

Chile's Wireless telecommunications market is the most advanced in Latin America, characterized by high penetration rates and strong competition.

Market Overview

■ Chilean telecom companies are turning to the Internet, corporate data communications, and wireless applications for new business, higher margins, and faster growth.

■ Increased competition is making Internet and datacoms the most dynamic and fastest growing segments of the telecom sector. Meanwhile, mobile operators continue to experience rapid growth as they introduce enhanced services and new technologies. Mobile telephony represents 35% of the total investment in telecom.

■ According to market experts, broadband Internet revenues are expected to represent half of all Internet revenues, reaching US\$150million a year by 2008.

■ Since 2003, Chile's operators have rapidly become the fastest adopters of Wi-Fi in the region. Chile is now the most competitive Wi-Fi market in Latin America, opening the door for broad utilization as operators implement innovative Wi-Fi business models.

■ Chile's Smartcom was the first to launch 1xEVDO services, in September 2004, on its CDMA2000 1xRTT network.

■ Chile has one of the highest mobile telephone penetration rates in Latin America: reaching 60% in 2005.

U.S. Position

■ Aggressive marketing and a willingness to form partnerships have helped U.S. companies make substantial progress into the Chilean market. U.S. equipment is highly regarded in Chile for its reliability and quality.

■ The U.S. is currently Chile's largest telecom equipment supplier, representing approximately 30% of total imports, primarily composed of cellular infrastructure equipment and mobile telephones.

■ Cisco (U.S.A.) is an important supplier of telco's net infrastructure in the Chilean market. Lucent (U.S.A.) sells equipment for corporate nets in Chile. 3Com (U.S.A.) and Motorola (U.S.A.) work mostly with corporate clients. The latter sells its mobile phone units and also has a net division that supplies equipment to build Wimax nets.

■ During 2004, there were 473,146 net connections, a 51% increase over 2003.

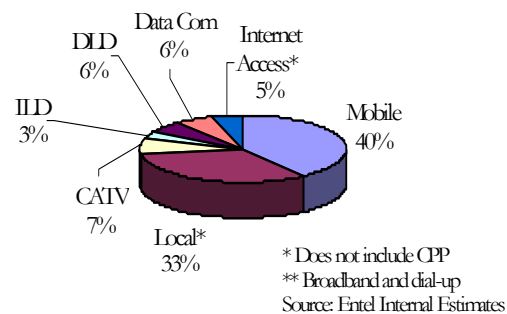
■ According to the Santiago Chamber of Commerce, nearly two-thirds of all Chilean businesses are connected to the Internet, and about 11% of these businesses have a web site up and running.

■ According to the World Internet Project Chile (an international research organization that analyzes internet usage), 66% of Chileans have online access.

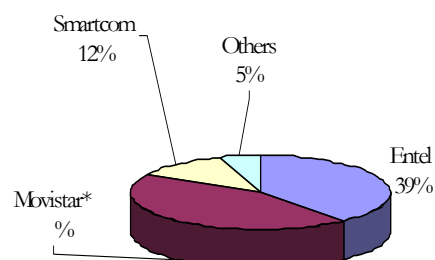
■ A mobile access fee structure issued by Subtel, the government regulator, in January 2004, is gradually reducing fixed-to-mobile interconnection fees by 26.5% over five years.

■ The market trends are focused on the development of Wi-Fi hotspots, Wimax (mainly for government use), Bluetooth technology, and VOIP especially for corporate services.

Chilean Telecommunications Overview



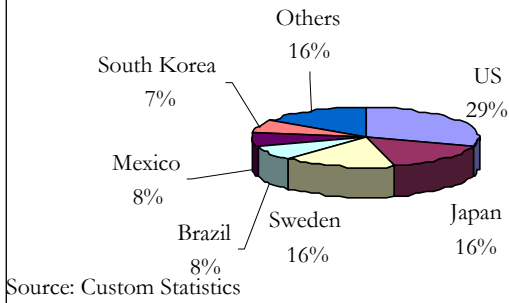
Wireless Telecom Market Share



Source: Subtel

Note: Movistar is born from Bellsouth and Telefónica Móvil's merge.

Telecom Imports Main



Principal Sub Sectors

- Internet connectivity and Broadband
- Mobile Telephony

Competitors

■ The Chilean Wireless telecommunications market, with three mobile operators, 52 ISPs, more than 19 Internet companies, one company with CATV and over 18 long-distance carriers, is very competitive.

■ VTR is the leader in cable services (45,000 data subscribers approximately) after it bought 80% of Metrópolis, merging both into one company with 80% of the market. UnitedGlobalCom, is the parent company of VTR.

■ Entel is the market leader in the Chilean ISP (Internet Service Provider) market with 48% market share, according to company estimates. The remaining market share is divided between a number of other players, such as Telefónica's Terra Lycos and local provider CMET-NET.

■ CellStar is one the most important distributors/importers of cellular equipment.

Commercial Opportunities

- Corporate Communications Services, including corporate applications software.
- Network Equipment: switching & transmission equipment for PCS systems; radio-based communications infrastructure and equipment infrastructure; and external TV cable network equipment.
- Voice over Internet Solutions, Wireless Local Loop, and Local Multipoint Distribution Systems.
- Industry experts predict a future demand for innovative mobile data applications.
- "Digital Action Group" is a government initiative to coordinate and implement its 2005 agenda for the development of information technology in the country, with the backing of the local private sector.
- Broadband Internet adoption will continue to grow as residential subscribers migrate from dial-up to broadband connections and SMEs embrace broadband over more costly private circuits.
- Chilean telecom companies compete with the most advanced technologies. For example, Hot lines and Infobox services, home security services, automatic collect-calls, and corporate communications services.
- The Chilean Government is interested in Wimax to improve the penetration of telephony and Internet in rural areas.

Other Resources

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

We hope you find this information useful. If you would like further information, please contact Isabel.Valenzuela@mail.doc.gov, the CS Santiago Telecom Specialist. Visit our website at www.buyusa.gov/chile to discover other commercial opportunities in Chile. Completed October 2005.