programming of their citizens. In fact, there are four dimensions of national culture is divided: power distance, uncertainty avoidance, individualism and masculinity (Hofstede, 1980).

Furthermore, each nation develops forces which enable the formation of a common collective mental programming among its citizens. For example, a national language, common mass media, national educational system, national defence, national political system, national representations in product and services including massive events. (Hofstede, 1991; 2001).

Table 1. Index values of the different cultural dimensions.

Social development, geographic position, cultural dimensions and religion											
COUNTRIES	HDI	LAT	IND	MAS	PD	UAV	CATH	PROT	MUSL	BUDI	ANIMI
Senegal	182	14	20	46	77	54	2	2%	92%	1	6%
Kenya	369	1	27	41	64	52	21%	15%	6%	1	26%
Ivory Coast	286	7	20	46	77	54	22%	1	34%	1	37%
Togo	218	6	20	46	77	54	21%	1	17%	1	4
Burundi	167	3	27	41	64	52	63%	1	1	1	33%
Lesotho	437	29	65	63	49	49	3	79%	1%	1	20%
Tanzania	270	7	27	41	64	52	27%	1	31%	1	42%
Zambia	314	15	27	41	64	52	26%	34%	1	1	27%
Brazil	796	23	38	49	69	76	78%	22%	1	1	1
Chile	882	34	23	28	63	86	89%	11%	1	1	1
USA	940	38	91	62	40	46	28%	56%	1	1	1
Philippines	603	14	32	64	94	44	84%	2	4%	1	1
Singapore	849	1	20	48	74	8	10%	1	16%	27%	1
Sri Lanka	663	7	48	56	77	40	1	1	2	69%	1
Thailand	715	13	20	34	64	64	1	1	1	4	1
France	971	47	71	43	68	86	3	1	4.4%	1	1
Germany	957	50	67	66	35	65	41%	41%	1	1	1
United Kingdom	924	54	89	66	35	35	9%	4	1	1	1
Netherl.	970	52	80	14	38	53	36%	26%	1	1	1
Norway	979	57	61	8	31	50	1	4	1	1	1
Spain	923	37	51	42	57	86	4	1	1	1	1
Greece	902	38	35	57	60	112	2	1	1	1	1
Belgium	952	51	75	54	65	94	4	1	1	1	1
Finland.	954	60	63	26	33	59	1	4	1	1	1
Switzerl.	978	47	68	70	34	58	48%	44%	1	1	1

HDI: Human Development Index; LAT: Climate-Latitude; IND: Individualism-Collectivism; MAS: Masculinity-Femininity; PD: Power distance; UAV: Uncertainty avoidance; CATH: Catholic; PROT: Protestant; MUSL: Muslim; BUDI: Buddhist; ANIMI: Animist.

Source: Culture and sexual behaviour.

The sample was considered among employees' professional business and graduate business students. After collecting data, the study showed an adverse uncertainty individualist male Chilean culture. Although, Chile has a lower power distance than the average of the nine countries, Chile ranks fourth in this dimension (i.e., Chile has a distance greater than the median compared to other countries in the Table 1. (Note. The data in column 3,4,5,6 are from "Culture and Sexual Behavior, Spain, 2000", Burgos University).

2.1.2 Culture implications in business

The business culture in Chile is different than other Latin countries. The difference is the value of time. It is known that typically the Latin countries are more relaxed than countries like the United States, Japan, and Germany on deadlines and punctuality above to get to meetings later, Chile is considered the most punctual country in Latin America (Sterling C., 2012).

Upon greeting, shaking hands is normal, further utility, if there is a large group of people at the meeting, the hand is given to each person. The eye contact is an important factor in their culture also because it shows confidence in business. Like many South Americans, the father's surname is listed first and is the one used in conversation (Kwintessential, 2013).

Chileans converse at a closer distance than Europeans or Americans. Also, Chileans they are used to disrupt the talk, this is a way of showing interest in the topic of conversation. If you are interrupted, do not take it personally. Furthermore, Chileans are not as sensitive about personal space and they tend to touch each other much more than would others (except Latin-Americans) countries. It is common when saying good morning or saying goodbye are both done with a kiss on the right cheek between women and between women and men. Men only shake hands (Centre for intercultural learning, 2014).

When will deliver a card, make sure you have the translation on the back. Additionally, gifts are not expected until the ratio of the two sides is nearest. Nor choose expensive gifts because the Chileans could interpret as a bribe (Chile: Conversation, 2012).

Another mistake that must be avoided at any cost is to compare Chile with Argentina. These two nations have a long conflictive history and are completely different countries that are separated by the Andes Mountains. Also, Chileans and Argentineans has different cultures, Spanish slangs, and are so not share nothing similar in their countries in order to be compared.

Some cultural aspects mentioned above are similar in all countries of Latin America thus language (with some differences), culture, gestures, and communication styles. Certainly, Chile is a country with Latin American influence in culture with some differences respect other countries, but offers good business opportunities to invest and to build large business relationships which benefit in closing business deals.

2.2 Political System

After the dictatorship of Augusto Pinochet, and after the democratic elections in 1989, the new democratic governments have been rebuilding an institutional tradition that has made Chile has become a regional leader which has a stable democratic system that guarantees a safe business environment (Political System, 2014) (Chile Abroad, 2014).

From the administrative standpoint, Chile is divided into 15 regions (including the Metropolitan Region of Santiago, where the capital is located) Each region is divided into 40 provinces, governors or mayors who preside regions and the officials who administered are selected by the president. The provinces are further divided into Municipalities headed by appointed Mayors (Encyclopedia of the nations, 2014).

Chile has three branches: executive, judicial, and legislative. Its **democratic presidential republic** and its system of government, with its separation of powers. The president elected by popular vote including foreign residents, aged 18 and older for a single four-year term; last election was held on 17 November 2013 with a runoff election held on 15 December 2013. Current Chilean president is Michelle Bachelet, who was elected for a second period. Next elections will be held on 19 November 2017 (The World Factbook, 2014).

The president has broad powers, among which are: the sole initiative in various fields of law, the imposition of constitutional states, several possibilities to issue decrees with the force of law exception, the convening of plebiscites, and the appointment of ministers, judges, a substantial body of officials who work with him in the administration of the State (Meyer P., 2014).

Under the Constitution of 1980, the Legislative Branch consists of a bicameral **Congress** with legislative and oversight powers consists of a 38-member **Senate** and a 120-member **Chamber of Deputies**. Also, the President of the Republic can be included as a senior lawmaker (Chile Abroad, 2014).

The judiciary consists to the Supreme Court (the highest judicial body), consisting of seventeen judges and in general to all the courts of the Republic. Judges are independent and appointed by the president, who chooses from a list created and submitted by the Supreme Court. (Chile Abroad, 2014) (Meyer P., 2014).

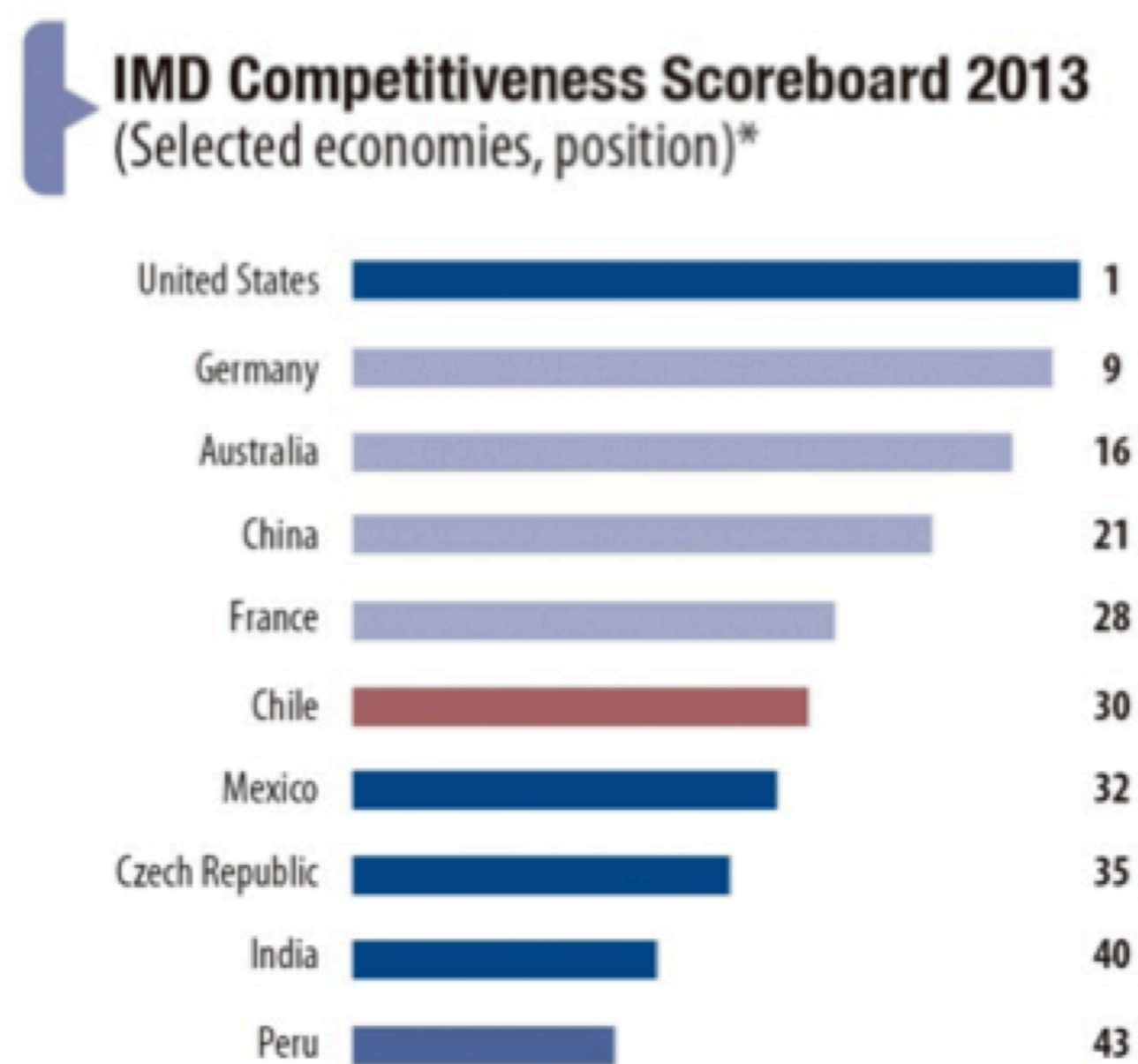
Chile offers a stable political system that favours the security, stability and investment opportunity in this country. The aperture and international relations with other countries expands into international markets giving importance to the economic growth of this nation. With this political system,

investments are growth opportunities that are a vital part in the economy of the nation and makes it an attractive market to invest in this country.

2.3 Economic System

The Chilean economic system has undergone profound changes since 1973 and in recent years Chile has continued to Develop ITS financial system (R. Gonzalez, 2013) WITH Aimed mainly at freeing the price system, the labour market and financial system Reforms. The state apparatus was reduced Expenditures Were reduced tax and the tax system was reformed. Between 1990 and 2012, years in the buckled Which major economies of the world, Chile continued to grow and, over the past two decades has-been one of the country clubs With the highest average growth in Gross Domestic Product (GDP) per capita in the world. (P. Molina, 2013) (Parro L., 2004).

In social aspect, Largely Replaced the system of state subsidies offer one of the social demand. And in terms of international trade and competition was released Were-mechanisms created to correct anti-competitive practices. The competition is a key to allow an economy like Chile reach per capita income levels close to those of the leading country clubs in the field element (P. Meyer, 2014). Chile is a country that Has Become The most attractive country to invest in Latin America because it has a competitive, secure, stable economy. In 2013, the World Competitiveness Yearbook published by the Institute for Management Development (IMD) shows that Chile is in position 30 of the 60 country clubs with the highest level in the world economy due to the strength of public finances, foreign investment, and the work market (CIE Chile, 2014).



Picture 1: Competitiveness Countries
Source: Institute for Management Development – IMD www.worldcompetitiveness.com
*Out of 60 economies

2.3.1 Foreign Trade

Chile is a member of the OECD (Organisation for Economic Co-operation and Development) group only integrate Canada, the United States and Mexico in the Americas (OECD, 2010). In 2012, Chilean exports reached USD 78,280 million, with the main products, copper and derivatives account for nearly 57% of exports, fruits in general, fish products, paper, chemical pulp and wines (The World Factbook, 2014)(Chilean Central Bank, 2012).

The first export sector is mining 827 million with \$ 48 followed by the industrial sector with 24 USD 937 million, followed by the agricultural sector (Chilean Central Bank, 2012).

The main destinations for Chilean exports are concentrated in China with 23.9%, USA with 12.2%, Japan 10.6% and Brazil with 5.5% (The World Factbook, 2014).Despite its size, Chile produces roughly the same amount of exports to Argentina, USD 78 000 million and USD 81 000 million respectively. Chile is the world's largest producer of copper and lithium and iodine, has 38% of world reserves of this mineral. Chile Mine has the world's largest underground copper (Chuquicamata Operation, 2014). In addition to the mining industry, Chile is also the largest producer of fresh grapes grabbing 21.7 of global shipping, fresh cranberries, prunes, dried apples salmon, trout and lithium carbonate (Cooperativa, 2012).

These figures benefit foreign investment because they show that Chile offers some alternatives for investment in different business and different quality products that could be offered in the global market areas. The reflection of the previously mentioned data indicate that the return on investment is very good which Chile makes for an attractive country to invest in the production of any of these areas or products.

2.3.2 Taxation

Chile's economy is extremely open to free trade and the government rarely intervenes with protectionist measures. In Chile there are two types of taxes: Direct and Indirect taxes. Direct Taxes which is 18% VAT are those that are imposed directly on individuals or companies, such as income taxes (Economia y Negocios, 2014).

This group contrasts with indirect taxes imposed on certain goods and, therefore, only indirectly on individuals and include the sales tax (VAT) and property taxes, alcohol, cigarettes, imports and gasoline. These types of taxes are involved differently in the national interest income. Personal income taxes are applied only to individuals making more than US\$6,000 per year. On the other hand, businesses are taxed only 15% on the profits they keep as earnings and 35% for those that they distribute. In fact, businesses are given tax breaks for their donations to educational institutions. Chile is interested in attracting foreign investment because it's Foreign Investment Law and its tax structure. In fact, Chile has negotiated free trade agreements with some countries, such as the Argentina, Brazil, Canada, Paraguay, United States, Mexico, and Uruguay (Encyclopedia of the nations,2014).

It is a great advantage that Chile is a country with many varieties of products to offer to the world market. Also, the aperture of Chile to the world allows multiple companies to invest due to its political and economic stability. This is a country that is attractive for investment because it has a stable, transparent and above all is a country that offers a high level of competitiveness economic growth. Without any doubt, Chile will continue to grow due to its economic system is focused on trade and business investment, which allows businesses possess opportunities for financial growth.

3. Business Organisation

The internationalization of business has increased the importance of aperture and investment. In recent years, Chile policies developed by government and international integration based on the commercial opening (Corvalán L., 2005). As a result, the decrease of import taxes have greater diversity of organizations and products in the Chilean market. In addition, tariff and non-tariff barriers tend to fall in price competitiveness and sales soar.

Chile is the Latin American country with best business environment due that was ranked at 34 among 189 countries were analysed from World Bank (Emol, 2013). The results show economic performance, business practices and reforms for entrepreneurship and innovation implemented by the government. As a result, this country reflects the progress made in order to promote entrepreneurial dynamism as a competitive market which will allow in the coming years, to reach optimal levels of competitiveness for Chile manages to be a developed country.

Currently, there is another important difference is the ease of registering a new organization in Chile. There is no minimum capital to legalize an organization, you must register the Tax Identification Number (RUT Taxpayer Master). Legalization costs are low and the average time it takes to perform the entire record of the organization is At least three weeks (Chile Atiende Pymes, 2014).

In addition, there are various types of business organizations that can be set in Chile. Individual Limited Liability is the person who assumes all the rights and obligations (including debt) of the firm. Company (EIRL) is a type of organization in which any individual can acquire legal personality. The purpose is always has a commercial, other than the holder's own heritage. Limited Liability Company (LLC), partners may be natural or legal persons and must respond in a limited way by the amount or contribute capital, and Stock Corporation (SA) (KPMG, 2012).

The implications of Chilean business organization are quite attractive because they are flexible for foreign investors. They offer variety of organizations that opens even more possibilities for investment in each type of business: such as, livestock, mining, agriculture, oil, among others. As soon as the organization is established, the outcomes of the company is reflected faster for making decisions to invest more capital or invest in other business.

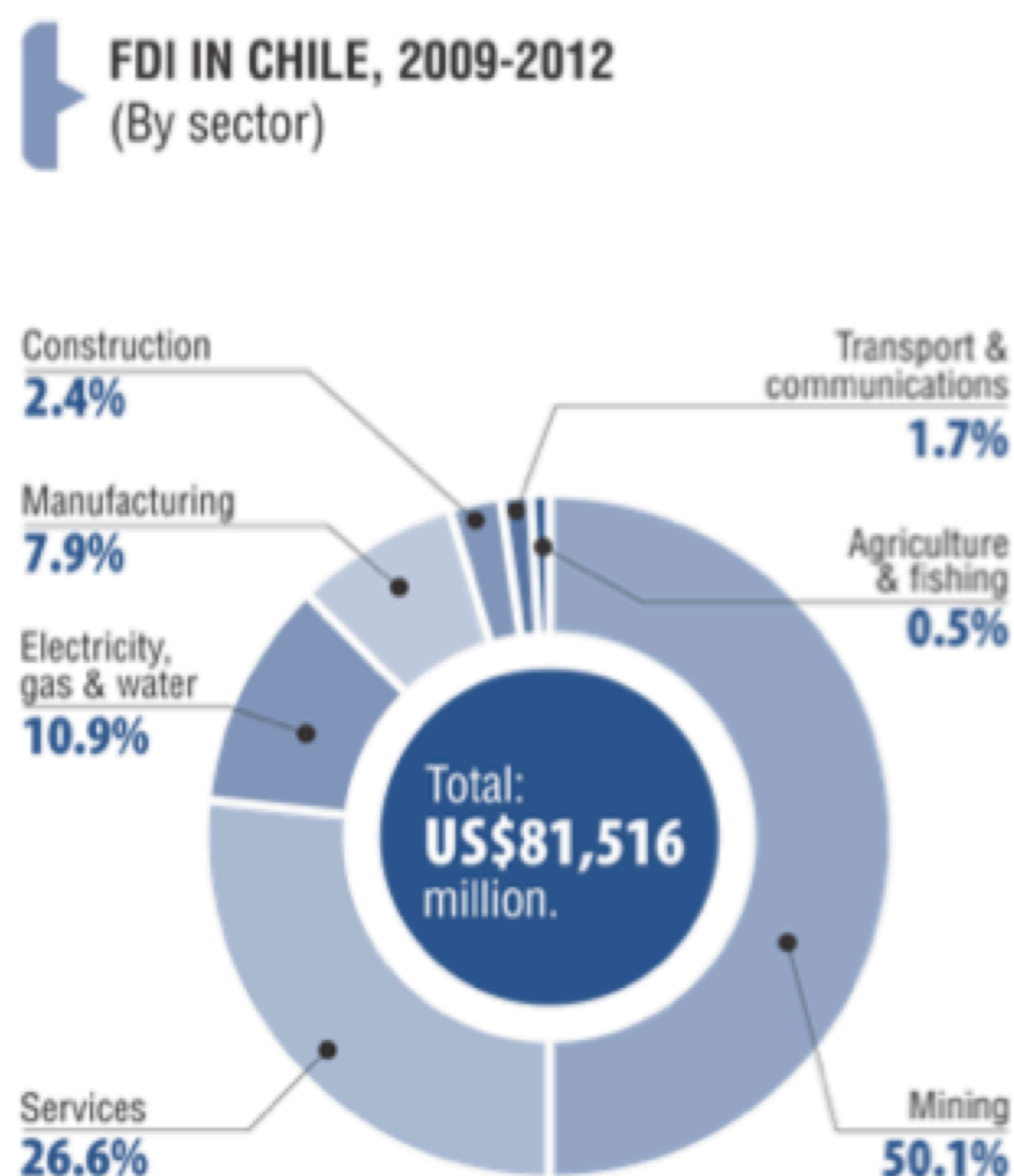
3.1 Leadership

Chile is considered the country with the strongest leadership in Latin America due that it is characterized by a high level of trades with other countries and an open-trade government. Additionally, this country has 57 bilateral Trade Agreements including with Mexico, China, South Korea, European Union, Mercosur and India, which means that is the country with more trades than any other foreign country (Business News, 2009). Additionally, **Chile has the first Latin American index quality for logistics and services for international trade and place 32 worldwide. This gives a privileged position as a platform of services and technologies. As a result, trades in goods has severally increased from US\$16.5 billion in 1995 to US\$68 billion in 2007 (Chile Abroad, 2014).**

In the last years, some Chilean exports have gained leadership in the global market. There are nine products that achieve the number one in the world. These include: fresh grapes, frozen salmon, fresh blueberries, frozen trout, fresh plums, smoked fish and dried apples (Alonso C., 2013).

The global market leader in the export product is copper. Since 1990, sales in the world market were up 17% to 35% today. This rate places it as the largest producer of copper in the world. In fact, copper is a key to the Chilean economy that benefits from the proceeds from exports to different countries wealth. Moreover, gains from the high price it has achieved in international markets provides funding for 47% of the budget of Chile **(This is Chile, 2010).**

The leader industry in Chile and most attracting foreign investment (FDI) is the Mining industry. The high quality of production and innovation be competitive and allow exporting other products like iron, oil, coal and molybdenum.



Picture 2. - Foreign Direct Investment Areas
Source: Central Bank of Chile (www.bcentral.cl)

Molybdenum exceeds 10,000 tons. per year, placing the country as a third world producer. The iron ore, pelletizing plant The Guasco has a production capacity of 3,500,000 tonnes per year. As for coal consumption is 1,000,000 tons per year. With respect to oil, it is currently on the decline, which has led to exploration in other parts of the country, especially in the north, with no positive results (Educar Chile, 2013).

Finally, an episode that went around the world and gave an example of leadership and teamwork was the rescue of 33 miners who had the accident at the San Jose mine, located north of Chile, in mid-2010 (Klivans K. 2011), during 69 days in a cave of rocks. This case is an example of learning that can extract the leading companies and business schools to teach methods of leadership in times of crisis. It was a demonstration as teamwork can resolve conflicts and solve them for the benefit of all.

3.2 Human Resource Management

The aperture of Chile offers the world for investment and business, also offers a high and well-educated workforce. Currently, the country has sixty-three universities, eleven technical centres and forty-three technical institutes (KPMG, 2012). In addition, three of the top ten business schools in Latin America are in this country according to (America Economia, 2014) Also, two of the best universities in Latin America are in Chile. The result of this

competitiveness is a reason more to invest in this country preparedness capabilities available to the Chilean workforce and expertise has been demonstrated in the last two decades.

The recruitment process in Chile has several methods depending on the workplace: for operative level workers, social networks are currently prevalent. On the other hand, the supply of labour to a high level of social networks and public Advertisements are used. The common network used by middle and upper social classes are Those Formed by high school classmates, and in some cases, university networks are Important for executive and professional levels (Elvira Davila M & A, 2008).

Another interesting aspect is the number of hours a Chilean worker dedicated to his job site. For example, according to data from the OECD study, two thousands forty eight hours per year are devoted to a public official to work These figures indicate that they are forty four hours per week, with fifteen days of vacation per year, this means you are above the standard most countries are one thousand seven hundred forty five hours per year (OECD, 2010).

The wages are increased as the level of productivity where the workers are. The performance appraisals are linked Increases their results with salary or bonuses as compensation. However, the composition of salary does not account more than 53% of the total income related to the overall productivity Including Variable component (J. Rodríguez, 2010). As a result, productivity is related to intense work due that workers would like to Increase Their Personal incomes. Furthermore, Chilean workers want to have a stable job in an organization, but: sometimes is not possible to offer every worker due to economy conditions That Could change in the Organizations.

The risk prevention consists a set of dispositions in order to prevent and cure work accidents which requires a specialized department on risk prevention who works with HR. In case of an accident related to the work, the health services are supported by private health companies that also can provide of health insurance that are paid by employers starting with 0.95 % of wages salary (Elvira M & Davila A, 2008).

For our purpose of investment, Chile has a suitable prospect due to the features presented in this section. The most important aspects are the level of education, hard work and work securities. Businesses need to be competitive in a workforce that is motivated and led by competent executives. The aperture of Chile to the business world is huge, but the competition is also increased due to the internationalization of companies. As an example of which Chile is progressing in the management of human resources, the government raised a number of changes to improve public services; identify performance levels to define and design a plan to improve strategic negative aspects they could find (J. Rodríguez, 2010). The consequence of these new addresses of human resources management could be applied to private companies for further increase performance of workers.

3.3 Change management principles

Organizations changes may directly affect the working methods and the workplace. The incorporation of new technologies, new cultures, and the need to increase business competitiveness. Furthermore, employees are forced to adapt in order to bring their experience, skills and work styles. New requirements are needed due to competition in an open market and the overseas investment. Therefore, factors such as exchange rate, the characteristics of staff, organizational structure, and cultural aspects determine the success or failure of the change process. In this case, the process of change that Chile had its economy is analysed.

One of the models used in organizational change over Chile (Raineri B. 2001) is Lewin (1952), which consists of three phases: 1) Unfreeze the patterns and styles of operating existing, 2) Testing the application of new patterns and operations, and 3) Refreezing to implement the new standards.

Chile is an example of positive changes from a poor to become the most prosperous nation in Latin American. For example, in the early 70's, Salvador Allende was elected president, also he intended to nationalize copper, increase the wages of workers, freeze the prices of commodities, among other measures in order to redistribute the national wealth (Burbach R, 2013). As a result, Chile's economy was paralysed, the market stopped supplying to households, so the army intervened in this crisis.

During the dictatorship of Pinochet, Chile severely changed many of the economic policies. It was like the military government decreased social spending, eliminating free milk that was distributed in hospitals and then privatized gradually State-Owned Enterprise, raised the price of copper, and supported the importance of private property over people (Cowen T. 2006). The first step towards the consolidation of neoliberalism in Chile was limited to subjecting the working class to the interests of employers.

After Pinochet's dictatorship, exports are more diversified, and the financial system is better regulated. Additionally, the Chilean Central Bank has reserves of \$ 25 billion by the central government and the treasury collects on almost 20 thousand million dollars. Finally, the country began to grow after the 90s, with lower growth rates, approximately 6% from 2000 to 2009; this was the golden decade called the second economic miracle of Chile (P. Molina, 2013).

This was the process that Chile had in order to become the leading country in Latin America. The changes represent discomfort among citizens who are directly involved in the change process (Keidel, 1992). Chilean citizens, in view of the changes and economic performance, have experience in adapting to changes. On the other hand, Chile's reputation shows that it is a nation that maintains a sustainable economy. In fact, this is key to deciding to invest in this country in any factor Chilean industries. Also, this is a country that faced challenges and the future before a market downturn that arise, undoubtedly continue to change would have no problem getting out of an eventual crisis.

4. Finance and banking systems, legal systems, and business ethics

4.1 Finance and banking systems

The Chilean banking system has an open economy to investment. In fact, the Chilean banking system has banking technology used in developed countries that are interconnected with the international financial systems. In the Chilean financial market there are two types of financial market institutions: commercial banks and leading banking institutes which carry out import and export operations (PWC, 2008). Banks operating in Chile are twenty-three. Of these, four are international banks, including The Bank of Tokyo-Mitsubishi UFJ. Additionally, there is a State Bank, which corresponds to the State Bank of Chile, which is not controlled by the Superintendencia de Bancos e Instituciones Financieras de Chile (Superintendency of Banks and Financial Institutions, 2014).

In contrast, the Japanese banking system has great influence on the world economy. The Bank of Japan is the central bank that controls the entire banking system. In addition, a number of banks and other financial institutions under the government and who are responsible for financing economic activities such as construction, foreign trade, and agriculture. It is divided into metropolitan banks, regional banks and banks mail (postal savings). Some private banks, such as Dai-Ichi Kangyo (the largest bank in the world), are very close to the Japanese government because it makes investments; or the Bank of Tokyo, specializing in foreign exchange. To summarize, Japan has 198 banks distributed in: four City Banks, Trust Banks four, sixty four Regional Banks, Foreign Banks fifty seven, forty one 2nd grade regional banks (T. Watkins, 2014) (Hanson, R., 2004).

4.1.1 Loans

In Chile, the biggest institutional investors in the financial markets is the private social security. For this reason, syndicated loans can be obtained from local banks and terms can be agreed by the parties. Foreign currency financing in Chile investments must be registered at the Central Bank. Also, notify any modifications of the terms of the loan by the parties. The registration is a requirement that applies to capital raised by leasing-based financial arrangements and any other financial instruments. When a loan is related to investment, the application should be filled within 30 days. The Central Bank approved and register the loan checking that the terms are consistent with the international financial markets (Baker & McKenzie, 2005). On the other hand, in Japan depends on the type of loan that is required, and there are specialized banks to lend funds for each type of loan. For example, city Banks are specialized for short-term loans for big business. Furthermore, if the loan is for big business and long-term, trust banks are the solution (Matsuo H., 1989). Unfortunately, getting a loan in Japan is complex even for Japanese citizens due to the strict requirements such us documentation written in Japanese, verification of your residential status, potential profitability of the project, among others.

4.1.2 Credit Cards

The requirements in order to obtain a credit card in Chile as a foreigner are not complex, for example, have one year of job security, have a minimum of money determined by the bank, and payments to be transferred to the credit card etc. (Banco de Chile, 2014). In contrast, in Japan acquiring a credit card is a fairly complex process and often is denied for both foreigners and Japanese (GaijinPot, 2014). This is one reason that the cash is more popular than credit cards.

4.1.3 Leasing

Chile is relatively young in the business of leasing and development has been steady and sure. Currently, leasing companies consist mainly of bank branches. To encourage the use of leasing in Chile, the Chilean Leasing Association has undertaken to effectively communicate the importance of this financial activity. Another reason to invest in Chile is that the process to acquire the services of leasing are not complex. According To (Pérez, 2014) is a financial service leasing that covers the need for equity financing goods. , Moreover, the stability of Chile's economy has allowed to Increase the number of clients. For example, in July 2013 to growth of 2.4%. As a result, the leasing industry in Chile is the leader in Latin America in relation to GDP Despite The banks can Provide only financial leasing. On the other hand, Japan has a large number of leasing companies. Also, an Estimated Total lease of the Japanese market in 2011 was USD 3.8 billion (Airfinance, 2011) even though the tsunami hit Japanese economy. The Regulations in Japan are not legal barriers because there are no government support UNLIKE banks. In Addition, leasing has to close Connection with accounting standards and tax laws in. Changes in tax or accounting systems May Affect the preferences of customers (Japan Credit Rating, 2011).

4.1.4 Investments

There are some benefits of investing in Chile. In the last years, this country has attracted foreign capital due to its exposure of commodities such as cooper and lithium. In fact, Chile joined the OEDC with the highest nominal GDP and highest competitiveness rating in Latin America. However, there are some risks of investing. For example, legal, currency, political risks. Hence, Chile reliance on copper prices, exports, and geopolitical risks may affect its economy (Kuepper, 2014). A great alternative to invest in Chile is through Exchange-traded fund (ETF) due that offers investors enough liquidity a great diversification. Another way is through American Depository Receipts (ADR) which are like foreign stocks in the U.S.

As Japan is the third largest economy market in the world, with a GDP of \$4.3 trillion in 2010, offers their ETFs have diversified exposure across many industries. However, the risks of investments in Japan are due to the difficult demographics falling rates in the last decade, and sovereign debt amounts 225% of its GDP (Kuepper, 2014).

4.2 Legal System Differences

Chile and Japan are primarily civil law countries. The Chilean Civil Code that was created in 1885 is derived from Spanish Law and other European codes of the 19th century. On the other hand, Japanese Civil code was created in 1896 influenced by the German and French Civil code (Encyclopaedia Britannica, 2014).

4.2.1 Intellectual Property

There are some differences in the classification of intellectual property rights, for example, Japan classifies Intellectual Creations and Commercial Symbols (JPO, 2014). On the other hand, Chile ranks them in Morals and Property Rights. The main difference is the nomenclature of the types of rights of intellectual property. The country applies sanctions on offenders are different. In Japan, the sanctions could lead to criminal charges, with a prison sentence of up to ten years and a fine of 10 million yen (WIPO, 2014). As a result, Japan is the country with the most stringent laws in the world of intellectual property. In Chile, the competition authority can impose economic penalties. In fact, the Chilean law covers every infringed right. The Competition Act, establishes penalties like fines from US\$75 and up to US\$ 75,000 depending on the economic gain by the offender (Hutton S., 2013).

4.3 Ethical matters

Chilean enjoys having a good reputation in international trade due to its open-market. Moreover, this country has to have the lowest level of corruption throughout Latin America. According To (Transparency International, 2014), Chile's rank is 22nd out of 177 countries country around the world. It is a breakthrough that appears relevant, especially when you consider that the Latin American level corruption remains a widespread phenomenon. The good location that is Chile, should be an encouragement to persevere in strict control of the property, and is a sign of the functioning of the institutions. For this reason, it is important that society and the authorities consider the fight against corruption as a major national priority.

4.3.1 Corporate Taxation

The earthquakes that hit Chile in February 2010, taxes were increased from 17% to 20% in order to assist the affected areas. This certainly made business more difficult for many current and potential foreign investors. However, Chile's corporate tax rate does not even come close to being among the world's highest taxes (Ethisphere, 2013).

4.3.2 Bureaucracy

Even Chile is an open market country, there are some bureaucratic challenges. Due the growth of the market of this country, there is a tendency toward regulatory changes. In fact, foreign companies need to be patient doing business in Chile due to the delays in processing paperwork and obtaining approvals. In order to deal with delays associated with doing business, it's important to find a partner in-country that can help overcome regulatory hurdles. Additionally, finding a well-connected partner can help to open important doors throughout Chilean (Ethisphere, 2013).

4.3.3 Socioeconomic Disparity

Despite the country's economic growth by 6% per year on average, and currently one of the most robust economies in Latin America, the income distribution is the most unequal of all countries of Organization for Economic Co-operation and Development (OECD). Tax rates and virtually no government measures help reduce the socioeconomic gap, as it is the case in many other countries, but on the contrary, favours the richer class. Additionally, the country's GDP growth does not translate directly into higher tax expenses in the population, and less in remote regions of the capital Santiago, generating a centralization of resources (COHA, 2011).

This may not be of major concern to international investors. However, the significant security implications inherent to economic inequality. In order to help mitigate the economic inequality, investors may want to consider increasing support of social programs or donations in order to help to help undeveloped sectors of the country.

5. Conclusions

The data presented in this report are encouraging to invest in Chile. The Chilean government has the lead in the global production of copper and other products such as seafood, winery Among Others. Additionally, the leadership of this country favours those overseas companies' investors for the economic stability that has Chile. The banking system provides good alternatives and options loan to start the business. In fact, the legal procedures required to register are quite short.

One of the most important aspects is the way you interact with Chileans. Because of cultural differences, it is best to get used to their customs and ways of greeting. A compliment or recognition that Chileans are good at what they do, is one of the best compliments that will be well appreciated by them.

The tax system is quite attractive because it is lower than most countries in the world. This is a key factor because the profits are directed to companies and the Chilean government less percentage. Unlike other countries, Chile provides transparency in the negotiation process or anything associated with money from each company. This is one reason that Chile is considered the country with the lowest rate of corruption in Latin America.

Investment risk is low because it is the only country in Latin America to receive the lowest political risk index. The laws are not changed frequently and there are laws detrimental to foreign investors. The human talent that is not the best in the world but at least competitive. Chilean universities, staff experience in different areas provides managing and operating investments at a fairly high level. However, the leadership of Chilean workers is high, the benefits of having qualified personnel have placed Chile in one of the best countries in the world to invest.

To sum up, Chile is the best country in Latin America to invest due that offers a number of factors mentioned above that other countries cannot offer. Additionally, this country has the legal and economic tools in order to perform a high level of competitiveness around the world. In the next years, Chile will probably be one of the top of the best countries to live and invest in a large number of companies.

References

- Airfinance (2011, November, 9). Case study: The use of Japanese tax leases as a viable form of finance in 2011. Retrieved from: <http://www.airfinancejournal.com/Article/3341198/Case-study-The-use-of-Japanese-tax-leases-as-a-viable-form-of-finance-in-2011.html>
- Alonso, C. (2013, Noviembre 25). Chile es líder mundial en nueve envíos no cobre: uvas y salmones encabezan el ranking. La Tercera. Retrieved from: <http://www.latercera.com/noticia/negocios/2013/11/655-553288-9-chile-es-lider-mundial-en-nueve-envios-no-cobre-uvas-y-salmones-encabezan-el.shtml>
- AméricaEconomía. (2014, May, 2014). Ránking MBA Latinoamericano 2014. Retrieved from: <http://rankings.americaeconomia.com/mba2014/ranking-mba-latino-2014/>
- Baker & McKenzie. (2005). Doing Business in Chile. pp. 11-12. Retrieved from: http://www.bakermckenzie.com/files/Uploads/Documents/LATA%202010/09_General%20Publications/db_03_chile.pdf
- Banco de Chile. (2014). International Clients. Retrieved from: <http://www.bancochile.com/wps/wcm/connect/Internacional/Portal/Home/>
- Burgos University. (2000). *Culture and Sexual Behaviour, 2000*. (Vol. 12, Supl), Retrieved from <http://www.psicothema.com/pdf/399.pdf>
- Business News (2009, November, 03). Chile, an open economy. Retrieved from: <http://www.thisischile.cl/2009/11/chile-an-open-economy/?lang=en>
- Centre for intercultural learning. (2014). Foreign Affairs and International Trade Canada. Retrieved from: <http://www.intercultures.ca/cil-cai/ci-ic-eng.asp?iso=cl#cn-2>
- Chile Abroad (2014). The Economy. Retrieved from: <http://chileabroad.gov.cl/en/sobre-chile/asi-es-chile/panorama-actual/economia/>
- Chile Abroad. (2014). Political System A Solid, Stable Democracy. Retrieved from: <http://chileabroad.gov.cl/en/sobre-chile/asi-es-chile/organizacion-politica/sistema-politico/>
- Chile Atiende Pymes, (2014, January, 24). Star a Business. Retrieved from: <http://www.chileatiende.cl/fichas/ver/22718>
- Chile. (2014). People: tradition moving towards a vision of the future. Retrieved from: <http://www.thisischile.cl/people/?lang=en>
- Chile: Conversation. (June, 29, 2012). Executive Planet. Retrieved from: http://www.executiveplanet.com/index.php?title=Chile:_Conversation
- Chilean Central Bank (2012). Indicadores de comercio exterior. Retrieved from <http://www.bcentral.cl/publicaciones/estadisticas/sector-externo/pdf/ice042012.pdf>
- Chuquicamata Operation. (2014). Codelco. Retrieved from: http://www.codelco.com/prontus_codelco/site/edic/base/port/chuquicamata.html
- CIE Chile. (2014). Foreign Investment Committee. Retrieved from: <http://www.ciechile.gob.cl/en/porque-chile-8/>
- COHA. (2011, November, 23) Council on Hemisphere Affairs. Retrieved from: <http://www.coha.org/the-inequality-behind-chiles-prosperity/>
- Cooperativa (2012). Chilean leader products exportations. Retrieved from: <http://www.cooperativa.cl/noticias/economia/sectores-productivos/sepa-con-que-productos-chile-lidera-las-exportaciones-mundiales/2012-11-12/095307.html>
- Corvalán L. (2005). Agreements and free trade. Agriculture Ministry of Chile. Retrieved from: http://www2.sag.gob.cl/Pecuaria/bvo/febrero_2005/articulos_informes/acuerdos_tratados_librecomercio.pdf
- Cowen T. (2006). How good was Pinochet for the Chilean economy? Marginal Revolution. Retrieved from: http://marginalrevolution.com/marginalrevolution/2006/12/how_good_was_pi.html
- Economía y negocios. (2014). Taxes in Chile. Retrieved from:
- Educarchile. (2013) La minería chilena a través de la historia. Retrieved from: <http://www.educarchile.cl/ech/pro/app/detalle?id=204855>
- Elvira M, Davila A. (2008). Managing Human Resources in Latin America: An Agenda for International Leaders.
- Emol. (2013). Chile avanza tres puestos en ránking de facilidades para hacer negocios y lidera en la region. Retrieved from: <http://www.emol.com/noticias/economia/2013/10/29/627100/chile-avanza-tres-puestos-en-ranking-de-facilidades-para-hacer-negocios-y-lidera-en-la-region.html>
- Encyclopedia Britannica. (2014). Japanese Civil Code. Retrieved from: <http://www.britannica.com/EBchecked/topic/301097/Japanese-Civil-Code>
- Encyclopedia of the nations. (2014). Chile - Politics, government, and taxation. Retrieved from: <http://www.nationsencyclopedia.com/economies/Americas/Chile-POLITICS-GOVERNMENT-AND-TAXATION.html#ixzz3D3Cgmpwd>
- Ethisphere. (2013, June, 4th). Retrieved from: <http://ethisphere.com/magazine-articles/global-compliance-chile/#sthash.Q2RF3FqZ.dpuf>
- GaijinPot, (2014, September, 2nd). Getting a Japanese Credit Card. Retrieved from: <http://injapan.gaijinpot.com/live/banking-investments/2010/09/02/getting-a-japanese-credit-card-3/>
- Gonzalez, R. (2013). Chilean politic analysis. Retrieved from: <http:// analisiscomp.blogspot.com.au/2012/09/sistema-politico-y-economico-de-chile.html>
- Hanson R. (2004). Japan's foreign banks: Outside chance. Asia Times Online. Retrieved from: <http://www.atimes.com/atimes/Japan/FJ13Dh01.html>
- Hofstede, G. (1980). *Culture's Consequences: International Differences in work-related values*. Beverly Hills, CA: Sage Publications.
- Hofstede, G. (2001). *Culture's Consequences: Comparing Values, Behaviors, Institutions, and Organizations across Nations* (2nd Edition). USA, CA: Sage Publications.
- <http://internationalinvest.about.com/od/internationalaetfs/a/How-To-Find-And-Invest-In-Japanese-Etfs.htm>
- http://www.economiaynegocios.cl/especiales/op_renta2009/impuestos.html
- Hutton S. (2013). GCR. Intellectual Property & Antitrust. Retrieved from: <http://www.az.cl/wp-content/uploads/2012/12/Getting-the-Deal-Through-%E2%80%93-Intellectual-Property-Antitrust-2013-Chile.pdf>
- Japan Credit Rating (2011, July, 13). Leasing. Retrieved from: http://www.jcr.co.jp/english/rat_fina/pdf/rat_fina20110713_6.pdf?PHPSESSID=4a946f4a063936f187ddc470d3fb8673
- JPO. (2014). Japan Public Office. Retrieved from: http://www.jpo.go.jp/cgi/linke.cgi?url=/seido_e/s_gaiyou_e/4houe.htm
- Keidel R. (1992). "Rethinking Organizational Design." The Academy of Management Executive.
- Klivans K. (2011, April, 7). Japan (and Business Leaders) Could Learn from Chile. Retrieved from: <http://blog.vistage.com/business-leadership/what-japan-and-business-leaders-could-learn-from-chile/#sthash.2mZrzCdj.dpuf>
- KPMG. (2012). Doing Business in Chile. pp.7,8,9,20,21. Retrieved from: <https://www.kpmg.de/docs/2012-01-kpmg-doing-business-in-chile.pdf>

- Kuepper J. (2014). How to find and invest in Japan. About Money. Retrieved from: <http://internationalinvest.about.com/od/globalmarkets101/a/How-To-Invest-In-Chile.htm>
- Kwintessential. (2013). Chile - Language, Culture, Customs and Etiquette. Retrieved from: <http://www.kwintessential.co.uk/resources/global-etiquette/chile.html>
- Lewin K. (1952). Change Management Model. Retrieved from: http://www.change-management-coach.com/kurt_lewin.html
- Matsuo H. (1989). Understanding Japanese Business. Pp. 50. Retrieved from: http://books.google.com.au/books?id=pAPL2JA3FNUC&pg=PA50&lpg=PA50&dq=japanese+loans+for+business&source=bl&ots=HDZKT4CDjc&sig=-GjkMLJ1QQrpRRULbNFoanZCkQ&hl=en&sa=X&ei=83wqVLIPht7wBfHNgrgD&redir_esc=y#v=onepage&q=japanese%20loans%20for%20business&f=false
- Meyer P. (2014, January, 10). Chile: Political and Economic Conditions
- Molina P. (2013). ¿Qué queda del modelo económico de Augusto Pinochet? BBC. Retrieved from: http://www.bbc.co.uk/mundo/noticias/2013/09/130909_chile_pinochet_modelo_lp
- Molina P. (2013, September, 10). BBC World. Que queda del modelo economico de Pinochet? Retrieved from: http://www.bbc.co.uk/mundo/noticias/2013/09/130909_chile_pinochet_modelo_lp.shtml
- OECD Chile. (2014). Better Life Index. Retrieved from: <http://www.oecdbetterlifeindex.org/countries/chile/>
- Parro L. (2004) Sistema financiero y economico de Chile. Central Bank of Chile. Retrieved from: dialnet.unirioja.es/descarga/articulo/1064736.pdf
- Pérez J. (2012, October, 19). Leasing industry advancing at double-digit speed. Business inside Latin America. Retrieved from: <http://www.bnamericas.com/interviews/en/javier-perez-zanartu-chilean-leasing-association-achel>
- Political System. (2014). National Library. Retrieved From: <http://www.memoriachilena.cl/602/w3-article-96993.html>
- PWC. (2008). Doing Business in Chile. pp 27. Retrieved from: http://www.pwc.com/es_CL/cl/publicaciones/assets/doingbusiness.pdf
- Raineri B. (2001). Administración del cambio organizacional en empresas chilenas. Pontifical Catholic University of Chile. P.6. Retrieved from: <http://ww2.educarchile.cl/UserFiles/P0001/File/Cambio%20OrganizacionalRaineri.pdf>
- Rodríguez J. (2010). Employment Relations in Chile: Evidence of HRM Practices. Retrieved from: <http://www.erudit.org/revue/ri/2010/v65/n3/044890ar.html>
- SBIF. (2014). Retrieved from: <http://www.sbif.cl/sbifweb/servlet/ConozcaSBIF?indice=7.5.1.1&idContenido=477>
- Sterling C. (2012, September, 16). Chilean culture and Business. Retrieved from: <http://www.classroom20.com/profiles/blogs/la-cultura-y-negocios-de-chile>
- The World Factbook. (2014). Retrieved from: <https://www.cia.gov/library/publications/the-world-factbook/geos/ci.html>
- This is Chile. (2010, February, 17). Chile: 20 años como líder mundial en la producción de cobre. Retrieved from: <http://www.thisischile.cl/2010/02/chile-20-anos-como-lider-mundial-en-la-produccion-de-cobre/#>
- Transparency International. (2014). Retrieved from: <http://www.transparency.org/country#CHL>
- U.S. Relations. pp. 5. Retrieved from: <http://fas.org/sgp/crs/row/R40126.pdf>
- United States of America. Department of Commerce. (2012). 2012 Country Commercial Guide for U.S. Companies. Retrieved from <http://export.gov/FTA/chile/index.asp>
- Watkins T. (2014). The Japanese Financial System. Retrieved from: <http://www.sjsu.edu/faculty/watkins/jfin.htm>
- Wipo. (2014). World Intellectual Property Organization. Retrieved from: http://www.wipo.int/wipo_magazine/en/2010/01/article_0007.html

Appendix

Picture 1: *Picture 1: Competitiveness Countries*. Retrieved from: <http://www.ciechile.gob.cl/en/porque-chile-8>

Picture 2: *Foreign Direct Investment Areas*. Retrieved from: <http://www.ciechile.gob.cl/en/inversion-en-chile/estadisticas/>

Table 1: *Index values of the different cultural dimensions* Retrieved from: <http://www2.hawaii.edu/~sunki/paper/culdevp.pdf>

1. Universidad de Guayaquil, Email: julio.albujas@ug.edu.ec

2. Universidad de Guayaquil, Email: leonardo.merinom@ug.edu.ec

Revista ESPACIOS. ISSN 0798 1015
Vol. 38 (Nº 29) Año 2017

[Índice]

[En caso de encontrar algún error en este website favor enviar email a webmaster]

©2017. revistaESPACIOS.com • Derechos Reservados