

CHILE

WHAT ARE THE EMERGING ISSUES FACING THE INDUSTRY IN YOUR COUNTRY?

Chile's forest industry, as well as the rest of the world, is facing the international crisis. Thus, by this year, we expect a fall between 15% and 18% in our export earnings. This is explained by two main reasons. First, sawnwood and moulding exports fell more than 10% in 2008, due to wear. As a result, several sawmills went bankrupt, mostly small and middle-sized businesses, and many others are running at operating rates of 70% or less.

Sawmills have slashed about 4,000 employments since 4Q08 and in the beginning of this year, more than 1,500 employees have taken collective holidays, due to temporary reductions in level production.

A second reason is the continuous drop of pulp prices, which has lost more than 35% of its value from mid 2008 through 1Q 2009.

On the other hand, in mid 2008, the native forest law was promulgated, which is expected to promote the native forest sustainable management. Thereby, a new productive source is available to utilize. Chilean studies estimate that extracting only 60% of the forests growth, about 9 million of cubic meter could be available for energy generation. All this could benefit approximately 50,000 small and mid-sized native forest owners.

Finally, at the end of 2008, CORMA worked with the Government in preparing a brief submission in regard to planted forests and their contribution to the fight against climate change via CO₂ sequestration. This document was sent as a Chile's viewpoint, to the AWG-KP of the UNFCCC.

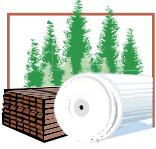
WHAT ARE THE MOST IMPORTANT BUSINESS DEVELOPMENTS WITHIN YOUR INDUSTRY OVER THE LAST YEAR?

During 2008, continuing with its trade agreements policy, Chile signed a Free Trade Agreement with Australia, which starts in March 2009. With this agreement, 97% of the products will be free of taxes, and it will rise to 100% by 2015. In addition, three negotiations for free trade agreements continue in course; Malaysia, Vietnam and Turkey.

In mid 2008, the Government of Chile presented the New Environmental Institutionality Law Project, which intends to replace the current structure.

Much of the industrial sector believes that change will make more difficult and slow approval of projects, in their environmental aspects, weakening national economy with no actual improvement of the environmental management.

The new law will create new Departments and Services (Ministry of Environment, Environmental Evaluation Service, Environmental Superintendence, among others) affecting negatively the development of industrial projects, entrapping environmental approval processes.



What new information do you have on the socio-economic contributions of the forest industry in your country?

Exports of forest-based industry in 2008 amounted to US\$ 5,445 million, 9.8% more than 2007. It means that forest industry contributed with a 7.8% to the whole exports of Chile.

Forest-based Chilean industry employed more than 125.000 people in 2008, and it is estimated a similar number of indirect jobs. If we consider the workers and their families, more than a million of people live from forests in Chile. In addition, most of the forests are located in south-central and south of Chile, mainly in rural areas. It promotes decentralization and stimulates economy and well being in poorer provinces of the country.

Promoting a continuous improvement of safety and timely preventive actions, the accident rate of CORMA's member companies has been increasingly reduced, reaching an average of less than 2% by mid 2008. In addition, CORMA has been developing a voluntary system of Competence Certification, which allows evaluating a worker's capabilities, knowledge and aptitudes to perform certain tasks, as a result a certificate is issued stating his/hers working competence by the entrepreneurial association and recognized in the labour market. Last year it reached a new record, bestowing 4,770 certifications. Since 1994 more than 25 thousand certificates have been issued to nearly 20 thousand workers.

Regarding social contribution of the forest industry, main companies of the country have carried out manifold activities, focusing on generating jobs, productive development and raising education levels in communities in the vicinity of plants and forest lands. By way of illustration, in 2006 about 70 companies invested more than US\$ 4.3 million in this kind of activities.

Recently, in answer to a foreseen increase in unemployment, because of the international crisis, CORMA proposed specific actions to the Government of Chile, for creating new employments through afforestation. To achieve this goal, it was proposed, among others things, to extend the reach of Decree Law 701 for forestry development, incorporating more potential beneficiaries and improving the amount of rewards. As a result, Government incorporated these proposals in its action plan, recognizing the role of forest industry in the employment generation. These measures will provide work precisely in months with high rate of rural unemployment and major beneficiaries will be small and mid-size forest owners.