Chile - Las Obras Forestales

Development of the Business of Forest Harvesting and Timber Processing Machinery & Equipment Supplies in the Republic of Chile

This Brochure has been elaborated within the frames of the Project 3S.
The Project team has appreciated very high the support and assistance of the company Freelanguage LDA, Portugal, Lisboa (http://www.freelanguage.net)

Santiago, Chile, 2016

General description of the Project

The present Project is dedicated to provision of representation and support of interest of European manufacturers in Chile and in Latin America as entire, and also to organization of sales of the products produced thereby. The present Project is intended to organization of supply and sales of forest harvesting and timer processing equipment and machinery produced by European companies.

This Project is based on the practical steps already made by the Project owners within the fields mentioned, and consequently it is neither of venture type nor any of nature of theoretical business idea. Nowadays this Project development is already started in practice in the **City of Gran Concepción, Chile,** for two types of product groups:

1. The products (machinery and equipment) used for forest works, i.e. forest harvesting and timber processing, including spare parts, units, instruments, tools, and consumables.
2. The products intended for resolution of ecological problems of Chile, including first and foremost of all heating systems utilizing wood wastes, biomass, etc., dedicated for producing heat for industrial and residential premises and facilities, but not limiting by those. This product group is out of the frames of this brochure.

The owners of the Project invite all the companies and persons concerned and those having interests in participation in it to discuss the grounds of co-operation.

This brochure is constructed from three independent blocks (titles) that might be used as separately so together depending on the certain discretion of the reader.

Thus, in **first block** the authors tried to reveal the business situation in Chile as itself from two points of view: as global business situation backgrounds, and as the forest & timber business situation as such. Those considerations makes background for the **second block** - practical block of the text - which is dedicated to the project realization and participation of the producers of forest machinery and equipment in it. The **third block** of the brochure explains why does the area of **Gran Concepción** was chosen by the Project owners as the place of the Project development.

The main goal of this Brochure is to attract European manufacturers to Chilean market which is for now in its urgent stage.

The City of Gran Concepcion

FIRST BLOCK

Business situation in Chile

Global business situation backgrounds and forest & timber business situation

Chile, 2016

About the Project

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Figure 2. The City of Gran Concepcion

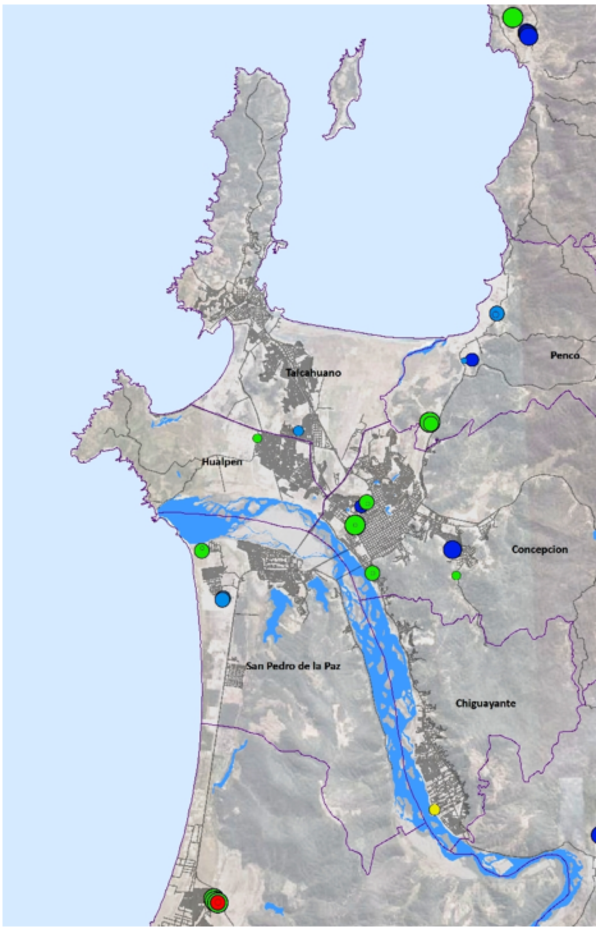


Figure 1. Map of Urban Conglomeration of Gran Concepcion

Figure 3. The City of Gran Concepcion

Geographical and demographical background

Location

Chile, with a continental area of 295,000 square miles (764,000 square kilometers) excluding the Antarctic territory with an area of 490,000 square miles (1,269,000 square kilometers), is a long narrow ribbon of land stretching almost 2,700 miles (4,345 kilometers) along the west coast of South America with an average width of only 110 miles (177 kilometers), varying between 60 miles (97 kilometers) and 250 miles (402 kilometers). The country is wedged between the Andes on the east and the Pacific Ocean on the west, bordering Peru on the north and Bolivia and Argentina on the east. Southern Chile is an archipelago, with Cape Horn at its tip. There are five distinct and well-defined geographic regions: the northern desert, the high Andean sector, the central valley, the southern lake district, and the archipelago. Santiago is the capital and the commercial center of the country.

Population

Chile's population totals approximately 16 million, of which about 85 percent is urban, with a concentration of nearly 6,5 million in the metropolitan region (Santiago). Near half are under 25 years of age and men account for about 49 percent of the total.

Social and cultural background

The Republic of Chile in its present state which one can see today to a greater extent was founded by German colonists in the middl of Century XIX, and that is why nowadays Chile is the most "European" country amongst the countries of Latin America as for its essence, mentality and organization.

German and other European colonists brought in Chile their patterns of life, their rules and habits, their manufacture practices (carpentry, beer brewing, production of vines, leather crafts, and many others). Nevertheless, in despite of many German names existing here till now, the colonists' progeny speak Spanish and constitute them selves as Chilenos.

Europa and in particular Germany to a large extent make reference points for social and economical development of Chile. Certainly, the levels of social and economical development and also the level of welfare of the community, and may be even the level of order and safety are not so high as in Germany and in other countries of Central and Northern Europe, but Chileans do their best to achieve it in reality, and hey make significant steps for reaching of this goal. Perhaps that's why Chile develops rather much more effectively as compared with other countries of Latin America. Thus here the Government provides the business with their support, and on the other hand the business community realize to themselves their social responsibility as in the sense of proper tax payments so otherwise, thus there exists thorough understanding of the targets and goals in the very various levels and strata of internal policy exercising. Moreover, the internal policy of Chile as itself is constructed and based on the principles of democracy in the European sense of this word.

We can illustrate some significant indicators of contemporary state of Chilean society in the following figures (diagrams) below. Those summarize the indicators of "happiness", human development, crime level, levels of society well-being as compared to other countries of the World.

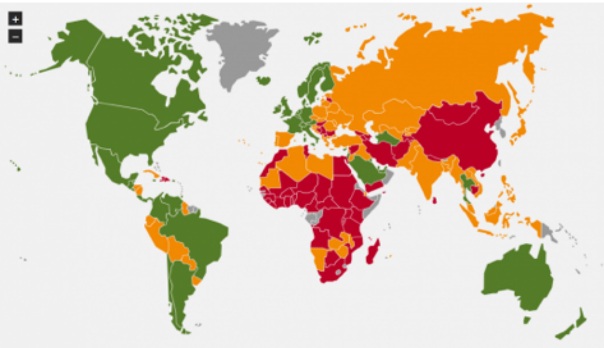


Figure 4. Index of "happiness" worldwide

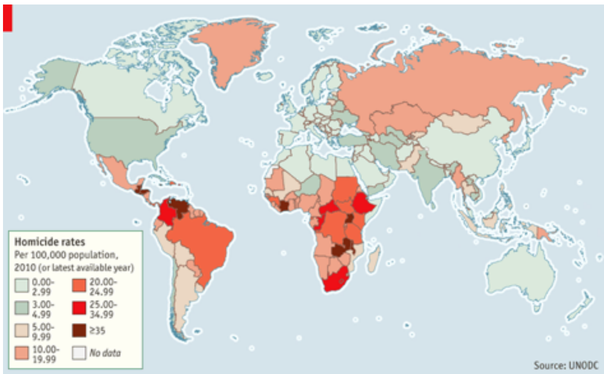


Figure 5. Index of human development worldwide

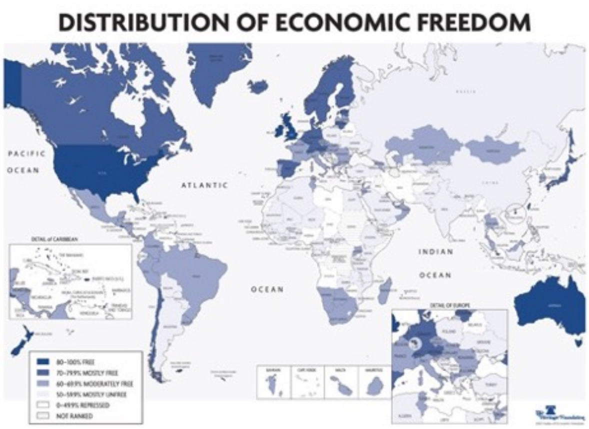


Figure 5. Index of economic freedom worldwide

In contradistinction from the set pattern of opinion about the countries of Latin America, Chile is the country of order and discipline. This statement is true as with respect to ordinary people, so concerning state bodies and social entities. Thus, crime rate in Chile is the lowest amongst the countries of Latin America. Venal practices, as compared to others in Latin America, actually is about in zero level. The same results here are achieved also only in Uruguay. All state bodies and agencies work basing on laws and rules only taking in to their consideration at that the best practices of business intercourse. On the other hand, there are no any blind following after bureaucratic mechanisms, and if the Chilean official is able to help actually and to resolve any problems avoiding otiose bureaucratic delays he or she always do so. We also can add here that attitude of Chilean officials to any applicants is always very polite and friendly.

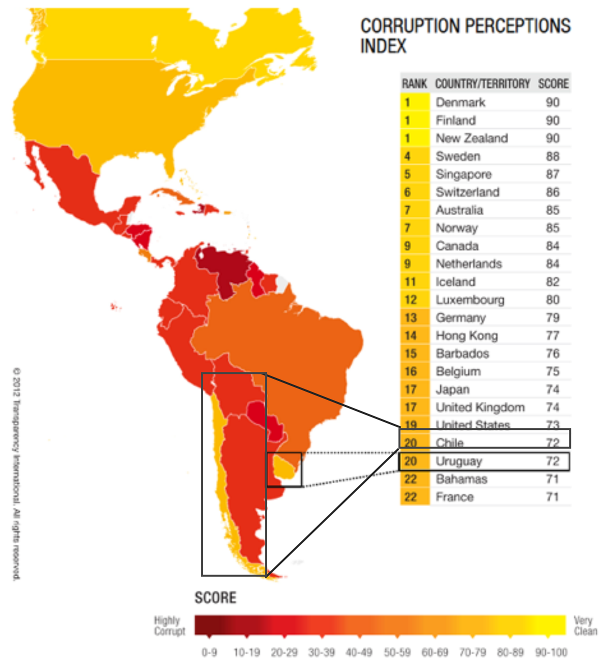


Figure 6. Index of corruption perception for Americas

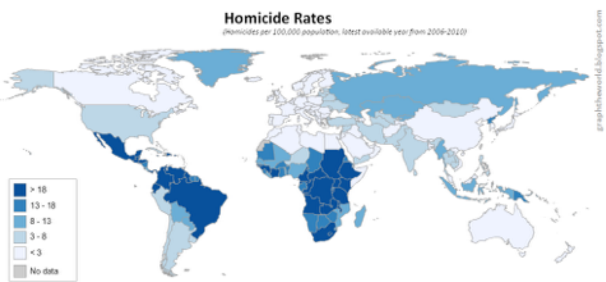


Figure 7. Homicide rates index worldwide

Chile also have the minimal crime level in Latin America that is in the same ranking as those in the most "calm and safe" countries in the world.

Economic background

The Chilean economy recognized internationally as one of the most stable, open and competitive in Latin America. Under the social economic model of prevailing markets that has been in place since the military regime. Chile has implemented a series of structural modifications such as the privatization of state companies and the creation of a private pension funds system, with multiple funds and individual accounts. Figure 1.1 Where economies stand in the global ranking on the ease of doing business

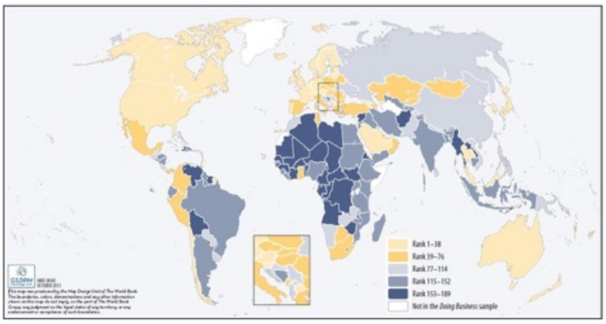


Figure 8. Where economies stand in the global ranking on the ease of doing business

Chile has built its recent economic success on the exportation of raw materials, most notably copper. Indeed, mining is Chile's biggest economic sector. Agriculture and forestry are also key industries.

With the opening of European and Asian markets, the export of forestry products, vegetables, fruit, fishmeal and fish-most notably salmon-have increased significantly. Chile has also become a leading wine-producing country.

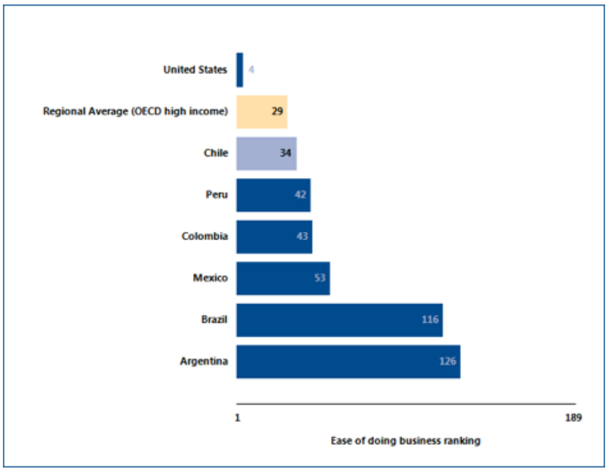


Figure 9. How Chile and comparator economies rank on the ease of doing business

Other areas of opportunity and expansion include tourism. Chile, especially its adventure tourism sub-sector, has benefited from the recent boom in global tourism. This services sector, too, has enormous potential for future development.

Source: The World Bank. Doing Business database.

Trade policy

Chile has a policy of free trade with no barriers. The country is a member of LAIA (Latin American Integration Association) and an associate member of MERCOSUR. At present, Chile is probably the freest market in Latin America. Chile has been become a member of the Organization for Economic Cooperation and Development (OECD), currently is in the process working on the roadmap set by the OECD for that purpose.

Tax system

Regarding tax matters, it is necessary to consider the various taxes that may apply over the business and understand the manner in which the business and its owners pay taxes.

The taxes of general application to a business in Chile are the following:

a. Income Tax

Companies resident or domiciled in Chile are subject to "First Category Tax" ("FCT") at a rate of 17%, which is determined on the basis of all their income accrued or effectively received throughout the corresponding financial year, which in Chile is the same as the calendar year. The yearly books of a company, therefore, are closed at December 31, of each year.

b. Value Added Tax or VAT Taxable events

Value Added Tax ("VAT") of 19% is levied, in general terms, over the price of the following goods and services:

(i) Sales and other contracts used to transfer ownership of tangible goods, or real estate owned by a construction company, provided that said operations are customary. The law assumes that all sales made within the ordinary course of business are customary.

(ii) Services that are commercial, industrial or financial, or that are connected to mining, construction, insurance, advertising, data processing and other commercial operations.

(iii) Imports, customary or not.

VAT mechanics

VAT works on a Credit–Debit system. The tax borne by a company or business in the acquisition of goods or services is called the "VAT Credit". The VAT charged on the goods and services sold to customers is called the "VAT Debit".

As a general rule, the seller or service provider is obliged to withhold and pay the VAT. The tax amount is added to the invoice for goods or services, as the final consumer is the economic taxpayer. Exceptionally, when a seller or service provider is not domiciled in Chile or when for other reasons it is difficult for the IRS to supervise the correct payment of VAT, the responsibility to withhold and pay the tax is transferred to the buyer or beneficiary of the service.

The tax is paid every month deducting the VAT Credit from the VAT Debit. The balance due to tax authorities (when the Debit is larger than the Credit) must be paid no later than the 12th of the following month.

If on a given month the VAT Credit is larger than the VAT Debit, the balance may be kept and carried forward in the following months.

c. Stamp Tax

Stamp Tax is levied on the documents issued in connection with money lending operations, at a fixed percentage over their amount for every month ranging from their issuance and their maturity. The maximum rate of tax applicable is capped at 12 months.

d. Capital Gain Tax

In general Capital Gains are taxed as normal business income. In some cases the sales of shares are subject to FCT as a sole tax provided certain requirements are met. A preferential tax regime is available in case of gain derived from the sale of shares in Stock Exchange provided legal requirement are met.

e. Municipal business license

This license taxes the exercise of any profession, job, industry, trade, art or any other secondary or tertiary lucrative activity. All of them are subject to a municipal contribution that is paid through the respective municipal license. The municipal license is calculated on the basis of the net tax equity informed by the business to the tax authorities. The rate to be applied ranges between 0.25% and 0.5% depending on the Municipality.

Import and export issues

Any person may import goods freely and in any quantity, except used cars. Payments can be made as agreed by the parties.

Chile is a member of WTO. Goods are classified as per the Customs Cooperation Council Nomenclature (formerly known as the Brussels Tariff Nomenclature).

The rate of custom duty is in general 6%. Note that Chile has an extended network of Free Trade Agreements. Up today, there are such agreement in force with China, United States, Mexico, Japan, European Union, Canada, Panama, Central America and South Korea. Therefore reduced or non existing customs duties rates are available. Duties on goods are imposed on the CIF price, without deducting special discounts.

In general, Chile has a very open economy and there are no significant barriers to foreign trade.

(“PRICEWATERHOUSECOOPERS”)

Commercial relationship with the countries of European Union

Export & Import operations between Chile and the countries of European Union are performed in the mode of maximal preferential treatment - here is applied **zero fee for import of good and service to Chile from the countries of EU** (custom clearance procedure makes 6% of declared customs value of goods imported).
The procedure of customs clearance and other formalities are maximally simplified. Actually, according to Chilean customs office, not more than 5% of goods imported and arrived to Chile by sea and air transport undergo the procedure of visual supervision and control.

On arrival of the goods from European Union to Chile, the party receiving this good is obliged to pay the amount of Value added tax (IVA, the analogue of European VAT) that makes 19% of commercial/customs cost of the delivery (on the terms of CIF). At that, where the recipient party is not its final consumer and plays the role of commercial intermediator, the amount of VAT (IVA) paid is to be included into the goods' price and is duy to remuneration on the goods sale excluding the share of VAT for the amount of trade margin accounted to the commercial intermediator of the actual sale - actually, as it did in the most of developed economies of the world.

Forestry

Forestry is one of the main economic sectors of Chile, representing 14% of the value of the country's total export. This places the forestry sector in Chile as the second largest export sector behind copper mining. From 1970 to 2005 planted forest surface in Chile grew from 300,000 ha to more than 2.07 billion ha with further permanent growth to now. As of 2006 70% of Chile's forestry production went to export, and the industry employed more than 150,000 workers.

Forestry in Chile is mainly practiced in the southern half of the country where mediterranean and temperate types of climate gives favorable conditions. Forestry areas in south-central and central Chile are mainly distributed on the Chilean Coast Range and the Andean foothills and valleys leaving most of the Chilean Central Valley for other economic activities mainly cattle farming and agriculture. South of Chacao Channel and Reloncaví Fjord forestry is more limited due to dry conditions in Trans-Andean portions of Chile, little development of infrastructure and large areas being protected as reserves, national parks and private parks. Actually there are no motor roads to the main part of Chilean territories excluding some through the territory of Argentina.

Current forest cover in Chile

According to the Official Land Register and Evaluation of the Native Vegetative Resources of Chile, carried out for CONAF (Corporación Nacional Forestal), the Chilean government agency responsible for forest management, Chile has 15.6 million hectares of forest cover (CONAF et al., 1999). (See Table 1 for forest extent and Box 1 for forest definitions.) Of this area, 13.4 million hectares, or 85.9 percent, is native forest; 2.1 million hectares, or 13.5 percent, is forestry plantations; and 85,744 hectares, or 0.55 percent, is mixed forests. With respect to forest structure, mature forests constitute the largest share of Chile's native forests, representing 44.4 percent. Among forestry plantations, 75.5 percent by surface area are Monterey pine plantations (Pinus radiata), with plantations of various eucalyptus species (Eucalyptus spp.) accounting for a further 16.8 percent of total plantation area (CONAF et al., 1999).

Native forests are concentrated in the south-central and southern zone of the country. Region XI contains the largest expanse of native forest, with 35.9 percent of all native forest area; the second largest expanse is found in Region X. Region VIII includes the largest expanse of forestry plantations, containing 44.3 percent of total plantation area. Some of figures illustrating the modern forest situation in chile are summarized in the Table 1. (Forest cover in Chile) below.

Speaking in simple words, one can say that Chile is forest country. Of course, it might not be said about the country as the whole, it substantiated by the fact that Chile covers more than 5000 km from the North to the

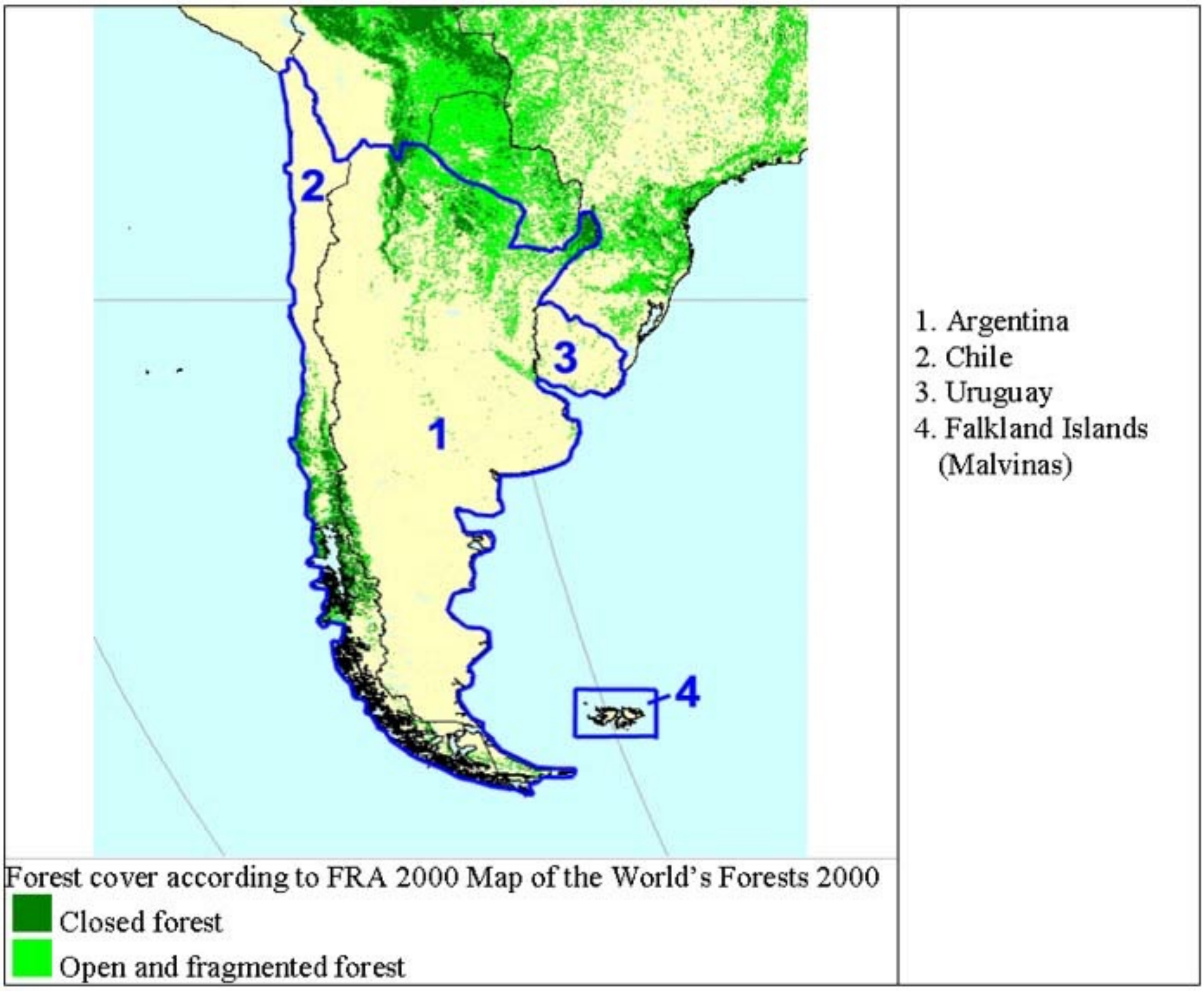


Figure 9. Forest cover in Southern part of South America

South where all climatic zones are represented - from subequatorial climate till subantarctic tundras. The South regions - Chilean Patagonia and adjacent territories - are the forest regions of Maritime Temperate climates or Oceanic climates having sufficient rainfall amounts. The quality of forests here is of the same as in Finland, Baltia, Sweden, Russia.

CHILE'S FORESTS	TOTAL SURFACE AREA (HA)	PERCENT OF TOTAL FOREST AREA
NATIVE FOREST		
Mature Fores	5,977,996.3	38.2
Secondary Forest	3,582,427.3	22.9
Mature-Secondary Forest	865,525.3	5.5
Sub-alpine or Timberline Forest	3,017,209.0	19.3
Subtotal	**13,443,157.9**	**85.9**
FORESTRY PLANTATIONS	2,118,840.2	13.5
MIXED FOREST	87,744.0	0.6
TOTAL	**15,647,742.1**	**100**

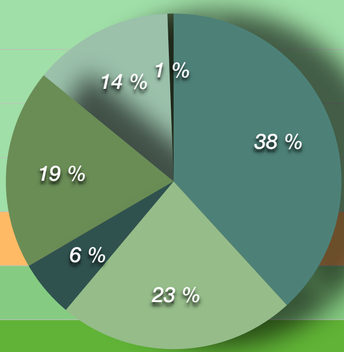


TABLE 1. FOREST COVER IN CHILE

Main harvesting species in Chilean forests

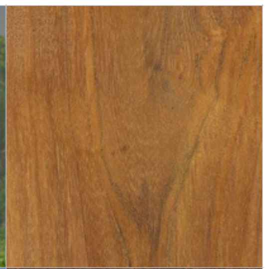
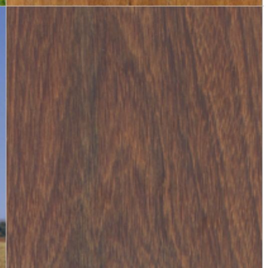
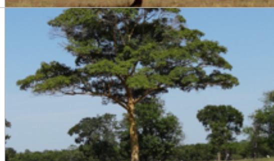
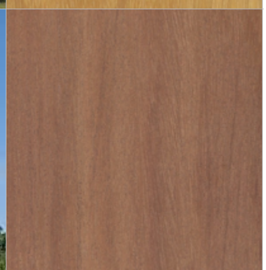
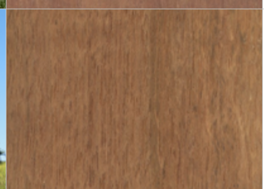
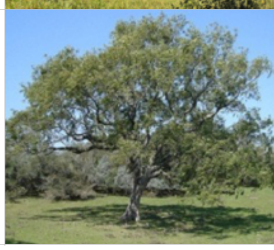
Depending on the regions and actual climate and geographical situation and the type and the source of industrial forest harvesting the species of tries might be attributed to three main groups:

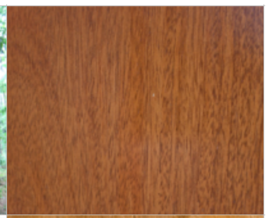
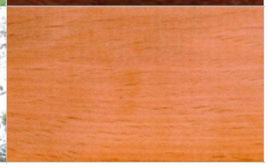
- Tropicals woods
- Plantation woods
- Native Chilean woods

For the purposes of this paper the most of interest as the target species groups of wood in the sense of application of European technologies are Native Chilean woods of the South of Chile and also plantation woods that become more and more significant source of industrial wood harvesting during last years. Nevertheless we try to consider briefly all the main species considered as the industrial and commercial ones.

Tropicals wood

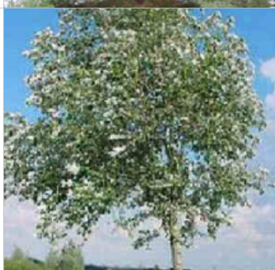
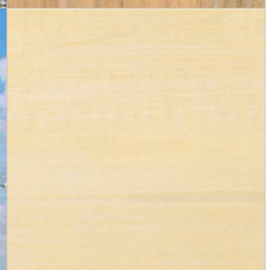
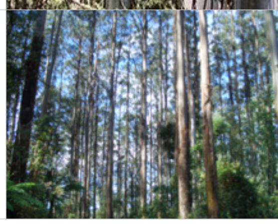
TABLE 2. TROPICALS WOOD

Teak	Teak (/tik/) (Tectona grandis) is a tropical hardwood species placed in the family Lamiaceae. Tectona grandis is a large, deciduous tree that occurs in mixed hardwood forests. It has small, fragrant white flowers and papery leaves that are often hairy on the lower surface. Teak wood has a leather-like smell when it is freshly milled. Teak timber is particularly valued for its durability and water resistance, and is used for boat building, exterior construction, veneer, furniture, carving, turnings, and other small wood projects		
Ipe	Handroanthus is a genus of flowering plants in the family Bignoniaceae.[1] It consists of 30 species of trees, known in Latin America by the common names poui, pau d'arco, or ipê. The wood is durable outdoors, where it is usually used for furniture and decking. It is increasingly popular as a decking material due to its insect resistance and durability. Handroanthus and the unrelated Guaiacum (Zygophyllaceae) produce the hardest, heaviest, and most durable wood of the American tropics.		
Garapa	Garapa wood is yet another solid hardwood used by many homeowners and businesses alike. It's roots are tied to Brazil (mainly) and is a tree that averages in size from 60 feet to over 100 feet tall. Garapa wood also is widely used as decking lumber.		
Cumaru	Cumaru, also known as Brazilian Teak or Golden Teak, is a naturally durable Brazilian timber with a density similar to Ipe. Its consistent golden brown color and moderate cost make it an attractive alternate to more expensive hardwoods such as Teak or Ipe. Cumaru is resistant to rot and decay, making it an excellent choice for exterior applications such as Cumaru decking. It not only lasts a long time, but has the beauty of an interior hardwood. It outlasts other popular wood decking species such as treated Pine, Cedar, Redwood and Douglas Fir.		
Paquio	Hymenaea courbaril, the courbaril,[2] is a tree common to the Caribbean, Central, and South America. It is a hardwood that is used for furniture, flooring and decorative purposes. The wood is very hard, measuring 5.6 on the Brinell scale or 2,350 lbf (10,500 N) on the Janka scale, approximate measurements of hardness.		
Laurel Negro	Uno de los principales factores por los que esta especie se encuentra dentro de la lista de especies vedadas, es decir que su corta está prohibida, es por lo valiosa que es su madera, la cual fue ampliamente explotada para diversos usos como la fabricación de muebles finos y acabados de construcción, por su dureza, textura, grano fino, hermoso jaspe y color café oscuro fuerte casi negro con vetas muy oscuras que resaltan con el acabado.		

Caoba	Mahogany (Caoba) is a kind of wood—the straight-grained, reddish-brown timber of three tropical hardwood species of the genus Swietenia, indigenous to the Americas,[1] part of the pantropical chinaberry family, Meliaceae. Much of the first-quality furniture made in the American colonies from the mid 18th century was made of mahogany, when the wood first became available to American craftsmen.		
Almendrillo Amarillo	Garapa is found in humid tropical and subtropical forests. The tree reaches heights up to 12 m. Used for beams, poles, tongue and groove flooring, external furniture, panels, decking, garden tile, veneer.		
Almendro	The wood of the almendro has an extraordinary hardness, and it is considered as one of the heaviest woods around the world. But it was not used until the mid-1980s because it was so difficult to saw and work with due to its weight and density. After that, with the new chain saw technology using higher carbon steel or the diamond-tipped type of chain saw, these big trees have been disappearing from the landscape. This handsome wood is becoming more and more popular, as its hardness makes it useful in heavy construction projects like railroad and bridge building.		
Aliso	ALNUS ACUMINATA, Aliso is found in the along The Andes, Departments of La Paz, Cochabamba, Potosi, Santa Cruz, and Tarija . The tree reaches up to 30 meters. The trunk is slightly elipcall with a straight base. Main uses: furniture, doors, moldings, and garden products.		

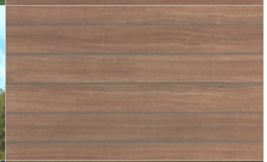
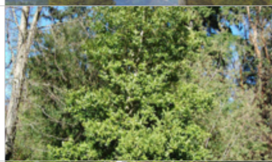
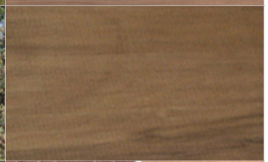
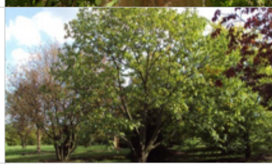
Plantation woods

TABLE 3. PLANTATION WOODS

Pine	Pinus Radiata. As timber radiata is suitable for a wide variety of uses. Radiata is used in house construction as weatherboards, posts, beams or plywood, in fencing, retaining walls, for concrete formers. It is also used to a limited extent in boat building where untreated ply is sometimes used.		
Poplar	Álamo Blanco. Although the wood from Populus is known as poplar wood, a common high-quality hardwood "poplar" with a greenish colour is actually from an unrelated genus Liriodendron. Poplar is widely used for the manufacture of pulpwood and paper.It is also sold as inexpensive hardwood timber, used for pallets and cheap plywood; more specialised uses include matches and the boxes in which camembert cheese is sold. Poplar wood is also widely used in the sport industry.		
Eucalyptus Glóbulus	Eucalyptus Globules is an evergreen tree, one of the most widely cultivated. Blue gum timber is yellow-brown, fairly heavy, with an interlocked grain, and is difficult to season. It has poor lumber qualities due to growth stress problems, but can be used in construction, fence posts and poles. Used also for manufacturing of plywoodThe leaves are steam distilled to extract eucalyptus oil.		
Eucalyptus intens	Eucalyptus nitens, commonly known as Shining Gum. Eucalyptus nitens is one of the most important plantation tree species along with Eucalyptus globulus (Tasmanian Blue Gum) and Pinus radiata (Monterey Pine). The timber is mainly used in general construction but is beginning to be used in furniture where the discolourations may be a feature.		
Eucalyptus Regnans	Eucalyptus regnans, known variously as mountain ash, swamp gum, or stringy gum. Eucalyptus regnans is valued for its timber, and has been harvested in very large quantities. Primary uses are sawlogging and woodchipping, for sawn wood for furniture, flooring, panelling, veneer, plywood, window frames, general construction, and also for wood wool and cooperage.		

Native Chilean woods

TABLE 4. NATIVE CHILEAN WOODS

Rauli	Nothofagus Alpina, Lophozonia alpina, also called rauli[1] or raulí beech (in Mapuche language) is a species of plant in the Fagaceae family. A deciduous tree, it grows in Chile and Argentina, it reaches 50 m (160 ft) height and more than 2 meters (6.5 feet) in diameter. It is used in furniture, barrels for very fine Chilean wines, doors, veneers, shingles and floors.		
Oak	ROBLE, Nothofagus Obliqua, Lophozonia obliqua, (Patagonian oak, roble[1] or roble beech)[2] (usually found in North America)) is a deciduous tree from Chile and Argentina. In Chile is called roble hualle to young trees, whose wood is soft and yellowish, and roble pellín to old trees, which have their reddish hardwood.		
Coigüe	Nothofagus Dombeyi (coihue or coigüe) is a tree species native to southern Chile and the Andean parts of Argentine Patagonia. It has a beautiful engraving, is semi-heavy, hard, durable, easy-to-work and decay resistant. It is used in furniture, barrels, floors and building.		
Tepa	Laurelia Philipiana - Laureliopsis is a genus of flowering plants with just one species, L. philippiana, known as Tepa, endemic to Chile and Argentina. The wood is used in construction, however it rots when exposed to outdoors moisture.		
Virola (Reddish)	Virola (Reddish) is a genus of medium-sized trees native to the South American rainforest and closely related to other Myristicaceae, such as nutmeg.		 
Castaño Iberico	Castaño Iberia - Castanea sativa, or sweet chestnut, is a species of flowering plant in the family Fagaceae. The wood is of light colour, hard and strong. It is used to make furniture, barrels (sometimes used to age balsamic vinegar), and roof beams		

Forest harvesting and timber processing

Forest harvesting and timber processing as it was already mentioned above are very important industries in economy of Chile. Those also contribute significantly into Chilean export revenues.

Some main data of the situation in Chilean forest harvesting and timber processing industrial are summarized in the Table 5 below.

As it might be seeing from the Tables 5 (in the content of industry branches), forest harvesting and timber processing industries in Chile are emergent ones. Here should be made the remark that is very important in context of the present documents and also in the sense of our project considerations being revealed here: notwithstanding that for now the market of forest harvesting and timber processing products in Chile is developing with good and sustainable results, the market of forest harvesting machinery and timber processing plants and equipment might not be stated and saturated. Moreover it is for now very demanding market having sufficient number of spare niches. Working in those niches is the core target and also the focus point of our present project.

Table 5 Forest materials production - 1

Year	Total value of production	Export turnover	Export value	Import turnover	Import value
Industrial roundwood	Thousand solid cubic meter	Thousand solid cubic meter	Million USD	Thousand solid cubic meter	Million USD
2013	39075	6	1	1	0
2012	39075	6	1	1	0
2011	39150	43	5	0	0
2010	34560	35	4	0	0
2009	36402	11	2	0	0
2008	39878	44	5	0	0
2007	38417	85	8	0	0
2006	33217	111	8	0	0
2005	32529	149	11	0	0

From the ***Table 5 Forest materials production - 1*** one can derive the following considerations, that are sufficiently important for the purposes of our project as those are to confirm its feasibility, as follows:

- Sustainable growth of production of industrial roundwood achieved the point of saturation due to lack of sufficient harvesting capacities on the modern level of supply thereof.

Table 5 Forest materials production - 2

Year	Total value of production	Export turnover	Export value	Import turnover	Import value
Industrial roundwood (c - needleleaf)	Thousand solid cubic meter	Thousand solid cubic meter	Million USD	Thousand solid cubic meter	Million USD
2013	26420	4	0	1	0
2012	26420	4	0	1	0
2011	26211	41	4	0	0
2010	22889	8	1	0	0
2009	24753	9	1	0	0
2008	26960	24	5	0	0
2007	27496	55	6	0	0
2006	25534	61	5	0	0
2005	25730	115	9	0	0
Industrial roundwood (nc- broadleaf)	Thousand solid cubic meter	Thousand solid cubic meter	Million USD	Thousand solid cubic meter	Million USD
2013	12655	2	1	0	0
2012	12655	2	1	0	0
2011	12939	2	1	0	0
2010	11671	27	2	0	0
2009	11649	2	0	0	0
2008	12918	20	1	0	0
2007	10921	30	2	0	0
2006	7683	50	3	0	0
2005	6799	34	3	0	0

TABLE 5-2 . FOREST MATERIALS PRODUCTION

Table 5 Forest materials production - 2-1

Year	Total value of production	Export turnover	Export value	Import turnover	Import value
Sawnwood	Thosand cubic meter	Thosand cubic meter	Million USD	Thosand cubic meter	Million USD
2013	7161	2190	483	34	13
2012	7161	2190	483	34	13
2011	6785	2083	464	27	13
2010	6354	1781	362	33	10
2009	5836	1699	277	8	8
2008	7306	2658	525	20	11
2007	8340	2807	563	35	9
2006	8718	2398	402	38	12
2005	8298	2596	413	29	7

From the ***Table 5 Forest materials production - 2*** one can derive the following considerations:

- Restoration of sustainable growth of production of sawn materials does not meet the demands of Chilean market; it is proved by the figures.
- On the other hand, this is caused also by slow of growth of raw round material production (see above), by the growth of demand as itself, and also by the lack of capacities of sawn materials plants of various types in modern conditions - here is the market niche obviously.

TABLE 5-3 . FOREST MATERIALS PRODUCTION

Table 5 Forest materials production - 3

Year	Total value of production	Export turnover	Export value	Import turnover	Import value
Wood pulp	Thousand ton	Thousand ton	Million USD	Thousand ton	Million USD
2013	5156	4556	2803	22	19
2012	5080	4325	2534	22	19
2011	4896	4025	2895	37	26
2010	4102	3379	2393	19	17
2009	4993	4310	1975	12	10
2008	4981	4061	2626	12	9
2007	4675	3859	2347	14	10
2006	3484	2650	1383	14	9
2005	3237	2616	1204	16	9
Paper and paperboard	Thousand ton	Thousand ton	Million USD	Thousand ton	Million USD
2013	576	0	528	599	570
2012	576	0	528	599	570
2011	640	0	574	550	563
2010	632	0	499	601	554
2009	614	0	452	455	373
2008	586	0	473	505	479
2007	545	0	406	545	478
2006	563	0	397	469	407
2005	503	0	312	358	285

Table 5 Forest materials production - 4

Year	Total value of production	Export turnover	Export value	Import turnover	Import value
Wrapping papers	Thousand ton	Thousand ton	Million USD	Thousand ton	Million USD
2013	74	25	22	21	31
2012	61	25	22	21	31
2011	37	17	17	24	36
2010	29	13	11	25	33
2009	34	16	12	18	19
2008	49	19	17	24	29
2007	51	18	13	28	27
2006	51	25	17	15	17
2005	54	22	15	17	16
Recovered paper	Thousand ton	Thousand ton	Million USD	Thousand ton	Million USD
2013	489	6	1	78	18
2012	489	10	2	78	18
2011	489	10	3	95	27
2010	489	26	5	118	33
2009	489	17	2	123	23
2008	466	21	4	104	25
2007	466	17	2	120	31
2006	466	14	1	60	11
2005	422	10	1	110	17
Newsprint	Thousand ton	Thousand ton	Million USD	Thousand ton	Million USD
2013	167	160	108	2	2
2012	245	160	108	2	2
2011	282	211	141	0	0
2010	252	206	123	22	15
2009	292	231	137	1	1
2008	289	220	151	1	1
2007	306	232	143	0	0
2006	334	260	160	0	0
2005	362	248	133	1	0
Folding boxboard	Thousand ton	Thousand ton	Million USD	Thousand ton	Million USD
2013	417	327	350	34	48
2012	426	327	350	34	48
2011	412	320	346	36	51
2010	380	323	305	34	45
2009	387	298	261	28	35
2008	360	284	257	29	42
2007	338	243	211	24	34
2006	270	214	172	20	27
2005	234	195	138	42	42

Table 5 Forest materials production - 4-1

Year	Total value of production	Export turnover	Export value	Import turnover	Import value
Household+sanitary paper	Thousand ton	Thousand ton	Million USD	Thousand ton	Million USD
2013	140	5	8	20	30
2012	159	5	8	20	30
2011	157	5	9	25	40
2010	195	6	7	8	13
2009	174	6	8	1	2
2008	151	9	12	3	4
2007	151	12	13	1	1
2006	135	12	11	1	1
2005	121	2	2	7	6

Forest regions of Chile

Administratively the Republic of Chile is divided into 15 Regions amongst which 4 (5) regions are forest ones. Actually there are 6 or even 7 forest regions, but as the matter stands for the purposes of this paper and our project, we need to make to following remark. XII Región de Magallanes y la Antártida Chilena is the sub-Antarctic region and it contains in the most of its territory the islands of Tierra del Fuego archipelago, and it is connected with other part of Chile by motor roads only through Argentina. Practically the same might be said about the territory of XI Región de Aysén. Besides the harsh climatic conditions, poor infrastructural network sufficiently hampers development of many economical processes within those regions.

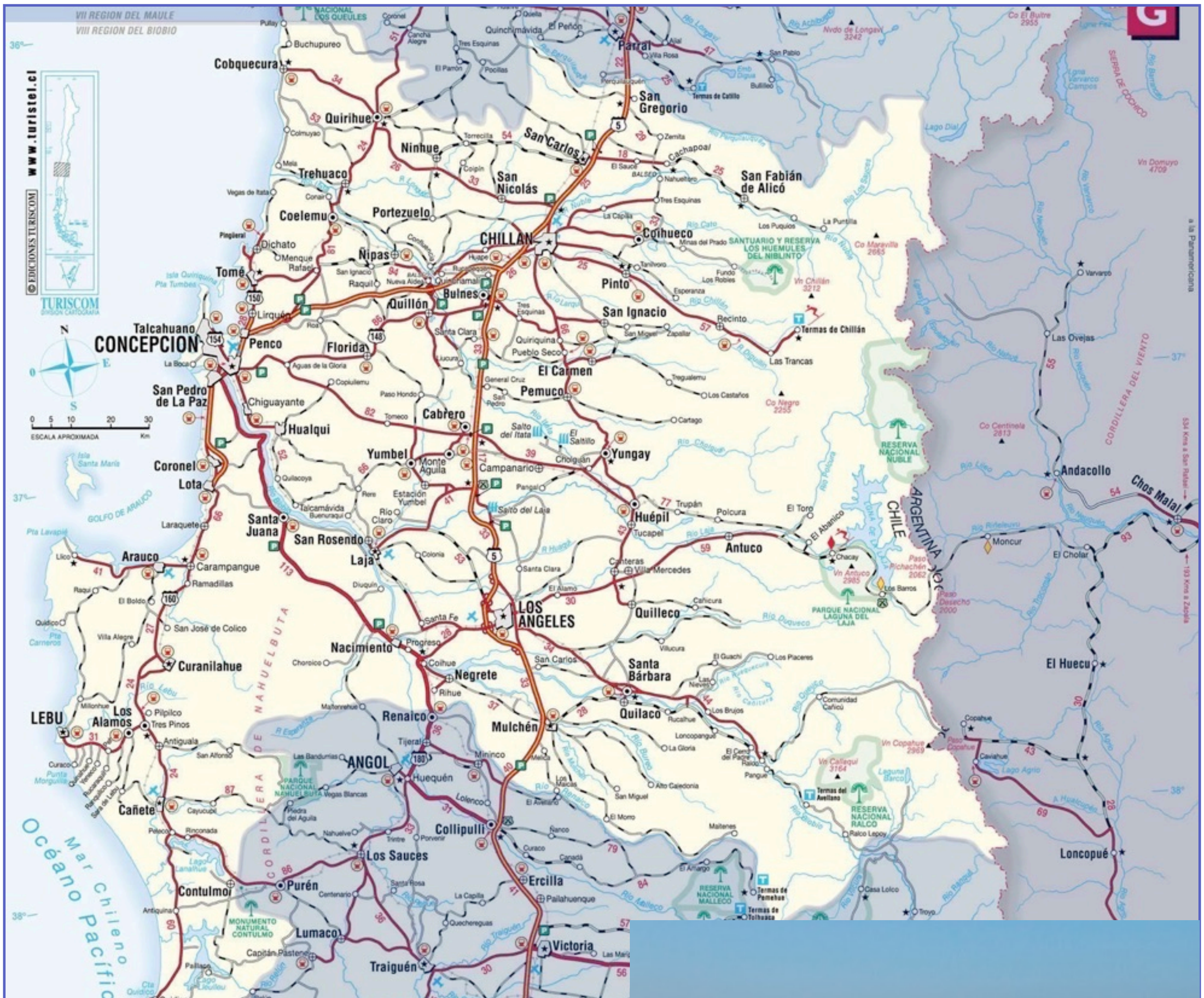
We try to give short illustrative picture of all main forest regions. At that, the industrial forest regions of Chile are the following ones:

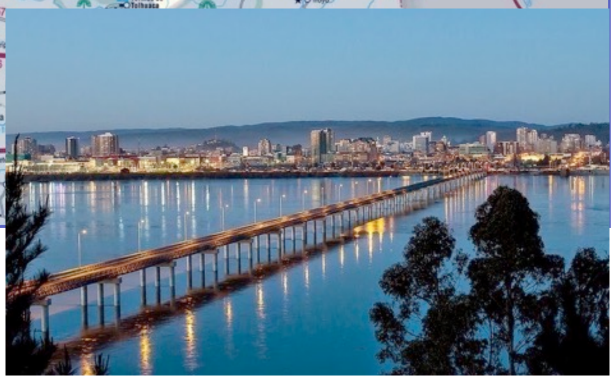
- VIII Región del Bio-Bio
- IX Región de Araucania;
- XIV Región de Los Rios;
- X Región de Los Lagos;

For better imagination of the geographical situation of Chile and its region we include the map blow. Here one can see the allocation of the region in interest too.

Map of Chile and the divisions of its regions.

• VIII Región del Bio-Bio



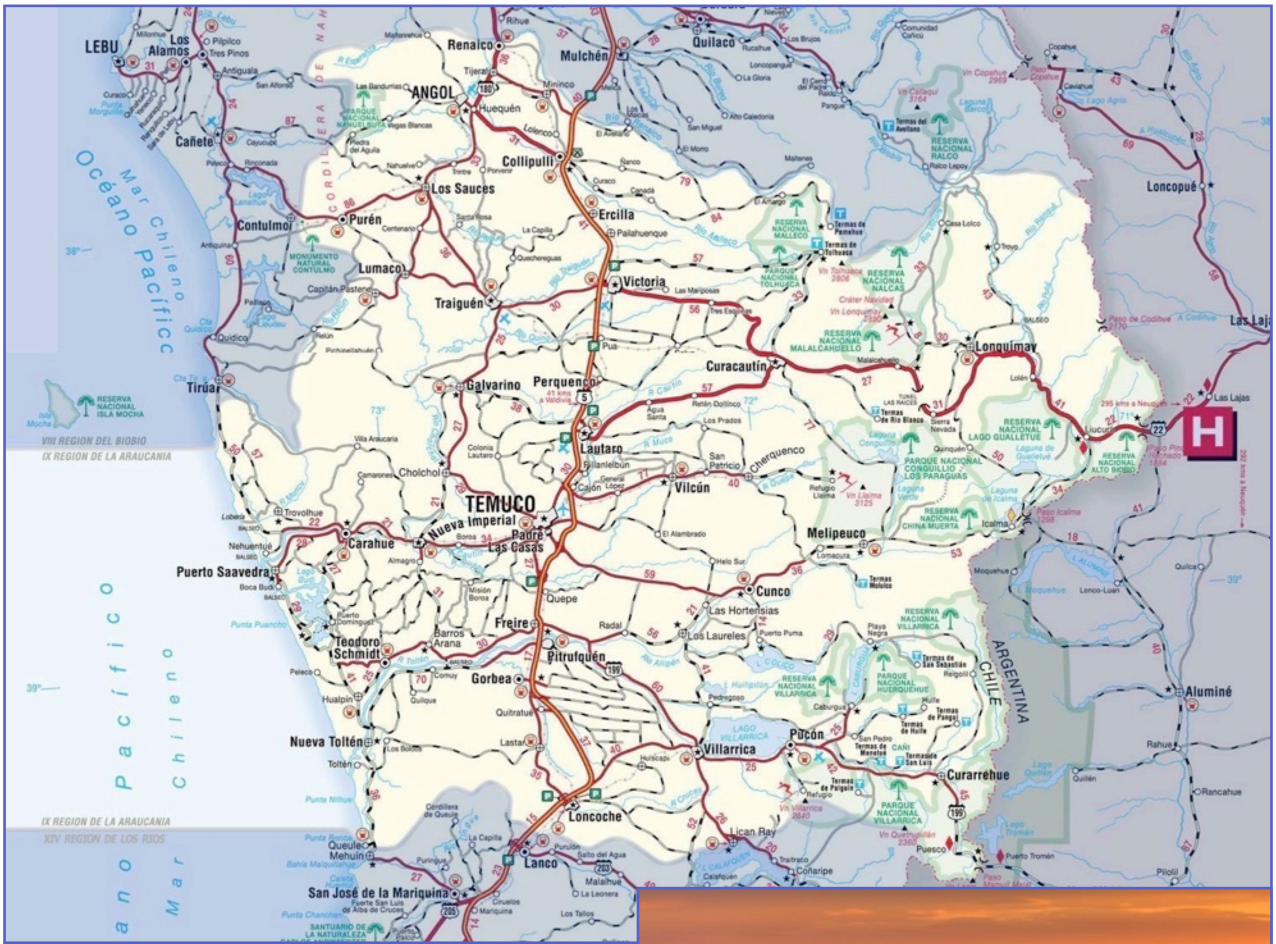


The Bío Bío Region (Spanish: *Región del Bío-Bío*), is one of Chile's fifteen first-order administrative divisions; it is divided into four provinces: Arauco, Bío Bío, Concepción, and Ñuble. It is also known by its original denomination: VIII Region. Concepción is the capital and largest city.

The region contains almost 44% of Chile's forest plantations, of which around 82% are radiata pine. It is the largest exporter of forestry products and supplies raw materials for pulp and paper plants, sawmills, and related activities.

(Photo by William M. Ciesla, FHMI, Bugwood.org)

• IX Región de Araucania



The Araucanía, Araucanía Region or IX La Araucanía Region (Spanish: *IX Región de La Araucanía*) is one of Chile's 15 first order administrative divisions and comprises two provinces: Malleco in the north and Cautín in the south. Its capital and largest city is Temuco; other important cities include Angol and Villarrica.

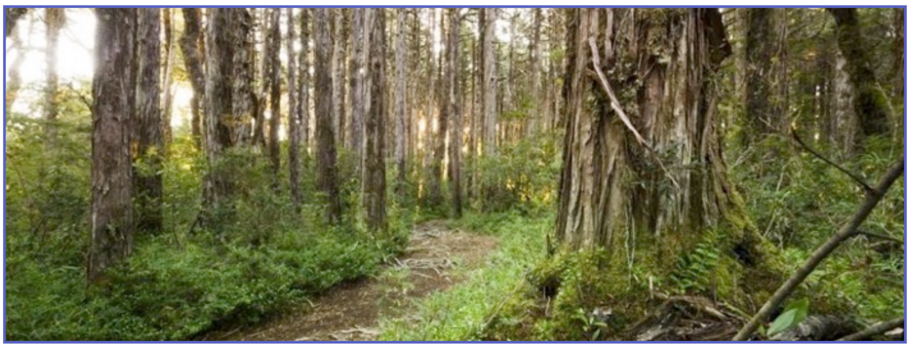
In the late 19th century, the Chilean government endorsed a large-scale immigration and settlement program for the area. At the time, Chile often endorsed land allotment advertisement to Europeans. Beginning in the mid-19th century with the German Revolutions, immigrants were often fleeing political upheaval and poor economies, and seeking a new place to live.

- ## XIV Región de Los Rios

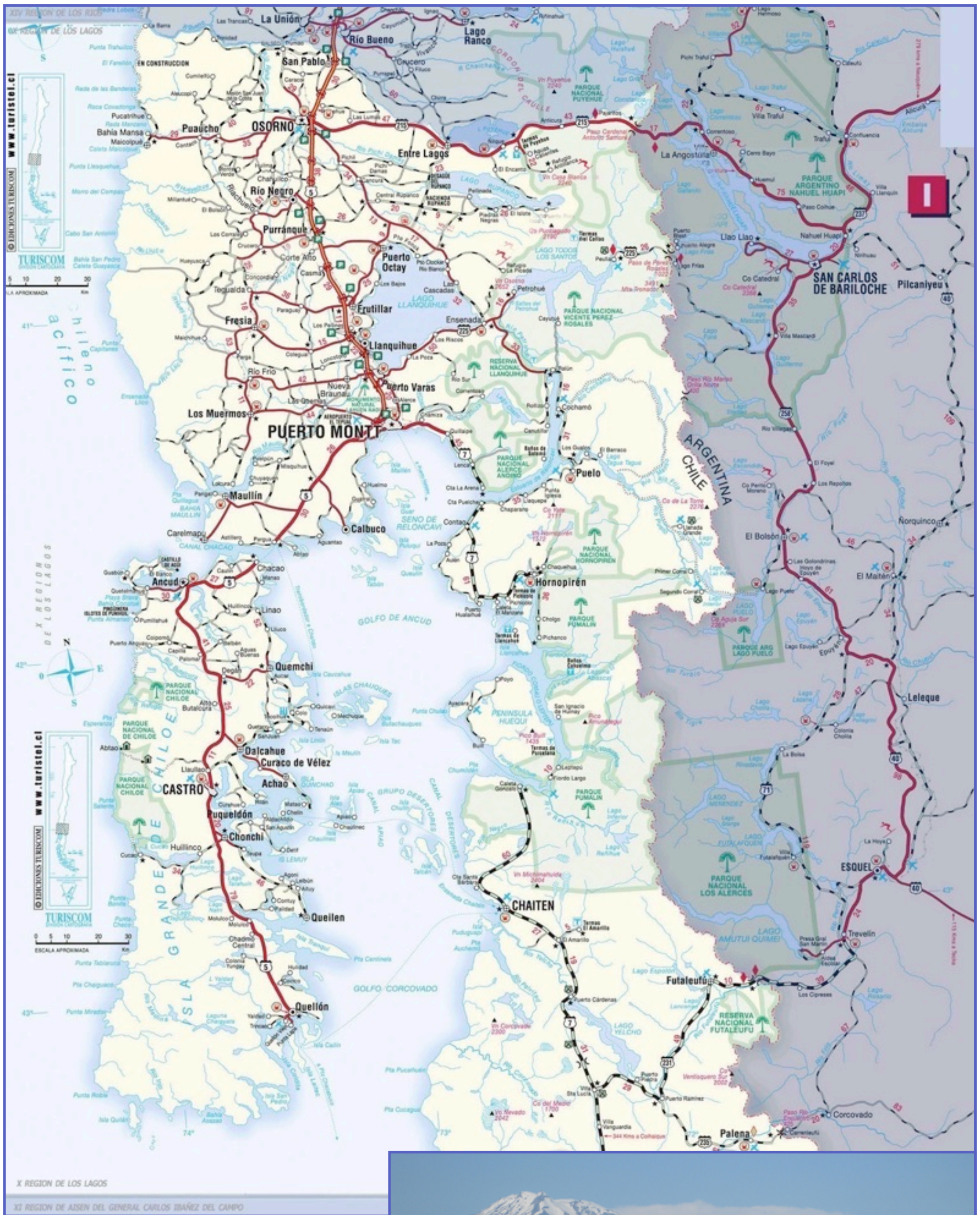
The XIV Los Ríos Region (Spanish: *XIV Región de Los Ríos*, literally in English: *XIV Region of the Rivers*) is one of Chile's 15 regions, the country's first order administrative divisions. Its capital is Valdivia. Pop. 363,887 (2012 census).

The region's economy is based on forestry, cattle farming, tourism, manufacturing, and services. Key industries include the Valdivia Pulp Mill, Valdivia's shipyards.

Valdivia is part of Northern Patagonia as its wild virgin forest embrace the Patagonian Cordillera following the river Calle Calle down to the Pacific Ocean. It is known in Patagonia the term " Bosque Valdiviano" referring to the primitive virgin forest found in the cordillera valleys of Valdivia which include dense masses of native trees. These Forest are present in some parts of Northern Patagonia both in Chile and Argentina.



• X Región de Los Lagos



Los Lagos Region (Spanish: X Región de Los Lagos) is one of Chile's 15 regions. The region contains the country's second largest island, Chiloé, and the second largest lake, Llanquihue. It capital is Puerto Montt.

The Spanish crown settled Chiloé Archipelago in 1567 while the rest of the region begun to be slowly colonized by non-indigenous people only in late 18th century. In the 1850s Germans arrived to colonize the shores of Llanquihue Lake under a Chilean state-sponsored program.

Los Lagos Region economy is dominated by the service sector but based in fishing, salmon aquaculture, forestry and cattle farming.

Several additional considerations and clarifications on the market niche

We repeat here the considerations also stated above as follows:

- *Restoration of sustainable growth of production of sawn materials does not meet the demands of Chilean market.* Obviously for today in reality forest harvesting industry is not able to supply enough raw materials for sawing. This limitation is caused by the lack of sufficient amounts of machinery in forest harvesting cycle, and on the other hand this connected with technologies. In practice, those circumstances are closely tied with each other.

- *On the other hand, this is caused also by slow of growth of raw round material production (see above), by the growth of demand as itself, and also by the lack of capacities of sawn materials plants of various types in modern conditions - here is the market niche obviously.* It seems to us that this paint is already commented above. But the only thing that might be added here is that for today only a few brands of equipment and machinery are sustainably represented in Chilean market. Most of them are Northern American manufacturers. No doubt, that this fact is first of all the geographical one. Following comments to the modern structure of machinery market should be better way noted separately in the next point:

- One could not ignore the fact that here in Latin America as entire, and in Chile as itself, some considerable "ostracism" as to all Northern American products takes place. Maybe this sense in deeply buried in Latin-American mentality as somewhat rudiment, but nevertheless, it should be taken into consideration.

- In contrary, in Chile the attitude to all European products is absolutely positive. Maybe it substantiated by historical traditions of ingress of European culture and technologies in XIX Century.

- Also in this text we've already discussed the economical preferences in the foreign trade with the countries of EU.

Here above we talk about the technologies. Let us to illustrate briefly what we had in mine when formulating this opinion. Also we need to give thanks to CONAF for the materials.

For today in Chile one can see three main trends:

- first trend is the course for operation of the front-line modern machinery and equipment;

- massive and broad application of "ancient grand farther's" technologies;

- private adaptation and customizing of modern technologies in realities of production (in the most of cases without taking into consideration of the features and peculiarities of applied technical solutions).

Here in the course of this document we do not plan to discuss the issues of future technical revolution in Chilean forestry, it seems to us be out of the frame of this study. But the point of usage of ancient technologies first of all in timber harvesting seems to us one of the most important for illustration of our considerations on existence of sustainable and demanding market niche.

Moreover, we need to take to our considerations also the fact that the great share of forest harvesting in Chile is operated by farmers for whom forestry is some additional business besides the agricultural one. And it is the Ministry of Agriculture of Chile the state body which governs, supervises, and supports the forest harvesting and timber processing industrial cycles in Chile. CONAF is the un-governmental association of forest business to which the Government has delicate some powers.

As for the authors, we being in permanent contact with CONAF and Ministry officials, can confirm their co-operation, support, and good will to contribute to the development of forest industry in Chile and also their sustainable interest in attraction of European manufacturers of machinery and equipment.

Here below we present some photos of CONAF which illustrate all mentioned here in the sense of contemporary situation in some places of forest harvesting.

SECOND BLOCK

Executive summary of the Project

Practical Project realization & participation of the European producers of forest machinery and equipment in it.

Chile, 2016

Executive summary of the Project

What the actions are already proceeded within the frames of the Project, the Project business environment

First of all for now within the frames of the Project fulfillment the campaign of contacts and preliminary negotiations with businessmen and with heads of the companies operating within the sphere of forest harvesting and timber processing were successfully performed in all important and significant points of the South of Chile (about 300 companies in 4 Regions of Chile), i.e., in the territories deemed as of the most important for further development of the Project (see the Part I). The general purpose of the contacts were meetings in person, acquaintanceship, and bridge building either with governmental bodies of forest sector of economy (agricultural authorities), so with professional associations, and also with manufacturers - with the companies dealing with forest harvesting and timber processing, and also with the enterprises dealing with technical maintenance and sales of machinery.

Actually in all territories of forest regions of the South Chile we have met whole-hearted support of our ideas and initiatives from the side of forest operator and professional companies, practically all the parties we have met with revealed great interest to the supplies of European specialized machinery and equipment manufactured in the countries of European Union. Amongst all other things, one of the most important is the existence of some biased attitude to the deliveries of such kind of products from Northern America as the whole. It is caused first of all by the significant expensiveness and by sufficiently "narrow" product lines of products delivered by the companies from USA and Canada for the demands of forest industry of Chile.

We have examined the actual abilities of sea-ports in view of reception and proper handling of containers, also achieved practical agreements with forwarders, customs brokers, and authorities of sea-ports on delivery, handling, transportation and customs clearance of European goods (sea-containers of the sizes to 40'). For now we are able to accept the cargos in two ports of Gran Concepcion Area - San Vicente and Coronel, our forwarders render services on logistics and transportation of good in practice from almost all the ports of Northern Europe, including Finland, Germany, Sweden, Estonia, Latvia, Poland, and other countries. The forwarders also provide us with the services of on-land transportation of goods to the final customer's storehouses - i.e., those are "turn-key" solutions. At that, all the services are provided on reasonable and even low levels of pricing. The approximated time-term of transport operation as the whole makes about 30-45 days depending on season (The Canal operation included).

Also we have establish communication and good friendly relationship with the heads of professional agricultural and forest associations in all of southern regions of Chile. Those associations are the excellent sources of first-hand target business information. Besides that, we also achieved good mutual understanding with the heads of departments of the Ministry of Agriculture and of offices of chambers of trade (regional chambers). All those officials reveal their readiness to apply the potentials of their entities as for substantiated industrial consulting so for dissemination of commercial information about our business and products, also they are ready to provide enhanced informational support. All of those officials also suggest participation in their thematic conferences and other public arrangements for the purposes of contacting with audience and advertising. Opportunity of print and electronic publication of commercial information is foreseen too.

Moreover, we have achieved understanding and frame agreements with several professional publishing houses dealing with issuing of professional periodic print press, amongst those we can name first of others the Publishing House «Impresur» (Osorno). This respectable publisher issues on permanent basis several magazines (monthly «paper» ones) intended for professionals of agricultural and forest sectors of Chilean industry. The audience of magazines make about several hundreds of subscribers. Those magazines are of very high polygraphic quality - the glossy full color periodic magazines. Thus, the publishing house «Impresur» in principle is ready to publish the articles on profound European industrial experience and machinery on free of charge basis, but only those which do not contain any direct advertising. Publication of pre-paid direct advertising content of manufacturers is possible too and be encouraged (prices for direct advertising are reasonably low).

Informational (and in necessity organizational) support in the European Union

Producers, manufacturers, and exporters of any products and services in their work with the countries of Latin America as entire, and with Chile in particular, often face with the problems of «language barrier». We need take into our opinion the fact that besides the necessity of translation int Spanish (and Portuguese) of necessary volumes of various technical, contractual, and commercial documentation the problem of direct in-person interaction also exists. We need to note that in Chile people speaks in Spanish only (Chileno). Number of people who can speak, read, wright, and as that's the most important to understand English in chile is very few. Maybe that substantiated by some «self-containment» of Spanish-speaking world as Spanish is the official language in 20 countries of the World, and notwithstanding of the certain locality all the people of Spanish-speaking world might understand well each other. However the communication of Spanish-speaking world with other world, for instance with Europa where the most of business making people speak and understand English makes the main barrier for business interaction nowadays. Generally, this problem causes relative insolation of Spanish-speaking world, i.e., simply speaking the countries of Latin America to a certain extent «stew in their own juice» within the borders of Spanish-speaking world. This problem also influences the intensity of development.

We solve those problems of communication, translation of documents, contacting, negotiations and contracting, delivery and business correspondence, with the kindest help and support of our Portuguese partner - the company Freelanguage LDA, Lisboa, Portugal (http://freelanguage.net). This company performs translation amongst 50 languages worldwide, and all the translations undergo final editing and proofreading by native-speaking specialists. Also the company Freelanguage LDA provides total confidentiality by their NDA obligations (Non-Disclosure Agreements). Besides rendering of translation services, the company Freelanguage LDA is able to provide also other necessary intermediating services within the frames of existing EU legislation. To the essential advantages provided by the company Freelanguage LDA, in addition to high quality and authenticity of all their translation works, one might also add generally moderate and reasonable pricing of the services and the policy of discounts supported by the company Freelanguage LDA in particular.

European products intended for forest harvesting and timber processing of maximal demand in the market of Chile for now

First and foremost of all we should note one again that for now the markets of forest harvesting and timber processing machinery and equipment in Chile are sufficiently poor structured and even chaotic to a certain extent. On one hand, the country urgently needs the «technological leap» in this industry, and on the other and it suffers from the deficit of machinery and technologies supply. Moreover, the country also suffers from either some misunderstanding or insufficient understanding what they need for now when choosing from the widest variety of technologies, equipment, machinery represented in the markets of the World, i.e. let say, what is really necessary. At that, in some sense, the country now proceeds some transfer to the modern European style of production in the forest sector of economy - this is the way from ancient "grand farther's" technologies to modern European industrial methods. More exactly speaking, the country is in the very beginning of this leap. Thus, for now, for instance, the agricultural sector and consequently the market of agricultural machinery and equipment is created and stays in mature stage, in contrary, the forest industries this market is int the earliest stages of formation. So the current moment provides the manufacturers and suppliers with the absolutely unique chance and challenge for entering to the national markets of Chile in forest sectors thereof - moreover, it is the chance for formation and structuring of these markets.

Thus, for nowadays in the make of Chile only the manufacturers of professional hand guided tools (motor saws) are positioned systematically. Those are well-known world brands - Husqvarna, Stihl, etc.

As for the market of hydraulic loaders (cranes), there are represented and well-known only a few companies, such as Kesla, John Deere, Bell. As for the machinery used for logs transportation, there should be mentioned the log-carriers based of the chassis of Mercedes, Volvo, Scania trucks. Some of them are equipped with heavy-duty cranes produced by Kesla, John Deere, and by some other companies. The most of cranes here are «heavy» powerful models with the aperture of grapples of 1350 -1450 mm and more, i.e., about of 0,5 m2 capacity.

For some more illustration of the existing situation there would be mentioned, for instance, that today Chilean forest operators are very interested in "harvesters", but there are very few of them. Speaking, for example, about the manufacturers sawing equipment and plants, one could speak about proper positioning of one or two "traditional" brands yet.

Concurrently we should note the fact that of existence of well developed technical maintenance facilities in the most of the regions of the South of Chile. More preciously speaking this is not some of any coordinated or centralized system, in contrary there are a great amount of small and medium sized enterprises and plants working in this market segment. Moreover, there are a lot of private companies dealing with supplies of various hydraulic spare parts manufactured by all well-known brand companies. So Chilean industry does not suffer from the deficit of hydraulics including high pressure hoses, hydraulic cylinders and others. All those spare parts are used for maintenance and repairs as of agricultural so forest, road, mine, and cargo handling machinery, the park of which is very diversified as for its content so for brands.

Thus, basing on the information collected during very many series of permanent consultations and discussions with the professionals of forest works, for today the following machinery types and separated units thereof are demanded in Chilean market:

Forest harvesting and logs transportation

I. **Forest harvesting machinery, spare parts and units:**

1. Harvesters (light models);
2. Hydraulic manipulators (foremost of all heavy-duty modelsг);
3. Replacement units for hydraulic manipulators:
   A. Grapples;
   B. Rotators;
4. Repair kit for hydraulic manipulators (for in-field repairs):
   C. Grapple + fitting set;

D. Grapple + Rotator + fitting set;

E. Rotator + fitting set;

5. Medium and light size models of log-trailers equipped with manipulators (cranes) and without cranes;
6. Mobile wood-chippers;
7. Stumping machines.
8. Skidders

Timber processing

II. Sawing and timber processing equipment/plants:

1. Movable sawing plants;
2. Timber sawing equipment of “farmer” type (semi-professional type);
3. Planing equipment (semi-professional type);
4. Energy-saving models of kiln-drying machines (chamber type).

The core idea of proposed project

The core idea of the Project proposed consists in attraction of European manufacturers of forest harvesting and timber processing machinery and equipment to the markets of Chile - and first and foremost of all, the manufacturers of the countries of Scandinavia and Baltia; it consists in representation of the interests thereof, in promotion of their brands, and also provision and support of sales. This activities are planned to be performed on commercial basis and for accounts of manufactured concerned, and exclusively to their benefit.

Philosophy of the Project foresees the approach to its performance by the methods being conventional and understandable for Chilean business - by the organization of multi-brand sales. We belief that the most successful way of sales of forest harvesting machinery and timber processing equipment lays in organization of unified point of sales where the professional company could purchase any type of necessary equipment and machines, any kinds of the most crucial units for replacement, any accessories and consumables, and so on. At that, it is very important to exclude the possibilities for internal competition amongst the products and brands in the portfolio. I.e., in the actual portfolio content there would not be presented the products that might make competition with each other. To do so and for observance of this very important condition, the owners of the Project invite all the future participants individually to consult, consider and negotiate the actual interaction within the Project.

Thus, European manufacturers, and first and foremost of all the manufacturers of Scandinavia and Baltia enjoy the market advantages which those might not provided with out of the frames of present Project proposal. One should take also in opinion the significantly high level of expenses connected with organization of individual representative offices of European companies in Latin America. Those high expenditures are caused on one and by the geographical factor of remoteness, and on the other hand by minor difference in the price and salary levels in the countries of Europe and in Chile, for instance. This situation also is hardy aggravated by all the complications of language barriers and by the necessity of employment of local professionals of sufficiently high level of experience and education knowing the specifics of local business habits and traditions, legislation, and moreover clearly understand national mentality.

The idea multi-brand non-competitive representative office (several companies and several products) offered to the partners within the frames of present Project foresees provision the partners with high quality representation services for promotion and sales of non-competing products manufactured by non-competing companies.

Foundation of multi-brand non-competitive representative office (several companies and several products) provides the partners with the following advantages:

- ✓ significant decrease of representation and sales expenses;
- ✓ attraction of target group of potential partners to all kids of products within the segment - i.e., provision of the partners with complex solution;
- ✓ opportunity of requesting and ordering of the certain actions form/to performed in conditions of low level of expenses and without necessity of provision the performer with any additional facilities;
- ✓ the representative office is able to render its services in the working time mode of 8:00 GMT+5 - 18:00 GMT+3 (18 hours per day) 5 days a week (excluding national holidays in Chile) providing support in English;
- ✓ the representative office provides permanently the functions of mini-exhibition and those of the information center;
- ✓ the representative office provides the partners with access to the means informational support;
- ✓ the representative office provides as buyers so sellers with exhausting complex solutions ;
- ✓ the representative office solves the problems of technical support and maintenance of the products (machinery and equipment);
- ✓ the representative office solves the problems of storing and transport of the partner’s products from sea-ports, and also the problems of cargo and posts reception;

- ✓ the representative office provides the partners with the services of their products storage in secured and guarded storehouses and store places;
- ✓ the representative office provides the partners with the services of their products demonstration for potential buyers performs the consultations as on technical issues so on contractual ones, it also renders guaranty and post-guaranty support of the products sold;
- ✓ the representative office takes are of any and all legal issues in favour of the partners;
- ✓ in any and all disputes the representative office safeguards and supports the interests of the partners before governmental and supervising bodies;
- ✓ the representative office performs the procedures of sales and financial reporting on behalf of the partners according the orders thereof;
- ✓ the representative office in any and all the cases as foreseen by existing Chilean legislation provides the partners with the performance of the procedures either of collection and refunding of VAT (IVA) or its compensation (accounting) in the content of the cost of representation services provided;
- ✓ the representative office also supports their partners in any and all personal and individual situations resolution;
- ✓ the representative office prepares, produces, and submits the items of the partner's direct advertising and also other informational items within the frames of promotion of the partners' products and brands in specialized mass-media;
- ✓ the representative office performs necessary Spanish (Chileno) translation and localization of any technical, advertising, and other materials of the partners, including web-sites;
- ✓ the representative office is able to provide their partners with the means of economic expansion in other countries of Latin America;
- ✓ the representative office renders services of support for their partners in organization of business meetings of their officials in person and helps them in business traveling within Chile and other countries of Latin America, including translation and interpretation services.

Schematic of the budget formation

The present Project budget is formed by the following financial components:

- **monthly budget contributions/payments by the side of participants for performance of the services of general course of representation of their interest in the regions, as agreed by the owners and each partner dependent of the nature of the products and the actual content of representation services;**

- **agreed interest of sales of the products manufactured by the Project participants;**
- **agreed interest in sales of the participants' products;**
- **own commercial activities of the representative office.**

All direct expenses of the representative office which are not included in the the frames of general course of representation are to be agreed and paid by the partners separately and individually. Those expenses are the following:

- business traveling of the employees of the representative office intended to performance of the certain partner's orders and requests in the sense of representation of the certain interests of each certain partner;
- elaboration and production of all the types of advertising and informative materials of the certain partner;
- organization of representation and support of the certain partners in exhibitions and in other public events (those services foresee attraction of part time personal on the conditions of outsourcing);
- translation of the papers, documents, and other materials of the partners to Spanish (Chileno) (those services are rendered on the conditions of outsourcing);
- Bookkeeping and legal support of the partners' operations (those services are rendered on the conditions of outsourcing);
- services of reception, transportation, handling, and storage of the partners' products (those services are rendered on the conditions of outsourcing);
- representation of the partners' interests before third persons including governmental and state bodies of Chile in the case of disputes concerned to deliveries and supplies of the partners' products and the quality thereof, including claims arisen;
- other services rendered to the certain partner according the contents, orders, and budgets especially agreed by the parties.

Pull of the partners of the Project

The partners' pull foreseen within the frames of the Project (as for the types of products manufactured and supplied) should include the following manufacturing (sales) companies interested in development of their businesses and sales in Latin America:

#	Manufacturer specialization	Status
1	Manufacturer of “harvesters”	Wanted!
2	**Manufacturer of logs loading cranes (manipulators)**	Exists
3	Manufacturer of grapples* (apperture of 0,4 - 0,6 m2)	Wanted!
4	Manufacturer of rotators	Wanted!
5	Manufacturer of hydraulics*	Wanted!
6	Stumping machines	Wanted!
7	**Manufacturer of log trailers**	Exists
8	Manufacturer of wood-chippers (mobile ones)	Wanted!
9	Manufacturer of machines for fuel wood production (mobile ones)	Wanted!
10	Manufacturer of skidders (“farmer’s” type)	Wanted!
11	Manufacturer of sawing and planing equipment/plants (“farmer’s” type)	Wanted!
12	Manufacturer of kiln-drying equipment (plants) of low energy consumption	Wanted!

Current sites of the Project realization

Nowadays, the preliminary, start-up, and primary stages of the Project are realized simultaneously in two sites - in the City of Santiago (the Capital of Chile) in the mode of back-office, and in the City of Gran Concepción. Support of the back office in the capital provides the Project owners as with the number of advantages so causes some significant difficulties for the following mature stages of the project development. It was well substantiated for early stages, but for now the owners follow with the moving of headquarters to Gran Concepción, leaving only small supplementary support office in the capital for decreasing of operating costs.

As we already told, from the point of view of practical business considerations the City of Gran Concepción is the most preferable place for allocation of the sales office, machinery parkings, store houses and store places, etc.. The City of Gran Concepción is situated at the distance of about 500 km to the South from Santiago and it’s connected with the Capital by Pan-American highway (Ruta 5 Sur, Santiago - Chillan) and then by the Highway Ruta 152.

The advantages of realization of the Project in the the urban agglomeration of Gran Concepción

- ✓ The City of Gran Concepción is situated in the geographical and logistics center of the forest regions of Chile;

- ✓ The City of Gran Concepción is the large business, industrial, and cultural center of Chile having well developed and multifunctional infrastructure (the second city in the country as for its size and population which makes more than 1 million of people);
- ✓ Availability of high qualified and well-educated labour resources;
- ✓ The distance from the City of Gran Concepción to administrative and industrial centers of other forest regions of Chile (Chillan, Los Angeles, Osorno, Temuco, Valdivia, Puerto Montt, Puerto Varas) does not exceed 500 km (for instance, this distance from Santiago makes from 500 km to 1000 km);
- ✓ Direct vicinity of large sea port and container terminal of San Vicente (14 km до Concepción) that's accessible for container transportation from any of large and medium sized ports of Europe (usually through Hamburg container terminals); additionally: convenience of the port and the container terminal as them selves;
- ✓ The City of Gran Concepción makes somewhat as «gravity center» and the actual capital of the South of Chile;
- ✓ All the operating costs and expenses on the project realization and further development and also all the permanent and current expenditure of the business (rentals, legal and bookkeeping support, machinery maintenance and handling costs, labour) are cheaper for 1,3 - 1,5 times as compared with those ones in Santiago;
- ✓ Existence and availability of well equipped and stuffed overhaul and maintenance base, high level of supply of the region with any and all consumables, tools, lubricants and greases, and also with spare parts of general use (fixtures, sealing, hydraulic components, and so on);
- ✓ Sustainable, good and friendly business environment, existence of good partner relations within the City of Gran Concepción, in the Region VIII of Bio-Bio, and in other forest regions of Chilean South;
- ✓ Relatively short distance from the Capital, that provides the possibility of resolution of various issues in public, state, and governmental bodies promptly;
- ✓ High level of the forest harvesting and timber processing machinery, equipment, and products demand in the City of Gran Concepción and within the Region VIII of Bio-Bio as itself;
- ✓ The largest in the country exhibition center of Chile where all regular professional events take place also is situated in the City of Gran Concepción. This exhibition and event center is the important point of representation and exchange of specialized scientific and technical information.

The goals achieved already for now within the frames of the Project realization in the City of Gran Concepción (urban agglomeration):

✓ Existence of sustainable and well-grounded informational and organizational support (the level of consortium agreement;

✓ Availability of prompt commencement of sales of any specialized products with the partner support of several local companies;

✓ Availability of several guarded and secured sites and storehouses for parking, storing, and demonstration of machinery and equipment, and even for the purposes of permanent exhibition (level of agreement and co-operation with local partners);

✓ Availability of well equipped facilities of technical maintenance, repair and overhaul of machinery and equipment;

✓ Availability of several turn-key solutions for organization of office and sales facilities, thus for now we have 5 point of sales (show-rooms) available for immediate use in several cities of the South of Chile provided by our partners on the preferable conditions, two more points of sales would be ready in first half of 2016, those are the following, see in the table and map correspondence.

Site of sales	Number of sales points (show-rooms)	Availability	
Talla	1	Available	
The City of Gran Concepción, including:	2	Available	
Concepción	1	Available	
Coronel	1	Available	
Los Ángeles	1	Available	
Temuco	1	Available	
Valdivia	-	Project	
Osorno	-	Project	

- ✓ Availability of key professionals (high qualified experts) skilled in operating, maintenance and technical support of forest machinery and equipment;
- ✓ Availability of well educated and qualified office personnel (main working skills and fluent English speaking);
- ✓ Availability of legal and bookkeeping support;
- ✓ The issues of sea and on-land logistics for transportation of the goods from Europe and of handling thereof in the place are resolved completely in the level of agreement (global sea forwarder with well developed agent network all over the world, customs brokers, and local specialized handling and transport companies);
- ✓ We achieved very good and friendly relationship and interaction with local public and governmental bodies and professional associations, and also with the business society in places (in all forest regions of the South of Chile)
- ✓ We have resolved all the problems and issues of spare parts, consumables and accessories supplies;
- ✓ We are ready to provide the operation of the office in working mode of 18/5/365 with support in English;
- ✓ Availability of organization of around-a-clock operative technical support and maintenance;
- ✓ We have resolved completely all the problems of handling, storing, and primary maintenance of the machinery as received and also all those in the sense of necessary spare parts and consumables.

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https://en.wikipedia.org/wiki/Concepción,_Chile),
https://fi.wikipedia.org/wiki/Concepción_(Chile),

Final provisions on the Project fulfillment

Neither this Project nor this text dedicated to all the peculiarities of its realization and fulfillment do not foresee or contain in somewhat sense some «encourage» of any legal or natural persons, companies or business groups to participate in it. We apologize that as an initiative so an interest should be of manufacturers, that that those should be stipulated by discretion and considerations, needs and plans thereof.

The only goal of ours was to make all the persons concerned being informed on the possibilities of participation in it and also about the current potentials of the Chilean market.

Notwithstanding of all mentioned above we are always ready to discuss the possibilities and opportunities of participation in it with all the persons concerned.

THIRD BLOCK

Realization of the Project in the area of Gran Concepción

Why does the area of ***Gran Concepción*** *was chosen by the Project owners as the place of the Project development, supplementary practical notes.*

Chile, 2016

Realization of the Project in the area of Gran Concepción

Short summary of the advantages mentioned above already

As we've highlighted in the Block II, the core idea of the Project is the idea of unique partner program of **multi-brand non-competitive representative office (several companies and several products) offered to the partners within the frames of present Project foresees provision the partners with high quality representation services for promotion and sales of non-competing products manufactured by non-competing companies.**

So first and foremost of all other this Project provides the partners with the Program of quick entrance for them and their products in the Chilean market and next to the markets of Latin America as entire. We've chosen the urban agglomeration of Gran Concepción as the allocation of head-quarters of the Project basing of the following considerations all of which were already revealed by us. The most important of those are the following:

- The City of Gran Concepción is the second city of Chile as for its business significance, and also it is the informal capital of the South and at that the "actual capital" of all the forest regions of Chile.
- Actually in all territories of forest regions of the South Chile we have met whole-hearted support of our ideas and initiatives from the side of forest operators and professional companies, practically all the parties we have met with revealed great interest to the supplies of European specialized machinery and equipment manufactured in the countries of European Union.
- Availability of use of four sea-ports in the region in view of reception and proper handling of containers, also achieved practical agreements with forwarders, customs brokers, and authorities of sea-ports on delivery, handling, transportation and customs clearance of European goods (sea-containers of the sizes to 40'). For now actually we are able to accept the cargos in two ports of Gran Concepcion Area - San Vicente and Coronel, our forwarders render services on logistics and transportation of good in practice from almost all the ports of Northern Europe, also the forwarders provide the services of on-land transportation of goods - i.e., those are "turn-key" solutions on the conditions of reasonable and even low levels of pricing.
- The City of Gran Concepción is situated in the geographical and logistics center of the forest regions of Chile. The distance from the City of Gran Concepción to administrative and industrial centers of other forest regions of Chile (Chillan, Los Angeles, Osorno, Temuco, Valdivia, Puerto

Montt, Puerto Varas) does not exceed 500 km (the distance is for at least 500 km shorter than from Santiago)

- The City of Gran Concepción provides the availability of high qualified and well-educated labour resources;
- All the operating costs and expenses on the project realization and further development and also all the permanent and current expenditure of the business (rentals, legal and bookkeeping support, machinery maintenance and handling costs, labour) are cheaper for 1,3 - 1,5 times as compared with those ones in Santiago.
- Existence and availability of well equipped and stuffed overhaul and maintenance base, high level of supply of the region with any and all consumables, tools, lubricants and greases, and also with spare parts of general use (fixtures, sealing, hydraulic components, and so on).
- Sustainable, good and friendly business environment, existence of good partner relations within the City of Gran Concepción, in the Region VIII of Bio-Bio, and in other forest regions of Chilean South.
- High level of the forest harvesting and timber processing machinery, equipment, and products demand in the City of Gran Concepción and within the Region VIII of Bio-Bio as itself.
- Existence of sustainable and well-grounded informational and organizational support (the level of consortium agreement.
- Availability of prompt commencement of sales of any specialized products with the partner support of several local companies, and also the availability of several guarded and secured sites and storehouses for parking, storing, and demonstration of machinery and equipment, and even for the purposes of permanent exhibition. At that, here we have close co-operation and partnership within the frames of the Project with three local specialized companies.
- Availability of well equipped facilities of technical maintenance, repair and overhaul of machinery and equipment.
- Availability of several turn-key solutions for organization of office and sales facilities, thus for now we have 5 point of sales (show-rooms) available for immediate use in several cities of the South of Chile provided by our partners on the preferable conditions, two more points of sales would be ready in first half of 2016, those are the following, see in the table and map correspondence.
- Very good and friendly relationship and interaction with local public and governmental bodies and professional associations, and also with the business society in places (in all forest regions of the South of Chile).

Geographical situation of Gran Concepción

Gran Concepción (in English - The Greater Concepcion) is the second largest conurbation in Chile, after Greater Santiago with 945,650 inhabitants according to the 2012 pre census.
It takes its name after the city of Concepción, the regional capital and main city.

Gran Concepción (Metropolis of Concepción) geographical coordinates: 36°47′0″S 73°07′0″W

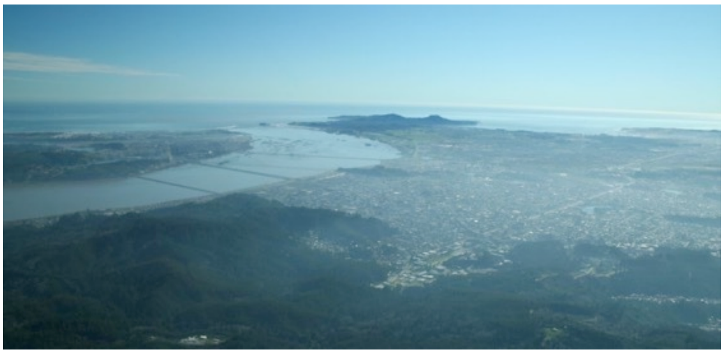
The agglomeration is composed of:

- Concepción
- Talcahuano
- Chiguayante
- San Pedro de la Paz
- Hualpén
- Penco
- Tomé
- Coronel
- Lota
- Hualqui

Gran Concepción has also the second largest concentration of business in Chile.

There is also a commuter rail system which serves most of the communes (Spanish: comunas) in the conurbation: Biotren.

For now the system of railroads in Chile destroyed in the end of XX Century is in the stage of reconstruction, and in nearest years it is expected that all local railroad systems will be conjoined in the unified national network to make competition to the existing high developed network of national motor roads.



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Some additional clarifications on the choice of the City of Gran Concepción for allocation of the Project

We've already mentioned above in the Second Block of this text tat for now we are ready to use for the purposes of the Project fulfillment several pints of sale (show rooms) staffed with qualified personnel. Those are in Concepción (2 points), Los Angeles, Temuco, and Talca. Also we've mentioned that within the first half of this year 2016 two point more will be ready and available: those are in Osorno and Valdivia. So within the current year 7 sales-points will be available for the Project's needs. To the very end of this year we also plan to open 8-th point of sales in Puerto Montt, this will allow us to work directly with companies in the far South of Chile. In necessity, there is practical possibility to open one more point of sales in the City of Chilean which is also important "center of load" in this forest area of Chile.

Here we try to illustrate more about our business consideration in the point of view of the Project development in the City of Gran Concepción. Here in the map one can see the geographical situation of Gran Concepción, we show it once again, because we need to make some additional comments and reveal some practical considerations that grounded on the unique allocation of Gran Concepción.

Here in the map one can see the situation of Gran Concepción with respect to others points and to the motor road Ruta 5 (Pan Americana). Thus, here below are provided the additional comments for this choice of the business allocation, as follows:

- Gran Concepción area has four large sea ports, with management of the two of which we are in close co-operation.
- At least two of four sea ports of Gran Concepción are available for delivery cargos (containers) practically from any port of Europe.
- Gran Concepción has several motor-road connections with the main “transport artery" of Chile - Ruta 5. Two of them are highways.
- One of the highways above connects Gran Concepción with Chilean and other with Los Angeles and Temuco.
- Except of the sales points in Gran Concepción, all other sales points are (or will be) allocated in the cities situated directly in the route of Ruta 5. Those are respectively from the North of the South: Talca, Chillan, Los Angeles, Temuco, Osorno, and Puerto Montt.
- The highway form Gran Concepción to Chillan (to the North) connects it directly with Talca and Santiago, another highway (to the South) directly connect it with Los Angeles, Temuco, Osorno, Puerto Montt.
- Gran Concepción has its own airport, that makes it possible to deliver unique and expensive spare parts from Europe through Santiago within the period of 2 days as maximum, if necessary.
- Gran Concepción is well connected by highway with the territories of forest regions of Argentina, that makes additional advantages for further development of the business on following mature stages.

Final provisions on the Project fulfillment

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Notwithstanding of all mentioned above we are always ready to discuss the possibilities and opportunities of participation in it with all the persons concerned.

About the author

Alexander L. Elin (Russian nationality) was born in Vyatka, Russian Federation, on May 15, 1963. Nowadays, he lives permanently with his family in Santiago, Chile, where they moved from Russia in January 2015.

Alexander L. Elin has graduated from Kirov Polytechnics Institute (currently - Federal State Budgetary Educational Institution of Higher Education «Vyatka State University») in 1985 with the honours degree, and since 1987 he has been working in the forest industry and wood & timber business. Alexander L. Elin worked in one of the largest forest holdings of former USSR (JSC Kirovlespom) where he started his career from an ordinary engineer of mechanical and power engineering department at the beginning - to the position of vice-president before leaving the company. While working in the mechanical and power engineering department of the Holding Kirovlesprom Alexander L. Elin dealt with the issues of heating systems in forest settlements, supply of equipment, construction of heating plants and heat transport systems, ecology; also he dealt with supply of forest harvesting, timber processing machinery and equipment, equipment for sawmills, and so on.

During the period of his employment in the Holding, permanently improving his qualification and skills, Alexander L. Elin succeeded in organization of Ecology Department, Department of Export & Import operations, and then of Leasing and Sales Entity within the structure of the Holding JSC Kirovlespom. In the period from 1997 till 2000 Alexander L. Elin worked in the Holding Thomesto Oy (Finland), firstly as consultant and then as the head of a subsidiary company in the Holding structure. From 2001 till now, Alexander L. Elin successfully deals with various commercial projects and also in the forest industry working on organization of commercial and industrial companies, and concurrently within the field of specialized scientific and technical translation business.

Career of Alexander L. Elin in private business began in 1995 and continues till now. During this period Alexander L. Elin participated, developed, controlled and supervised several successful industrial, commercial and scientific projects in Russia, Italy, Cyprus, Finland. Alexander L. Elin is the co-owner of a patent for ecological equipment (utilization of timber processing wastes for purposes of heating, 1991), he is the author of several publications dedicated to forest business and also he has written and published 5 scientific articles on theory and practice of language translation of technical and scientific papers (all the articles were published in specialized scientific magazines).

Alexander L. Elin speaks in three languages fluently (Russian as native, English and Spanish). Nowadays he deals with advising and consulting within the spheres of forest industry and ecology projects in Chile and Latin America.

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