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WITH the escalating economic gloom in Europe and the US, emerging economies need to trade with – and invest in – each other more, said a visiting Chilean official.

These countries will be able to hedge their risks by adopting this strategy, said Mr Matias Mori, executive vice-president of the foreign investment committee of Chile.

"The next years will be the years of emerging markets," he said. "And the emerging economies which are quicker to understand how to hedge the risks, and associate with countries that are like-minded and have similar characteristics, will navigate the rough seas in an easier manner than those who isolate themselves. You cannot put all your eggs in one basket.

"I doubt the growth rates of the EU or the US will be stellar. And their prices are not going to be as competitive, so it will make more sense to have more fluent channels of trade among emerging nations in certain areas."

Mr Mori was in Singapore for the Latin Asia Business Forum, held at the Grand Hyatt on Wednesday.

He said he is satisfied that Chile's strategy to attract foreign

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Chile's strategy to attract foreign direct investment has achieved results, but added that his committee will now narrow down the scope of target firms.

"What we need to improve (on) is to sharpen our scope of potential customers. Because not all companies are in a position to go global," he said.

"They need certain levels of sophistication and internal capabilities for them to make the jump out of the home region, outside of Asia."

Mr Mori said about 40 companies from Singapore have invested in Chile. Temasek Holdings is one of them, with a 1.18 per cent stake in the national LAN Airlines that was purchased last year.

He said Temasek has also looked at Chilean firms in the mining and water treatment sectors.

Chile, a nation of about 17 million people, is a major exporter, mainly of minerals. Bilateral trade between Chile and Singapore more than doubled to $422 million for the first eight months of this year over the same period a year ago.

Mr Mori is also confident that Chile can continue to attract foreign direct investment (FDI) despite the current market turmoil caused by euro-zone debt problems.

"The financial cycles are much more temporal than FDI cycles because of the term of the investments. For short-term investments, you are much quicker at redeploying your assets, but when you are making an FDI commitment, you are making a long-term commitment."

ROBIN CHAN

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