



Doing Business in Chile:

2014 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In Chile

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Market Overview

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As the United States - Chile Free Trade Agreement (FTA) concludes its tenth year, trade in products and services continues to be a resounding success. As of January 1, 2004, duties were reduced to zero on 90% of U.S. exports to Chile with all remaining tariffs to be phased out by 2015.

In 2013, bilateral trade between the United States and Chile reached US\$ 27.9 billion, an increase of over 330% in bilateral trade levels before the U.S.-Chile FTA was implemented. U.S. exports to Chile in 2013 reached US\$ 17.5 billion, while imports from Chile reached a record US\$ 10.4 billion.

In 2010, the United States and Chile concluded the negotiations of a bilateral tax treaty that has not yet been ratified in either Congress.

The United States remains the single largest cumulative direct investor in Chile. In 2012, the United States represented a materialized investment of US\$ 2.9 billion. Canada came in second with US\$ 944 million, and Spain followed with US\$ 107 million, according to the Foreign Direct Investment Committee.

Both macroeconomic stability and growing integration with international capital markets has earned Chile an A+ credit rating, the highest in Latin America. Chile remains one of the most stable and prosperous developing nations and consistently ranks high on international indices relating to economic freedom, transparency, and competitiveness. It also performs very well in terms of government efficiency, low levels of corruption, openness to foreign trade and was the highest ranked country in Latin America in terms of economic competitiveness, according to the World Economic Forum's Global Competitiveness Report 2013-2014.

Chile continues to pursue market-oriented strategies, expand global commercial ties, and actively participate in international issues and hemispheric free trade. Chile is a member of the Pacific Alliance, the Rio Group, an associate member of Mercosur, a full member of APEC, and a founding member of the Trans Pacific Partnership and UNASUR. In 2010, Chile became the 31st member of the OECD, only the second Latin American country to join after Mexico.

With Free Trade Agreements with Europe, China, India, and North America, Chile has given its nearly 17 million citizens unprecedented access to the world's

products and services. This offers a unique opportunity for U.S. exporters interested in expanding their businesses in arguably the most open and stable market in Latin America.

As of August 2014, the Chilean Congress is debating a new tax reform bill that could have implications in the corporate tax rate.

Market Challenges

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Perhaps the greatest challenges to a U.S. firm seeking to export to Chile are the high degree of competition and the relative market size. Even though Chile is a relatively small market (pop. 17 million), its open trade and investment policy has attracted the attention of many foreign firms and it ranks as the 21st largest U.S. export market in the world. At the same time, the small market size has led some companies to overlook Chile, leaving interesting niche markets and solid opportunities for U.S. exports.

Despite Chile's openness to new products and technology, Chilean business people tend to be more conservative and cautious than the average U.S. business person. U.S. companies should take this into consideration when entering the market and adjust sales expectations accordingly.

While the Chilean government is committed to trying to streamline certain processes, such as the time it takes to open a business or close a banking account, U.S. companies will find that operating in Chile requires patience and a tolerance for delays associated with doing paperwork and obtaining approvals.

A key to competing is finding the right in-country partner. A good agent or distributor can use their business and/or social connections to open doors and overcome regulatory, as well as cultural and language barriers.

U.S. companies doing business in Chile should be aware that a relatively small number of economic groups and families control a large percentage of Chilean businesses. The limited competition in select industries has brought to light increasing concern for potential collusion.

For particular companies, intellectual property rights protection (IPR) can also be a challenge in Chile. See [Chapter 5: Trade Regulations and Standards](#) and [Chapter 6: Investment Climate](#) for more information.

Market Opportunities

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Chile quickly recovered from the international financial and economic woes of 2008-2009 as well as the February 2010 earthquake that severely affected the economy in the southern part of the country. The housing market has rebounded, led by earthquake reconstruction projects and a housing boom in the Santiago Metropolitan area. Energy costs continue to be the highest in South America and Chile is searching for all available technology and capital to increase supply through new power plants and promote energy efficiency.

Chile is adept at leveraging private sector involvement in public works projects and infrastructure via the “concession system” and will continue to use this strategy going forward. Chile has privatized much of its infrastructure and basic services, such as ports, highways, transportation, and water supply. In addition, there is significant private sector involvement in education, retirement/pensions, health care, and prisons.

Many U.S. companies consider Chile an excellent platform for doing business in the region. Peru, in particular, has received significant attention from Chile-based retail companies, mining companies, and agriculture interests. Chile is also South America’s largest investor in Brazil.

It is estimated that the mining and energy sectors will draw the greatest amount of private investment in 2014.

See [Chapter 4: Leading Sectors for U.S. Export and Investment](#) for some key best prospects.

Market Entry Strategy

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Establishing a local subsidiary or branch office in Chile is recommended for a U.S. exporter expecting a large sales volume and/or requiring local service support or localized inventory. Any corporation legally constituted abroad may form, under its own name, an authorized branch (agencia) in Chile.

Another practical and more common market entry strategy, especially for new-to-market exporters, is to appoint an agent or representative with good access to relevant buyers and solid technical expertise. See [Chapter 3: Selling U.S. Products and Services](#) for more details on market entry strategies.

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/index.htm>

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Using an Agent or Distributor

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In general, foreign suppliers enter the Chilean market by appointing an agent, distributor or wholesaler. Most are small-to-medium size firms. Several large firms handle different product lines and operate as wholesalers. Almost all the firms have their main offices in Santiago. The larger ones have branch offices throughout the country, including the free-trade zones of Iquique and Punta Arenas. Agent/representative commissions normally range from 5 to 10 percent, depending on the product. For contract requirements, see [Local Professional Services](#) in this chapter.

Chile is a relatively small market where relationships in the business community are a key to success. The selection of a Chilean agent or representative is an extremely important decision for U.S. exporters and merits a thorough review of possible candidates, their qualifications and capabilities. U.S. companies are invited to make full use of the wide range of market entry and partner search services offered by the Commerce Department's U.S. Commercial Service (<http://export.gov/chile/>) and for agricultural exports, the Department of Agriculture's Foreign Agricultural Service (www.fas.usda.gov). Please see [Chapter 10: Guide to Our Services](#).

Establishing an Office

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Incorporating in Chile is not expensive and takes about three weeks. The direct costs are approximately US\$1,500 for legal fees and US\$ 300 for expenses such as notary public, commerce registry and official gazette. Chile has no minimum local participation

requirement, and the inclusion of local partners is guided only by commercial considerations.

The first step for a U.S. citizen, corporation or entity wishing to establish a business in Chile is to present a declaration of intent to invest in Chile to a Chilean Consulate, stating the nature of the business and the capital to be invested, while simultaneously requesting a Permanent Residence Visa. This confers official residence status on the company, which is necessary in order to conduct commercial activity in Chile.

In May 2013, in an attempt to facilitate the registration of new businesses, an online portal was created which allows users to create a company in less than 24 hours. This portal is user friendly, free, and can be found at www.tuempresaenundia.cl.

Within the framework of Chilean law, business entities can choose to set up in a variety of different corporate forms, each with different legal and tax implications. Since Chilean tax treatment of the various forms of businesses is similar, the choice of entity type is often guided by U.S. tax considerations. There is no tax treaty between Chile and the U.S. See [Chapter 6: Investment Climate](#).

Franchising

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Chile's favorable business climate continues to slowly open new opportunities for the franchise industry; however, the typical U.S. franchise model faces some obstacles in the country. U.S. franchisors will find Chileans less willing to make the upfront investment and will not take on a commitment to open many locations until they prove the concept in one or two locations.

There are approximately 130 franchises operating in Chile with an approximate growth of 60% in terms of the number of stores. The fast food sector has the lead in this growth. Chilean QSR concepts have 35% of the market share and the United States has 27%.

Franchise companies operating in Chile are subject to local trade laws, as there is not specific legislation for this industry. U.S. franchises do benefit from the U.S.-Chile Free Trade Agreement, in place since 2004. In general, royalties and fees have a withholding tax that ranges from 15% to 35%. U.S. companies are encouraged to register their trademarks prior to enter the market.

For further information at the U.S. Commercial Service in Santiago, please contact Commercial Specialist Veronica Pinto at: Veronica.Pinto@trade.gov

Direct Marketing

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Direct marketing is well-established in the services sector, especially in banking/finance and telecommunications services. Catalog and online sales are not common marketing methods used to reach the average Chilean consumer, but are growing rapidly among the middle to upper classes, young teens and Internet savvy professionals.

Although Internet and catalog sales are increasing with time, the more traditional Chilean consumer generally prefers to browse in shops rather than to purchase through catalogs. Customers do want to know there is a store that can provide after sales service or address any problem that might arise.

The exchange of products in Chile is made more complicated due to value added tax (VAT) considerations. Most store policies will provide store credit, rather than cash refunds, with exchanges. The larger department and grocery store chains do provide cash refunds. Credit card penetration is lower in Chile than in the United States, but growing.

Joint Ventures/Licensing

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In Chile, joint ventures and licensing arrangements require the participation of a legally established local partner who can be responsible for Chilean legal and tax obligations. The various administrative, commercial, profit distribution and other issues involved in the association are established in contracts drawn up between the partners in accordance with Chilean law and tax regulations.

Selling to the Government

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The U.S.-Chile FTA calls for open tendering in public procurement. Tenders must be made in written Spanish and winning bids are published, including the name of the supplier and the value of the contract. The FTA provisions cover procurements by over twenty Chilean central government entities for non-construction purchases. It also covers local government non-construction procurements. The agreement also calls for non-discriminatory “national treatment” for either country’s suppliers. Tender opportunities should be published at least thirty days in advance and technical specifications or requirements should be performance-based. The agreement further establishes an impartial authority to review any challenges filed against specific procurement awards.

A government of Chile procurement website (www.chilecompra.cl) was established in March 2000 to increase transparency, enhance opportunities and reduce government procurement costs. The site serves as a central source for all Chilean government procurement, including the armed forces. Foreign and local bidders on government tenders must register with the Chilean “Dirección de Aprovisionamiento del Estado” (Bureau of Government Procurement Supplies). They must also post a bank and/or guarantee bond, usually equivalent to ten percent of the total bid, to ensure compliance with specifications and delivery dates. Bidding is best done through a local agent who is registered, well connected, and familiar with Chilean government bidding procedures.

Distribution and Sales Channels

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Establishing a local subsidiary or branch office in Chile offers would-be exporters the best guarantee of efficient service and appropriate product promotion. Corporations legally constituted abroad may form, under their own name, an authorized branch

(agencia) in Chile. This method of market penetration involves an additional investment, but is justified if sales are large in volume or when local service support and/or inventory are keys to success.

Another practical and more common market entry strategy, especially for new-to-market exporters, is appointing an agent or representative with solid technical expertise and good access to relevant buyers. Most manufacturing, trade and service activities in Chile are managed from Santiago, the capital. However, the country's geographical length means that larger representatives often have branch offices in different regions as well.

Seaports are the most important points of entry for merchandise entering Chile. Approximately 97% of exports and 59% of imports go through seaports, of which the most important are San Antonio and Valparaíso. Remaining trade exits/enters the country via airports and by surface transportation, mainly to/from Argentina, Brazil, and Bolivia. From point of entry, merchandise is distributed to final destinations mostly by surface transportation. Chile's rail network is limited, although there are plans to modernize and expand it. Logistics operations have been modernized, and many new distribution centers and warehouses have been built, especially by large retailers such as department stores, supermarket chains, and distribution companies. Courier and transportation companies operate efficiently throughout the country.

Selling Factors/Techniques

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Depending on the product or service, price can be the key sales factor in Chile. Price-competitive products from places such as Taiwan, China, India or South Korea often outsell more expensive European or North American products, especially in consumer product categories such as electronics, appliances and automobiles.

However, a product's dependability is especially important to consumers with goods such as advanced electronics or heavy machinery; for this reason, Chilean customers often prefer more expensive U.S. or European products. While price remains a factor in purchasing decisions, considerations of quality, durability, technology, customer support and availability of service will also influence the purchasing decision. The order of importance depends on the industry, the customer and the application.

All sales materials should be in Spanish.

Electronic Commerce

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In 2013, internet penetration per 100 inhabitants reached 44%. According to industry contacts in 2013, the size of the digital economy in Chile was over US\$ 1.6 billion, a 25% increase compared to 2012. B2C sales represented 50% of the 1.6 billion. This figure is low when compared to Brazil, where it reached approximately US\$ 19 billion or Argentina with US\$ 3.3 billion. The Santiago Chamber of Commerce estimates for 2014 a 20% growth for e-commerce reaching US\$ 2 billion. The B2C segment is best developed within the retail industry although the internet sales only represent 2.7% of its total sales. The B2B segment is less developed in the Chilean market.

Following is a sample of e-commerce sites in Chile:

B2G:

Chile's government procurement site: www.mercadopublico.cl

Chile supplier's site: www.chileproveedores.cl/chprovdnn/

Chile's Internal Revenue Service: www.sii.cl

National Civil Registry: www.registrocivil.cl

B2B:

Santiago Chamber of Commerce: www.ccs.cl

Santiago Chamber of Commerce: www.misproveedores.cl/webingresorpe/login.aspx

Sonda systems integrator: www.sonda.cl

Chilean lumber producer: www.arauco.cl

Telecommunications provider: www.entel.cl

B2C – Retailers:

www.falabella.cl

www.paris.cl

www.ripley.cl

www.sodimac.cl

www.lan.cl

www.jumbo.cl

Trade Promotion and Advertising

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Overview

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Television, radio, newspaper and magazine advertising are used heavily to reinforce in-store-merchandising methods. Private agencies handle most advertising. Most of these agencies belong to the Chilean Association of Advertising Agencies (ACHAP). ACHAP estimates about \$1.4 billion USD were spent on advertisement in Chile in 2013. Non-cable television accounted for 42.7 percent of all spending on advertising, followed by newspapers (24.2 percent), billboards/posters (9.1 percent), radio (7 percent), magazines (2.2 percent), cable TV (5.4 percent), the Internet or online (9.3 percent) and films (0.3 percent). See www.achap.cl.

TV / Cable TV

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Chile has six national broadcast television networks. All of them are self-supporting through advertising. TV stations in Santiago are: Televisión Nacional (TVN – Channel 7); Mega TV (Channel 9); Chilevisión (Channel 11); Canal 13; Red TV (Channel 4); and Universidad Católica de Valparaíso (UCV - Channel 5).

Programming depends on local productions, foreign series and movies. Dubbed U.S. product predominates, but Mexican, Venezuelan, Brazilian, Argentine, and Japanese material is also common. Locally produced news, magazine shows, variety shows, reality shows, and soap operas are high quality and draw large prime time audiences.

Cable television reached about 63 percent of households nationwide in 2012. Four major cable and satellite TV systems (VTR, Movistar, Claro, and Direct TV) operate in 95 percent of the country. All rebroadcast local stations and a host of international channels. U.S. offerings include CNN International, CNN Español, HBO Ole, MTV, NT, ESPN, Cartoon Network, and MSTV. There are also local stations such as Vía X (Channel 24) and Canal 13Cable (Canal 13's cable station); and CNN Chile and 24 Horas (TVN-owned), both focusing on news. Direct satellite television initiated service in Chile in 1997.

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Radio is the country's most extensive mass medium and most trusted source of news. Nearly all stations operate commercially, and six have network affiliates. Over 70 percent air on FM. There are approximately 2,000 AM and FM broadcast stations nationwide, plus approximately 240 community radios. An estimated 93 percent of Chile's population listens to radio. The figure for Santiago is 97 percent. Asociación de Radiodifusores de Chile (ARCHI) statistics state that there are 17 million radio sets in Chile.

Radio is a prime source of current news to millions of Chileans, and the national networks devote large budgets to maintaining professional news staff to meet the public's considerable appetite for information. The national networks with the highest number of listeners are Radio Biobío, Radio Cooperativa, Radio ADN and Radio Agricultura.

Newspapers

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Chile has approximately 50 newspapers ranging from nationally distributed dailies to small-town tabloids. Distribution ranges from 5,000 copies of a regional newspaper to as many as 593,216 copies of a Sunday edition of Santiago's El Mercurio. Santiago has 9 newspapers with a combined average weekly circulation of approximately 2.5 million. The circulation of local dailies in the regions is approximately 220,000.

Chile has two major media holdings: El Mercurio SAP and Consorcio Periodístico de Chile (COPESA). Most national and regional newspapers belong to one or the other. El Mercurio, owned by the Edwards family, has a chain of newspapers in Santiago and in most important cities nationwide. Its flagship publication is El Mercurio de Santiago, which is the most influential newspaper in the country. It also owns afternoon daily La Segunda, which is known to influence public agenda, and mass-oriented popular daily Las Ultimas Noticias. The holding publishes regional editions of El Mercurio plus smaller newspapers under the name La Estrella or El Diario Austral. It also owns influential regional daily El Sur and has a digital network of 34 regional radio stations. COPESA is owned by the Alvaro Saieh group (Corp Group). It distributes the national daily and widely circulated La Tercera, business and financial Pulso, popular La Cuarta, and

newsweekly Qué Pasa. It also publishes monthlies Qué Pasa Minería and Qué Pasa Energía magazines, focused on mining and energy issues. COPESA also owns Grupo Dial, a group of six radios that air in Santiago and other major cities.

Also published in Santiago are financial newspapers Diario Financiero and Estrategia, and free tabloids Publimetro (owned by Metro International), La Hora (Copesa-owned), and Hoyxhoy (Mercurio-owned).

El Mostrador is an entirely online news service. Intended as web-based information media, it is editorially leftist in its political orientation with a strong emphasis on human rights and political issues. It is a well-known and well-recognized media among young professionals and center-left intellectual circles. www.elmostrador.cl

Average readership for Santiago's major newspapers*

	Saturday	Monday-Friday Sunday
El Mercurio (conservative, influential)	333,700	507,617
La Cuarta (popular)	593,216	381,750
La Tercera (conservative, independent)	439,499	424,056
Las Ultimas Noticias (popular)	252,466	304,127
La Segunda (afternoon conservative, influential)	404,127	280,257
Estrategia (financial)	78,306	19,429
Diario El Pulso (financial)	12,000	
Publimetro (free daily)	382,938	
La Hora (free daily, Copesa-owned)	320,833	
Hoyxhoy (free daily, Mercurio-wned)	252,521	
Diario Financiero (financial)	32,000	
El Sur (regional conservative, influential)	35,000	
Capital Magazine (biweekly)	32,422	
Caras (entertainment bi-weekly magazine)	127,135	
Cosas (entertainment bi-weekly magazine)	165,085	
Que Pasa (conservative newsweekly)	35,519	
The Clinic (weekly political satire)	152,495	
El Periodista (quarterly magazine)	8,000	

*Readership figures are from the study for the Circulation and Readership Verification System for the July 2012-June 2013 period, carried out by IPSOS.

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The major Santiago current affairs magazines published for nationwide readership includes the weekly Qué Pasa, which circulates with the Saturday edition of La Tercera; quarterly El Periodista, of independent leftist orientation (8,000); and conservative Ercilla, with an approximate readership of 10,000. Monthly publications Capital,

AméricaEconomía, Poder y Negocios, and Gestión target business and professional audiences. Two biweeklies with Life-magazine style formats – Cosas and Caras – featuring photos and entertainment news.

There is an additional magazine-format website, CIPER Chile, run by a group of leading investigative reporters, dedicated to exposing corruption and examining other critical issues related to government and public policy. CIPER Chile publishes stories at its own pace and with no set timetable. It operates as an independent, non-profit foundation that has received funding from COPESA, the Open Society Foundation (London) and the Ford Foundation. www.ciperchile.cl

Useful web links for major Chilean publications:

El Mercurio chain website www.emol.com

Consortio Periodístico de Chile (COPESA) www.copesa.cl or www.latercera.cl

Economic and financial daily *Estrategia* www.estrategia.cl

Economic and financial daily El Diario www.df.cl/

Business and financial daily Pulso www.pulso.cl

Pricing

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Pricing in Chile starts with a fairly straightforward formula based on CIF value: costs plus generally constant ship-to-warehouse expenses. Gross margins for consumer goods are generally 30 to 50% or more for direct sales to consumers, or 20 to 30% each for the importer/distributor and the retailer when a distribution chain is in place. The final price for mass-market items should be competitive with imports from Asia and/or Brazil. Higher-priced items must identify niche market segments in order to prosper. More specialized products are sold by stocking distributors or by commissioned agents who generally earn margins of 5 to 10% on their sales.

Under the U.S.-Chile FTA, tariffs were eliminated on most goods imported from the United States. However, Chile's value added tax (called "IVA" in Spanish) has been 19% since October 1, 2003. Any tariff and value added tax is usually paid by the importer and not by the supplier. There are some exceptions: government entities do not pay these taxes, and some luxury goods have higher tariffs.

Sales Service/Customer Support

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Customer service and support are fundamental to successfully penetrating and retaining market segments for most products and services. Any product that requires operator training or needs after sales technical service must have, in effect, a qualified local company ready and able to assist the customer. Due to Chile's relatively close-knit society, company reputations can be made or lost in a fairly short period of time.

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Protecting Your Intellectual Property in Chile:

Several general principles are important for effective management of intellectual property (“IP”) rights in Chile. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in Chile than in the U.S. Third, rights must be registered and enforced in Chile, under local laws. Your U.S. trademark and patent registrations will not protect you in Chile. There is no such thing as an “international copyright” that will automatically protect an author’s writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Chilean market. It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in Chile. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Chilean law. The U.S. Commercial Service can provide a list of local lawyers upon request <http://chile.usembassy.gov/medical-legal.html>.

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Chile require constant attention. Work with legal counsel familiar with Chile laws to create a solid contract that includes non-competition clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Chile or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)

- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or visit www.STOPfakes.gov.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**, or visit <http://www.uspto.gov/>.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**, or visit <http://www.copyright.gov/>.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, please visit the “Resources” section of the STOP fakes website at <http://www.stopfakes.gov/resources>.
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.stopfakes.gov/business-tools/country-ipr-toolkits. The toolkits contain detailed information on protecting and enforcing IP in specific markets and also contain contact information for local IPR offices abroad and U.S. government officials available to assist SMEs.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers Chile at: U.S. Commercial Service Rio de Janeiro, albert.keyack@trade.gov.

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Due diligence is an important part of any decision to enter into business with a foreign company. U.S. exporters who would like to request background on a prospective business partner should consider the International Company Profile (ICP) service offered by the U.S. Commercial Service. For more information on this and other U.S. Commercial Service assistance to identify and qualify your business partner, please see <http://export.gov/chile/>

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Chile's business environment and infrastructure are well-developed. There are many local companies that can provide professional services to U.S. firms.

The U.S. Commercial Service maintains a list of service providers that offer legal, financial, administrative/HR, transportation, hotel, consulting and market research services. These firms provide support to companies initiating or expanding business in Chile. See <http://export.gov/chile/businessserviceproviders/index.asp>

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USDA Foreign Agricultural Service:	www.fas.usda.gov
U.S. Embassy Santiago:	http://chile.usembassy.gov
Chilean-American Chamber of Commerce (Amcham):	www.amchamchile.cl
Chilean Embassy in Washington:	www.chile-usa.org
National Chamber of Commerce	www.cnc.cl
Santiago Chamber of Commerce:	www.ccs.cl
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Agriculture Machinery and Equipment (AGM)

Overview

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Unit: USD thousands

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	582,157	422,884	283,577	395,800
Total Local Production	7,800 (*)	8,200	8,200	7,800
Total Exports	23,200	23,800	23,800	22,000
Total Imports	597,557	438,484	399,177	410,000
Imports from the U.S.	95,609	75,763	60,057	61,859
Exchange Rate: 1 USD	486	495	536	581

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

- Total Local Production: Sofofa, Sociedad de Fomento Fabril
- Export/Import data: Chilean Customs; Central Bank

Chilean exports of agriculture and agro-industrial products are facing a difficult scenario due to several factors: a low exchange rate, high labor cost, high energy cost, and adverse climate conditions such as droughts, freezes, and untimely/strong rain. As a result, total exports for 2013 reached \$ 14.3 billion, a 1.93% decrease when compared to 2012. However, the market for specialized and energy efficient agriculture machinery and equipment is still a best prospect because it can help reduce labor and energy cost, and is expected to grow by approximately 4% during 2014. Productivity has increased in the last years, but needs to increase even more, in direct relation to the use of new and higher efficiency machinery, technology, and natural fertilizers and soil enhancers. Harvesting machinery is one of the most required by Chilean farmers, since automated equipment has helped reduce the high labor costs. Chile must reduce production costs to remain competitive in the international market, of which it is an important food supplier.

Low exchange rate during the last years has negatively impacted Chilean exporters, who have suffered due to the very weak US dollar compared to the Chilean peso. However, the situation has changed during the last months, and as of July 2014, the US dollar has appreciated, making conditions more favorable for Chilean producers and exporters. The weak dollar benefited U.S. exports of machinery and equipment when compared to the more expensive Euro. However, China is becoming a very strong competitor. During 2013, U.S. exports of said equipment represented 17.3% of total imports.

Sub-Sector Best Prospects

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- Irrigation infrastructure is required to maximize efficiency of water usage. There is still minimum levels of deficit for irrigation infrastructure due to the 2010 earthquake, which occurred just to the southwest of Chile's main agricultural region. Investment in irrigation and other related systems represent an opportunity for U.S. agriculture machinery manufacturers.

- Precision agriculture equipment: To effectively monitor production conditions and improve crop yield.
- Fresh fruit harvesting equipment (labor and production costs reduction).
- Energy efficient machinery and equipment (lower production cost).
- Environmentally friendly machinery and equipment (reduce impact on environment).

Opportunities

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The following trade shows provide an excellent opportunity to enter the Chilean market:

- FITAL, May 2015 in the southern city of Talca

Best opportunities relate to sub-sector best prospects (above). There are ongoing sales opportunities but no major projects to report at this time.

Web Resources

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ODEPA, Oficina de Planificación Agraria (Chilean Office for Agricultural Policy Studies):

www.odepa.cl

Ministry of Agriculture: www.minagri.gob.cl

SAG, Servicio Agrícola y Ganadero (Agriculture and Cattle Service): www.sag.gob.cl

SNA, Sociedad Nacional de Agricultura (National Association of Agriculture):

www.sna.cl

INDAP, Instituto de Desarrollo Agropecuario, (Institute of Agriculture Development):

www.indap.cl

SOFOFA, Sociedad de Fomento Fabril, (Industrial Manufacturers Association):

www.sofofa.cl

Unit: USD millions

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size ⁽¹⁾	1,244	1,240	1,177	1,240
Total Local Production ⁽²⁾	390	416	417	420
Total Exports	410	439	440	450
Total Imports	1,264	1,263	1,200	1,270
Imports from the U.S.	374	368	360	370
Exchange Rate: 1 USD	486	495	536	581

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

Total Local Production: Chile Customs Data, industry experts and elaboration

Total Exports: Chile Customs Data

Total Imports: Chile Customs Data

Imports from U.S.: Chile Customs Data

Notes: (1) These figures do not include parts for mining machinery and vehicles, a major industry in Chile. (2) The total local production figure is 85% tire production for exports.

There are approximately 4 million vehicles in Chile. In 2013, the automobile sector increased by 12% over the previous year, indicating rapidly growing demand. Since there is no significant local production of auto parts, all parts and accessories are imported from trading partners around the world who have access to the Chilean market. Local manufacturing is approximately 30% and this portion mainly serves the local market. Local production is limited mostly to tires, filters, screws, CV joints and gearboxes.

The auto parts sector is divided into two main categories; the market for light vehicles, which includes passenger vehicles; and the market for heavy vehicles, which includes buses, trucks, trailers, and heavy equipment.

The Chilean market has over 60 brands from various countries. Nevertheless, U.S. auto parts are still leading the market and account for approximately 30% of the auto parts imported by Chile, grossing roughly US\$ 368 million.

Keeping used cars instead of trading in for new ones maintains the demand for replacement parts. Also, consumers may try to look for quality and will be willing to pay more for a replacement part that will last. 43% of cars in use may be over 10 years old.

In the market for heavy vehicles, American brands are the top sellers. Best prospects for parts include engine kits, differential gears, clutches, rings, accessories, lights,

pneumatic suspension systems, batteries, filters, and oil. Also, parts that wear, such as joints, rods, and fifth wheels, are successful.

In the market for light vehicles the best prospects include engine components, clutches, mufflers, tires, catalytic converters, lights, gearboxes, air filters, brake components, and windshields.

Opportunities

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Interesting opportunities are present in the aftermarket parts and accessories market. Non-branded or generic imports account for 70% of the aftermarket and 30% are OEM.

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Chamber of Auto Parts- CAREP: www.carep.cl

Chilean Automotive Association - ANAC: www.anac.cl

Metal Mechanics & Metalurgics Association - ASIMET: www.asimet.cl

National Chamber of Automotive Commerce - CAVEM: www.cavem.cl

For additional information please contact: claudia.melkonian@trade.gov

Construction (CON)

Overview

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Unit: USD millions

Construction Equipment	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	959	1,021	769	731
Total Local Production	1	1	1	1
Total Exports	80	80	80	80
Total Imports	1,038	1,257	848	810
Imports from the U.S.	412	388	220	210
Exchange Rate: 1 USD	486	495	536	581

Source: Chilean Customs Data, industry experts and local research
Total Market = Total Imports + Local Production - Exports

Chile's construction sector grew by 6.5% in 2013, above the country's average economic growth of 4% for the same period. Industry experts project the sector's expansion of approximately 4% during 2014. Yearly public investment should ideally reach about 6% of the country's GDP, but current spending reaches only 3%, equivalent to \$ 7.5 billion. Deficit in public infrastructure investment totals \$ 34 billion for the period between 2012-2016, and public investment projections account for approximately \$ 1.8 billion for the period between 2013-2015. The exchange rate has negatively impacted the value of investment, and industry analysts expect the construction sector to continue expanding significantly (despite a current de-acceleration) for at least until 2015, driven by higher investment in housing and infrastructure.

Chile has a large portfolio of infrastructure projects related to transportation since there is a current deficit in several areas such as ports, airports and highways. Airport infrastructure projects total approximately \$ 1.4 billion for the period between 2014 – 2018, and \$ 1.7 billion for the period between 2014–2023. Highway and road capacity is extremely low in several regions throughout the country, which becomes especially evident during high tourism season. A total of 53 identified regional projects are to be constructed in the next 10 to 15 years, totaling investment of about \$ 8 billion, which includes general road works, international and local highways, and smaller connecting roads between cities. The country's economic growth and strong international trade, of which 96% is transferred through ports, requires improvement of transfer capacity and logistic services. Projections indicate that the country's port capacity will become saturated by 2020. Investment in port infrastructure projected for the period between 2014-2018 will reach \$ 2.7 billion, while for the period between 2014 and 2023, totals \$ 5.3 billion

Some mining projects in northern Chile have been stalled which impacts growth projections, and have caused a de-acceleration of growth. In addition, the Chilean government will continue efforts to finalize repair and rebuilding of housing and public

infrastructure damaged or destroyed during the February 2010 earthquake. The administration also updated the country's concession programs, promising fresh investment in port expansions, new highways and other infrastructure, totaling US\$ 14 billion through 2014.

The U.S, with 36.8% of the Chilean market, is the single largest supplier of the Chilean construction industry, mostly with high-tech building materials and capital equipment, followed by Germany (15%), Japan (10%), and China (4%).

Sub-Sector Best Prospects/Services

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Chile manufactures very limited and basic types of construction equipment, mostly mining related. The vast majority of equipment is imported, and U.S.-made products are highly regarded by Chilean buyers.

The best opportunities for U.S. exports are for those products that offer high levels of efficiency, reduced operational costs and ease in getting the job done. The most promising are in areas such as energy efficiency products and supplies, earth moving equipment, concrete technology for high-rise building construction (scaffolding, concrete pumps), and consumables that accelerate the building process.

Opportunities

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- Housing: includes all income levels, but with special emphasis on social projects
- Public Works, Infrastructure: highways, airports, ports, hospitals, etc.
- Mining & general industry construction
- Private buildings (offices, hotels, first & second homes, lake and beach resorts)
- Retail, especially shopping malls
- Educational and private health facilities
- Industrial facilities

The industry trade show EDIFICA / Expo Hormigón will co-locate with the first Latin American CONEXPO in October, 2015 as a result of an agreement signed between the U.S. Association of Equipment Manufacturers, AEM, and the Chilean Construction Chamber, Cámara Chilena de la Construcción, CCHC. The two events will be held simultaneously in Chile and will be able to cover the entire Latin American region.

Web Resources

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www.cchc.cl :	Chilean Chamber of Construction
www.mop.cl :	Ministry of Public Works
www.minvu.cl :	Ministry of Housing and Urbanism
www.ingenieros.cl :	Chilean Association of Professional Engineers
www.colegioconstructores.cl :	Chilean Association of professional Construction Engineers
www.aoa.cl :	Chilean Association of Architectural Bureaus
www.colegioarquitectos.com :	Chilean Association of Professional Architects
www.chilegbc.cl :	Green Building Council Chile

For additional information you may contact Mary.Lathrop@trade.gov

Defense Equipment

Overview

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	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	n/a	1,000	800	600
Total Local Production	n/a	n/a	n/a	n/a
Total Exports	n/a	n/a	n/a	n/a
Total Imports	n/a	1,000	800	600
Imports from the U.S.	n/a	500	400	300
Exchange Rate: 1 USD	486	495	536	581

Unit: USD millions

The Chilean Defense Ministry oversees Chile's three military services, Army, Navy and Air Force. The Police ("Carabineros") and Investigation Police (PDI) are affiliated with both the Defense and Interior Ministries.

The Chilean Armed Forces are the most modern in Latin America. The Chilean Air Force has the largest fleet in Latin America. For years the Chilean Armed Forces have had the necessary funding for upgrading and modernization of their equipment due to the Copper Law which has been effect for decades. Under this law, ten percent of the copper sales of the state-owned mining company, Codelco, are assigned exclusively for the purchase and/or upgrading of military equipment with the objective of protecting Chile's security nationally and internationally.

Currently, it is estimated that there are approximately US\$ 2 billion accumulated as a result of the Copper Law. The law is being reviewed by Congress in order to make it more efficient and transparent and with a long-term orientation. However, the accumulated funds can only be used by the Armed Forces for purchasing new equipment or upgrading existent equipment with the approval of the Minister of Defense.

Market Entry

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Foreign suppliers find Chile an attractive market for their products and services. The Chilean Armed Forces are considered very professional and modern. They are constantly updating their infrastructure and equipment as necessary. Most of the major suppliers from Europe, Canada, Israel and other countries are present in Chile, either directly with a branch office in country or indirectly through a local representative. It is advisable that U.S. suppliers of defense equipment use the Chilean Military Mission in Washington, D.C. as their first point of contact (see contact information below). The Military Mission has representatives from the Air Force, Army and Navy. Separately, Carabineros de Chile also have a representative in Washington, D.C.

The Advocacy Center, under the U.S. Department of Commerce, is available to provide USG support to U.S. companies competing in a bid with other suppliers of defense equipment and products. U.S. companies may contact directly the Advocacy Center in Washington, D.C. to file a request for support, www.advocacycenter.com

Before submitting a proposal to the Armed Forces, all foreign suppliers of defense equipment and their local representatives must register with each of the Chilean Armed Forces. Also, **Chilecompra** <http://www.chilecompra.cl> is the Chilean system for government procurement. The main objective of this electronic platform is to guarantee high levels of transparency, efficiency and the use of technology in the government's purchases, benefiting private enterprise, the State and the general public.

Opportunities

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There are two major defense related shows held in Chile every two years, FIDAE and ExpoNaval.

FIDAE is the most important aerospace, defense and security event in Latin America, which is organized by the Chilean Air Force every two years. The wide range of products and services offered at FIDAE, makes this event the platform for renewal and investment decisions in technology in the region and a gathering place for executives, professionals, government officials and armed forces not only from Chile but also from the United States, Latin America and Europe.

During FIDAE's last version held in March 2014, the U.S. Commercial Service hosted for the first time the "Introduction to Potential Partners" Program in its booth in the U.S. Pavilion. The main objective of this program was to assist new-to-market and/or small companies find a local partner that would enable them to enter the Chilean market. The U.S. Commercial Service invited local representatives in the defense market to visit its booth and review the brochures and materials exposed by the U.S. participants. The 2014 program was very successful and it will be held again during FIDAE 2016.

FIDAE 2016

March 29 – April 3, 2016. Santiago, Chile. www.fidae.cl
U.S. Pavilion; Show Organizer: Kallman Worldwide. www.kallman.com

The Chilean Navy organizes every two years Exponaval, which is held in Valparaiso, Chile. This international event hosts foreign exhibitors from many different countries, from navy, defense and maritime sectors. An international conference on "The Energy and Environmental Challenges for the Navy and Maritime Industries" will be held simultaneously during Exponaval 2014. The Highest-level of foreign delegations from foreign Armed Forces have been invited and confirmed their participation.

EXPONAVAL 2014

December 2-5, 2014. Con Con (Valparaiso), Chile. www.exponaval.cl
U.S. Pavilion; Show Organizer is Kallman Worldwide. www.kallman.com

Web Resources

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Chile Compra (www.chilecompra.cl)
Chilean Ministry of Defense (www.defensa.cl)
Chilean Army (www.ejercito.cl)
Chilean Navy (www.armada.cl)
Chilean Air Force (www.fach.cl)
Chilean Police Force (www.carabinerosdechile.cl)

Water Desalination

Overview

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Desalination Equipment	2012	2013	2014 (Estimate)	2015 (Estimate)
Total Market Size	141	152	162	173
Total Local Production	N/A	N/A	N/A	N/A
Total Exports	10	11	12	13
Total Imports	151	163	174	186
Imports from the U.S.	41	43	46	49

(In millions of US dollars. Source: Chilean Customs Data, industry experts and own elaboration)

The Chilean copper sector's demand for water is expected to grow 38% by 2021 according to Cochilco, the nation's copper commission. In an effort to manage the declining supply of water while also providing a solution for the mining industry's needs, the lower house of the Chilean government has drafted two bills that would make the use of desalinated water mandatory in the mining process. Under current regulations, the government does not demand that the mining companies use any specific source of water in their operations. However, if either bill passes into law the country could see the development of a domestic desalination industry, as mining enterprises consuming over 150 liters of water per second would be required to incorporate desalinated seawater into their operations.

A prominent desalination industry will increase water availability for miners and allow the sector to remain competitive in the long term, enabling consistent output growth in the production of copper, gold, silver, molybdenum, iron, coal and more. It will also minimize the potential conflicts that take place between the mining industry and local communities due to scarce freshwater resources.

The relatively high cost of desalination in Chile remains the principal obstacle to the industry. Costs of desalination in the country have escalated in recent years to twice as expensive as similar operations in the United States (Chile: \$5-7 per cubic meter, U.S: \$2.3 per cubic meter). Codelco, the Chilean state owned mining company, cites that using seawater can be at least 4 times more expensive than using fresh water, depending on the project's geographical location. These high costs have raised the industry's energy operating costs to an amount that represents 14% of total production costs. This is equivalent to 27 cents per pound of metal and is the highest level registered in Chile since 2000. Nevertheless, the development of new energy recuperation technologies has now begun to reduce operation costs of desalination and there still remains room for the creation of increasingly efficient technologies.

On top of the mining industry's declining access to water, falling ore grades and higher labor costs will continue to increase costs for companies. Though data for 2012 suggests a slight increase, industry consensus indicates that the falling grade of the ore

will continue to plague the industry. Falling grades make extraction activities inherently less efficient, as more rock and ore must be mined to maintain production levels. As a result, mining operations will face conflicting pressure to both conserve scarce supplies of fresh water while also increasing the mine output.

Best Prospects/Services

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There are approximately a dozen desalination projects under evaluation by mining companies in the north of Chile and there is still much room for industry growth. As the depletion of the underground water reserves in northern Chile will continue over the next few years, consumers will be forced to look elsewhere for their water supply.

Leading mining and energy companies, such as AES Gener, are the primary buyers in the Chilean market. Facing the likely prospect of water restrictions, a number of mining companies have already begun introducing desalination plants into their operations. This list includes Minera Escondida of BHP Billiton, El Abra of Freeport-McMoRan, as well as Radomiro Tomic and Chuquicamata – divisions of Codelco. However, once the proposed bill is passed, the demand is expected to skyrocket.

Minera Escondida was the pioneer of utilizing desalination in its mining operations. Desalinated water currently makes up 15% of the total water that the firm uses and they have recently confirmed an investment of USD 3.43 billion in order to desalinate no less than 2,500l/s of seawater. This new influx will support multiple operations and greatly minimize the company's dependence on fresh water.

Opportunities

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In Chile's desalination industry, opportunities are present within the many mining projects located in the Norte Grande region, which spans most of the Atacama Desert, one of the driest places on the planet. There is already sufficient demand for cost efficient desalination methods, and pending the passing of the proposed legislation, demand will surely increase dramatically as the mining companies will be forced by law to use desalinated water. To satisfy water demand the private sector plans to invest between USD 4-5 billion in desalination businesses through 2014. This figure will also rise due to government incentives, putting investments above USD 20 billion.

Web Resources

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http://www.mining.com/chile	Global Mining News
http://www.expomin.cl/	Expomin Mining Trade Show
http://www.accion.com	Acciona Desalination Plant
http://export.gov/chile	Export.gov: Water Overview
http://www.gbreports.com	Global Business Reports: Mining in Chile
www.ift-energy.cl/	IFT Energy & Water Trade Show

Electric Power Equipment (ELP)

Overview

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Electric Power Equipment	2012	2013	2014 (Estimate)	2015 (Estimate)
Total Market Size	1,197	1,649	2,254	2,858
Total Local Production	114	126	138	150
Total Exports	71	77	84	92
Total Imports	1,154	1,600	2,200	2,800
Imports from the U.S.	188	284	396	504

(In millions of US dollars. Source: Chilean Customs Data, industry experts and own elaboration)

Between 2014 and 2020, annual growth rates of 5% to 6% are projected for electricity consumption in Chile. This means that approximately 100,000 GW-h of total electric energy will be in demand by 2020. An increase in supply of some 8,000 MW of new generation projects would be needed to satisfy the demand.

The average yearly growth of electric power demand over the last twenty years has been 6.7%. The future of the energy sector faces a series of difficult years due to the limited investment in generation and transmission.

Power generation projects are expected to represent about USD 5.0 billion in investment during 2014-2015. US\$ 141.1 MW-h was the median market price for the central grid and US\$ 100.0 MW-h for the northern grid, recorded in April 2014.

The energy crisis in past years has been managed with what is termed by energy experts as “covert rationing.” The Electric Energy Dispatch Centers (CEDEC) simply tell large customers to accept a 5% decrease in the voltage.

Renewable energy generation market share will remain at single digit percentages, currently under 7% of Chile’s total energy matrix for the foreseeable future. Projects in small hydropower, biomass, biogas, wind, and solar energy are receiving increased government and private-sector support.

In October 2013, new legislation (Law 20/25) makes mandatory use of non-traditional renewable energy sources. By 2025, and through yearly incremental steps, the new law mandates that 20% of energy purchases must come from non-conventional renewable sources. Chile’s natural resources allow analysis of energy from sources of power including wind, geothermal, solar, biomass, bio-fuels and other sources of energy.

Based on a review of importation statistics, the Chilean market of equipment sold to the energy sector is expected to increase in the coming years.

Generation

- Hydro-generation Plants: <70MW
- Thermal-generation plants in the range of 100 MW - 300 MW
- Clean coal technology plants (The government has announced regulations on coal emissions)
- Combined-cycle gas fired plants and support systems
- Dual gas/diesel fired plants
- Geothermal plants
- Wind generation plants: >0.3 MW - 10 MW, horizontal, variable speed, pitch reg., >50 mt. mast turbine
- Solar panels for water heating (The GOC has a subsidy program for new low cost houses with this technology and encourages savings in natural gas)
- Solar PV panels and CSP systems. For the mining sector turn-key projects are the norm.

Transmission

- High efficiency transmission equipment and supplies, aimed to transfer electric energy >1,000 miles
- Environmental solution services
- NOx, particle and CO2 abatement equipment
- Scrubbers, fumes treatment technology and equipment.

Distribution

- Electric control instruments
- High efficiency transformers
- Signal conditioners

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Export opportunities in the area of electric power equipment are a consequence of a surge in power generation and transmission investment that will require direct investment and supplies of approximately USD 12 billion between 2014 and 2015.

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www.cne.cl :	Chilean Energy Commission
www.cdecsic.cl :	Central Interconnected Grid Management System
www.cdecsing.cl :	Northern Interconnected Grid Management System
www.revistaiei.cl :	Electric Industry Magazine

Energy Efficiency

Overview

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Unit: USD thousands

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	n/a	n/a	n/a	n/a
Total Local Production	n/a	n/a	n/a	n/a
Total Exports	n/a	n/a	n/a	n/a
Total Imports	n/a	n/a	n/a	n/a
Imports from the U.S.	n/a	n/a	n/a	n/a
Exchange Rate: 1 USD	486	495	536	581

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

Total Local Production: n/a

Total Exports: n/a

Total Imports: n/a

Imports from U.S.: n/a

The energy consumption in Chile may grow annually around 6% through 2020, which means that the country will need to improve its generation capacity towards the end of this decade. Energy efficiency is part of the solution therefore it has become an important aspect of the national strategy. The government recently announced a project law on energy efficiency that will be presented in Congress during the fourth quarter of 2015. It is being prepared by an inter-ministerial committee that includes representatives of Interior, Finance, Economy, Social Development, Public Works, Housing, Transportation, and Environment. The project aims at rewarding energy savings and creating incentives for the electricity distribution companies for a rational use of energy. The first step of the action plan is a proposal for the different sectors in the country to prioritize energy efficiency in their decision making process in order to begin the development of a culture which engages this concept.

An important player in Chile for energy efficiency is The Chilean Agency of Energy Efficiency, a private non-profit organization with the goal to promote, strengthen, and consolidate the efficient use of energy by coordinating relevant players at the national and international level and implementing public/private initiatives that will lead to a competitive and sustainable development of the country.

A huge number of green products are already present in the Chilean market; however, identifying them may be a challenge as many are imported under the regular HS Codes. For example, low energy light bulbs are imported under HS Code 85393100. The imports for this HS Code in 2013 reached US\$ 21.4 million, of which China had 85% of the imports followed by Thailand with 6%.

Opportunities

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U.S. energy service companies (ESCOs), engaged in energy management have interesting opportunities in this market. Local engineering companies are already providing consulting services and developing projects and solutions to advance energy efficiency in Chile. These companies may have an interest in partnering with U.S. companies that have extensive design and implementation experience in integrating efficiency measures.

Web Resources

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Ministry of Energy: www.minenergia.cl

Chile Agency of Energy Efficiency: www.acee.cl

Ministry of Environment: www.mma.gov.cl

For additional information, please contact Veronica.Pinto@trade.gov

Food Processing and Packaging Machinery and Equipment (FPP)

Overview

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Unit: USD millions

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	353.2	397.1	431.9	412.7
Total Local Production	0.9	0.9	0.9	0.7
Total Exports	9.0	7.5	8	8
Total Imports	361.3	403.7	439	420
Imports from the U.S.	61	80.3	50.4	45
Exchange Rate: 1 USD	486	495	536	581

Total Market Size = (Total Local Production + Total Imports - Total Exports)

Data Sources: Total Local Production: Sofofa, Sociedad de Fomento Fabril; industry contacts
Export/Import figures: Chilean Customs; Central Bank; industry key contacts

The Chilean agriculture/agro-industry (including food processing) is the second largest export sector in the country, after copper. Food exports have doubled in the last 10 years. During 2013, Chilean agricultural exports accounted for 14% of the country's GDP, exporting approximately USD 1.9 billion of processed fruits and vegetables. Main products in this group are raisins, frozen raspberries, and dehydrated prunes. The country's potential for production and exports of agro-industrial products is featured by the following emblematic figures: frozen blueberry exports grew by 120%; olive oil exports increased 59.1%. Chile is number 15 among the world's food suppliers. Projections place Chile among the top ten countries in food exports by 2018, with annual exports expected to reach between USD 15 and USD 17 billion. Chile is a large producer of fish and seafood products, as well as wine, dairy and meat products and by-products.

The country's agro-industrial industry should continue to grow based on the excellent growing conditions and good local management. The market for food processing and packaging equipment and machinery grew from USD 353.2 million in 2012 to approximately USD 397.1 million in 2013, representing roughly 13%, mainly due to private industry expansion projects. The proposal for a radical tax reform has caused new investment projects to be 'on hold' for the time being. The country's economy is expected to grow by approximately 3% during 2014.

Chile's Mediterranean climate and favorable geography make it qualified to produce a wide range of food products. In addition, the country is effectively a phyto-sanitary island which together with strict government policies, maintain Chile free of most pests and diseases. A major advantages as a southern hemisphere producer is the ability to do counter-season exports to the northern hemisphere.

Sub-Sector Best Prospects

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Chilean wine, salmon, trout, and fresh fruit are well recognized internationally, and even though still growing, have reached maturity as sub-industries. The salmon industry

suffered a severe crisis, an outbreak of the ISA virus, but is well in the recovery stage. This represents an opportunity for U.S. exporters of veterinary products as well as environment-friendly equipment and supplies. Strong growth products include meats (beef, poultry, pork and exotic meats), olive oil, aquaculture products (mussels, abalone, scallops, tilapia, oysters, catfish, etc.), and dairy products. As a result, great opportunities exist for new technologies, food processing and packaging machinery, and equipment that allow for improved quality, efficiency and greater production of processed food items. Chile's labor and energy costs are very high, and a challenge to the industry, which provides U.S. exporters a good opportunity for exporting high-production/efficiency machinery as well as energy efficient equipment to allow production cost reduction. Chilean producers are constantly on the look for environmentally friendly machinery, equipment and supplies to comply with requirements from destination countries and importers (Japan, EU., U.S., etc.).

Chile is moving from exporting raw material and commodities, to value added products, which require more processing equipment as well as packaging equipment. The dairy industry continues to grow its production and exports. However, this sub-sector uses mainly machinery and equipment of European origin, especially from Denmark, Finland, Holland, Spain and Germany.

Opportunities

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Companies in this industry are fully aware of the need to remain competitive with up-to-date technology, as well as highly efficient production processes. Advanced technology such as automated systems, quality control, and environment-friendly equipment provide opportunities for U.S. companies.

The two largest dairy companies, Nestle and Soprole, announced their intention to merge, which would have an impact on the local market and provide additional requirements for machinery and equipment.

The following trade shows provide an excellent opportunity to enter the Chilean market:

- Vinitech (wine industry trade show), May 28-30, 2014 Mendoza, Argentina www.vinitech.cl (this year the regional fair will take place in Argentina)
- FruitTrade (related to fruit production and exporting), November 12-13, 2014, Santiago www.pmafruittrade.com
- Aqua Sur, (aquaculture fair), Oct. 22-25, 2014, Puerto Montt, Chile: www.aqua-sur.cl

Web Resources

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www.chilealimentos.cl - Chile Alimentos, Chilean Food Producers Association
www.salmonchile.cl - SalmonChile, Chilean Association of Salmon Industry
www.apa.cl - APA, Chilean Association of Poultry Producers
www.asprocer.cl - ASPROCER, Chilean Association of Pork Producers
www.winesofchile.org - Wines of Chile, Association of Wine Producers and Exporters
www.chileoliva.cl - Chileoliva, Chilean Association of Olive Oil Producers
www.fedefruta.cl - Fedefruta, Chilean Association of Fresh Fruit Producers
www.asoex.cl - ASOEX, Chilean Association of Fruit Exporters
www.chileanavocados.org - Chilean Avocados Importers Association (Washington D.C.)

Healthcare (HCS/MED)

Overview

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Unit: USD millions

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	411	413	421	437
Total Local Production	7	7	6	6
Total Exports	16	16	17	17
Total Imports	420	422	432	448
Imports from the U.S.	125	149	155	157
Exchange Rate: 1 USD	486	495	536	581

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

Total Local Production: Chile Customs Data, industry experts and elaboration

Total Exports: Chile Customs Data

Total Imports: Chile Customs Data

Imports from U.S.: Chile Customs Data

President Bachelet (2014-2018), recently announced a US\$ 2.2 billion healthcare investment plan during her term, for the construction of six new hospitals and the expansion, repair, and modernization of 56 older public hospitals. The current administration also prioritizes information technology and communications strategies for shared digital medical records in the public system, an increase in the number of healthcare professionals, and an enhancement of the use of telemedicine and teleradiology, in particular for isolated locations of the country. Additionally they strive to strengthen attention and results at the primary healthcare level due to increase in the number of patients with chronic diseases such as diabetes, high blood pressure, high cholesterol, obesity, and asthma. Treating these patients at outpatient centers would avoid frequent hospital readmissions and would provide patients with better quality care at lower cost for the public healthcare system.

The public healthcare system is comprised of 183 hospitals: 59 high-complexity, 24 medium-complexity and 100 low-complexity hospitals. In all, the public sector has approximately 26,300 beds. In the private sector, there are 109 hospitals, with approximately 11,000 beds. The uncertainties in the impact of fiscal reforms of the current administration are expected to slow down healthcare expansion projects in the private the sector.

FONASA, the government-run healthcare insurance system, covers 75% of the population; of the remaining 25%, approximately 5% lacks any type of insurance, and 20% (bordering on 2.6 million people) pay into the private sector insurance system provided by entities called ISAPRES. There are 7 Isapres currently operating in the Chilean market.

Chile's Universal Access to Healthcare government program, ex "Plan AUGE", currently known as "GES" (Garantias Explicitas en Salud) started in 2005 and consists of government-funded subsidized healthcare coverage for – currently - 80 diseases considered to be high-incidence. A recent report by the Ministry of Health indicates that 10 years ago, the number of patients with cataracts that were operated reached 7,000. In 2013, the number of cataracts patients operated was 46,000.

In general, there is no health-required registration imposed on medical devices except for contraceptives, gloves, needles, and syringes that do need authorization/quality control assessment to certify its safety. X-Ray equipment or nuclear medicine equipment does need special authorization from other government agencies. Pharmaceuticals do have mandatory registration that is granted by the Institute of Public Health.

Sub-Sector Best Prospects

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Interesting opportunities for U.S. exporters in the healthcare industry are expected for the next couple of years, including autoclaves, surgical tables, disposable and non-disposable surgical instruments, cardiology equipment, ventilators, infusion pumps, aspiration pumps, central monitors, incubators, trauma equipment, anesthesia equipment, and hospital furniture.

Opportunities

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Opportunities will arise with the construction of new hospitals and healthcare centers in the public sector which will require hospital implementation. Public sector purchases are regularly published as tenders at the government portal www.mercadopublico.cl. Foreign companies may register on this portal as foreign suppliers; however, it is often more effective to appoint a local representative with experience in selling to the public sector and the use of the government portal. Local reps generally have good contacts in the public and private sector and a network of sales people throughout the country.

Web Resources

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Ministry of Health: www.minsal.cl
Fonasa: www.fonasa.cl
Association of Isapres: www.isapre.cl
Health Superintendency: www.supersalud.gob.cl
Institute of Public Health: www.ispch.cl
Association of Private Clinics: www.clinicasdechile.cl

For additional information, please contact Veronica.Pinto@trade.gov

Mining Equipment (MIN)

Overview

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	2012	2013	2014 (Estimate)	2015 (Estimate)
Total Market Size	3,028	2,919	2,750	2,625
Total Local Production	542	525	500	480
Total Exports	225	230	250	255
Total Imports	2,711	2,624	2,500	2,400
Imports from the U.S.	1,021	816	625	604

(In millions of US dollars; Source: Chilean Customs Data, industry experts and own elaboration)

Chile is the number one producer of copper in the world. In 2013 the sector produced 6.2 million tons of copper. Its current world production market share is 33%. The mining sector contribution to the country's GDP is approximately 16% (GDP 2013: USD 277 billion). The industry represents about 60% of the country's total exports.

In addition to copper, Chile is also a major world supplier of molybdenum, gold and silver. Chile is also a relevant supplier of nonmetallic minerals such as iodine, lithium, sodium and potassium nitrate.

In 2013, the average spot price of copper was US\$ 3.3/lb. Projects are under development, albeit at a more moderate pace relative to 2012, by both the public sector, namely the state-owned mining company, Codelco, and the private sector, with companies such as AMSA, Xstrata, BHP Billiton and others.

Current copper prices and future contracts indicate that in 2014 copper prices will remain at US\$ 3.0/lb. This price level is enough to maintain the development of approved investments and projects begun in the last four years.

Chile currently holds the largest proven reserves of lithium under exploitation. Current world market share is 62%. This combined with the demand coming from the battery powered automotive industry, will make this resource the focus of international investors and developers. Currently there are only a few companies active in the industry: Soquimich S.A. (SQM) and Rockwood Lithium Chile Ltda.

Over recent years, the mining industry has been investing not only in mining development and expansions, but in developing their own sources of energy. Mining companies are looking for renewable sources of energy in an effort to reduce their carbon foot print. The mechanisms used for the latest solar and wind powered plants has been via private tenders.

The U.S., with over 40% of market shares, remains the single largest mining equipment supplier. Important export opportunities in this industry will continue for those companies offering technologies and products that bring cost reduction, improved productivity and more efficient and cleaner processes.

Freeport McMoran Copper & Gold Inc. out of Phoenix, Arizona is the single U.S. company present in the market. The major local mining players continue to be Canadian, Australian and European companies.

Best Prospects/Services

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The following is a brief list of mining parts, equipment and technologies in demand:

- Equipment that requires regular replacement:
 - Crushers
 - Grinders
 - Off-road trucks (240-440 tons)
 - Cabbed truck chassis (+ 50 tons)
 - Parts for rock cutters
 - 360-degree revolving excavators
 - Cranes and screening machines
- Environmental system solutions
 - Water treatment
 - Water desalination
 - Air pollution abatement
 - Mine closure technology
 - Carbon footprint reduction
 - Dust control technology
- Underground mining technology services
- Wear-resistant materials

Opportunities

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Industry projections indicate that between 2014 and 2018 investments by the private and public sector will exceed US \$ 30 billion and U.S. exporters will continue to supply to Chilean importers.

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In Chile, there are two mining trade shows in alternate years, EXPOMIN and EXPONOR.

- EXPOMIN is a U.S. Department of Commerce Certified Trade Show. This is the world's largest mining trade show outside of the U.S. It has global attendance gathering over 1,600 exhibitors. The official U.S. Pavilion with some 200 exhibitors takes half of one the exhibit floor sections. Expomin takes place on even years in Santiago. April 11-15 are the scheduled dates for the 2016 version. www.expomin.cl
- EXPONOR is a U.S. Department of Commerce Certified Trade Show. In June 2013 the U.S. Pavilion featured over 100 exhibitors. This trade show takes place in odd years in the city of Antofagasta in the north. Exponor 2015 is scheduled for May 11-15, 2015; www.exponor.cl/en/

Safety and Security (SEC)

Overview

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Unit: USD millions

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	326	351	378	408
Total Local Production	9	9	10	11
Total Exports	13	13	15	17
Total Imports	330	355	383	414
Imports from the U.S.	83	78	84	90
Exchange Rate: 1 USD	486	495	536	581

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

Total Local Production: Chile Customs Data, industry experts and elaboration

Total Exports: Chile Customs Data

Total Imports: Chile Customs Data

Imports from U.S.: Chile Customs Data

The safety and security industry in Chile grew approximately 8% during 2013, and industry contacts expect similar growth in 2014. The imports market share for 2014 was: China with 35%, followed by the United States with 22%, and Germany with 4%. These figures include security equipment and devices used by police and firefighters, as well as in the construction of residential, commercial, and industrial compounds. China's market share is explained both by the price factor and the China-Chile Free Trade Agreement, enacted a couple of years after the US-Chile FTA which has been in place since 2004. However, the focus at the police and firefighters level is on quality rather than price.

Chile has had a sustained economic stability for a number of years; however imports for this sector may lessen in response to uncertainties regarding the impact of the fiscal reforms proposed by the current administration and the decrease in copper price.

Sub-Sector Best Prospects

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Access control, biometric equipment, parking systems, fire detectors, sprinklers systems, extrication equipment, firefighting suits, fire trucks, alarms and monitoring, CCTV, outdoor perimeter protection, locks, safes, sensors, vehicle theft prevention equipment, general safety gear for industrial use, and safety outfit and devices for police use are currently on demand.

Opportunities

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Opportunities continue to be present – although at a slower pace than in previous years - in the residential, commercial, and industrial sectors. The uniformed police frequently need crowd control equipment due to the social demonstrations happening in Chile. Also, crime prevention continues to be a government priority, as ATM machine robbery, vehicle theft, as well as store and residential break-ins continue to be frequently reported.

Web Resources

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Ministry of Interior: www.interior.gob.cl

Under Secretariat of Crime Prevention: www.seguridadpublica.gov.cl

Chilean Police: www.carabineros.cl

Investigative Police: www.investigaciones.cl

National Council of Firefighters: www.bomberos.cl

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Telecommunication (TEL/TES)

Overview

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Unit: USD millions

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	483	600	800	950
Total Local Production	130	150	150	150
Total Exports	83	100	110	120
Total Imports	353	450	650	750
Imports from the U.S.	161	258	380	450
Exchange Rate: 1 USD	486	495	536	581

Source: Estimates based on info from industry sector sources, Chilean customs data and www.subtel.cl

Chile's telecommunications sector is completely privatized and among the most advanced and competitive in Latin America. With sizeable investment, Chile's telecom industry has grown an average of 20 percent annually for the last decade or more. Chile does not manufacture telecom equipment and it depends on importation. Even though it is a highly competitive market, the US remains to be one the main suppliers and its market share will depend on the nature of the projects that are carried out.

The Undersecretariat of Telecommunications (SUBTEL, www.subtel.cl), which is under the Ministry of Transportation and Telecommunications, is the governmental organization in charge of coordinating and supporting the telecommunications industry in Chile and oversees the implementation of all new technologies.

Wireless communications is the highest growing subsector within the telecommunications sector. It is expected that the telecommunications industry in Chile will invest approximately US\$3 billion dollars during the next decade. The telecom companies continue to grow rapidly and to compete aggressively to maintain their existent clientele and to capture new clients. Telecom operators are constantly looking for a competitive edge to attract more customers, which creates more opportunities for value-added services and state-of-the-art equipment to satisfy the clients' demand.

There are five wireless telecom operators in Chile, Movistar (Telefonica, Spain), Claro (America Movil, Mexico), Entel PCS (Chile), Nextel (NII Holding) and VTR (Liberty Global). In addition there are a few "virtual mobile operators" authorized by SUBTEL and Falabella Movil that signed an agreement with Entel in December 2013.

The use of wireless Internet and the increased penetration of smartphones have driven the growth of wireless communications. According to Entel, by the end of 2013, total users of mobile phones had reached 23,659,441, which represents a penetration of 134 percent of Chile's population. 3G connections with wireless Internet, totaled 6,346,990 by December 2013, which represented an annual growth of 27 percent over the previous year and 36 percent penetration of Chile's population.

Sub-Sector Best Prospects

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SUBTEL launched a tender for 4G frequencies on the 2,600 MHz band and the winners were Claro, Entel and Movistar. They are required to offer 4G services to 98 percent of the country. The project must become operational in early 2016. The Chilean government expects that the new technology will provide operators another tool to compete and it will offer Chileans many new services and applications, a better Internet connection, wherever they are, and reduce the cost of mobile and fixed-line internet.

It is expected that 4G will be a great improvement for efficiency and productivity in the industrial, medical, automotive sectors and beyond. Some of these applications should include telemedicine, telecontrol (remote control), security cameras, traffic and security maps, and others.

The telecom operators are also interested in providing their customers with new and attractive value-added services, such as cellular messaging, hot lines, home security services and more, to compete with other operators.

Mobile telephony and broadband services (Internet, cable, and telephone) represent the areas where investment demand is highest. A third of Chile's telecommunication investments have gone into the wireless market.

Opportunities

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According to estimates, the Chilean telecommunications market should grow at an annual rate of 8 – 10% approximately over the next five years to a total of USD 6.4 billion in 2018, mainly due to the increasing penetration of mobile services and the adoption of mobile Internet services including data cards and mobile browsing.

Data will grow to represent 36% of the total market in 2014 from 22% in 2009. The availability of mobile data plans and the widespread availability of triple-play bundles, pushed by all fixed operators, should drive mobile and fixed broadband uptake.

Mobile data revenue should represent nearly 35% of total mobile revenue by 2014, from 12% in 2008, as a result of the increasing adoption of mobile broadband connectivity solutions such as data cards and browsing services and the higher usage of infotainment services which include services such as ringtones, games, music, and video.

Web Resources

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Chilean Undersecretariat of Telecommunications: www.subtel.cl

Chilean Association of Information Technology Companies: www.acti.cl

Santiago Chamber of Commerce: www.ccs.cl

Asociacion de Telefonía Móvil: www.atelmo.cl

Travel and Tourism Services (TRA)

Overview

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(Unit: number of travelers)

	2012	2013	2014 (estimated)	2015 (estimated)
Total Outbound Travelers	3,450,000	4,150,000	5,000,000	5,750,000
Total Inbound Travelers	3,500,000	4,200,000	5,080,000	6,100,000
Total Travelers to the United States	380,866	418,000	490,000	650,000
Total Travelers from the United States	450,000	540,000	630,000	750,000

Source: www.jac-chile.cl; Visit USA Committee Chile and industry sources.

The U.S. Government announced in June 2013 that Chile had been approved to enter the U.S. Visa Waiver Program. On March 31, 2014 the program became operational, marking the first time Chileans were able to travel to the United States without a visa. In the period of April-May 2014, approximately 15,000 Chilean applications were approved. The exemption of visa fees will reduce traveling costs for Chilean travelers. It is estimated that in a two-year period the number of Chilean travelers will double.

The United States is one of Chile's most popular foreign destinations, only surpassed by neighboring countries Argentina, Peru and Brazil. The United States main competitors for travel and tourism have come from Latin American countries, due to both their close proximity and absence of visa and passport requirements. With the implementation of the Visa Waiver Program in Chile, the United States will be able to operate in conditions similar to those countries.

The main U.S. gateways for Chileans are Miami, Los Angeles, Atlanta and Dallas, with non-stop flights from American Airlines, Delta Airlines and LAN. Many other airlines fly indirectly to other U.S. cities such as Orlando, New York, San Francisco, Las Vegas, Miami and others. For example, COPA Airlines flies to 10 U.S. destinations after a stop in Panama City, Panama. Recently, United Airlines announced its re-entry to the Chilean market in December 2014 with a non-stop flight between Houston and Santiago.

Incentive travel is increasing gradually. Most of the arrangements for incentive and corporate travel are done by the wholesalers and travel agencies that promote leisure travel or they are organized in-house by the company doing an incentive trip.

Chile offers excellent market potential for U.S. suppliers of travel and tourism services with a favorable dollar/peso exchange rate and the recently implemented visa waiver program

One third of the total traveling in Chile takes place during the months of January and February. The spring school break in September and winter school break in mid-July are also busy travel times.

Frequent Chilean travelers select more exotic destinations either in the United States or in other countries any time of the year. Frequent travelers enjoy special events during their trips, such as musical shows, sporting events or staying at resorts where they can play golf or tennis.

The preferred destinations are Florida's beaches in the United States and the beaches of the Caribbean islands because of their white-sand, calm waters and "all-inclusive" resorts. Demand for cruises has increased among Chilean tourists. Cruises to the Caribbean, Hawaii and Alaska have become more and more attractive, mainly due to the "all-inclusive" concept that Chileans enjoy very much.

Most Chileans prefer to make all travel arrangements with their travel agents prior to their departure, including airline tickets, hotel, car rental, attractions and others. Travel arrangements made through the internet are increasing rapidly, especially among young people.

Incentive travel – is increasing gradually. Most arrangements and corporate travel are done by wholesalers and travel agencies and the availability of all-inclusive resorts at affordable rates for traveling with the family.

Most of Chilean travel to the United States is for:

Leisure travel for family vacations, couples, honeymooners and tourism

Studying English as a second-language and post-graduate studies

Business travel to attend trade shows and conferences or to meet with business partners.

Promotional events are key for increasing travel and tourism to the United States. U.S. suppliers can organize fam tours for press, wholesalers and travel agents; establish sales agreement with Chilean partners; participate in Pow Wow which is attended by major Chilean wholesalers and representatives.

U.S. suppliers can review the services programs that the U.S. Commercial Service has available to assist them in doing business in Chile at www.trade.gov/chile.

U.S. suppliers may become members of the Visit USA Committee in Chile and use their promotional tools and benefits, such as discount prices for advertising in local media and discount fees for participating in their events and others. (www.visitusa.cl).

U.S. suppliers should participate in the Visit USA Show Chile that is organized in conjunction by the U.S. Commercial Service and the Visit USA Committee Chile. It promotes exclusively the United States as a destination. The U.S. exhibitors include Convention and Visitors Bureaus, hotels, attractions, parks, shopping malls and outlets, airlines, car rentals, cruise lines and many others.

Web Resources

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- U.S. Commercial Service Chile: www.trade.gov/chile
- Visit USA Committee: www.visitusa.cl
- Revista del Domingo de El Mercurio:
http://diario.elmercurio.com/2009/01/30/revista_del_domingo/_portada/index.htm
- Revista La Agencia de Viajes, Ladevi:
http://www.ladevi.com.ar/web/products/ladevi_col_eng.phpJ

Agricultural Sectors

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The Chilean food industry is primarily based on the country's agricultural resources and remains, to a significant degree, dependent on agro-based exports. The agricultural industry is one of the staples of the Chilean economy, generating around US\$ 14 billion in exports annually. It represents around 25% of the country's GDP and is the second most important exporting sector.

The Chilean food system employs 1.2 million, representing almost 20% of the country's economically active population. It is expected that by the year 2030 the GDP generated by the food sector will account for more than 35% of Chile's GDP and one out of three workers will have jobs within this industry.

Chile has excellent natural conditions to continue developing its agro-industrial and food industries. The country's southern hemisphere location means that it produces crops during the opposite seasons to the world's major consumer markets in the northern hemisphere. In addition, its elongated north-south orientation means that harvests can be staggered throughout the growing season. Furthermore, the country's relative geographical isolation (desert in the north, the Andes mountain range to the east, the Pacific Ocean to the west and south), which together with a strict government policy, maintains Chile as a country free from most pests and diseases.

According to the Food and Agriculture Organization of the United Nations, Chile's food exports have grown at an average annual rate of 10% over the past decade. This ranks Chile as the fastest growing food exporting country, supplying more than 150 countries around the globe with fresh and processed foods and beverages.

The fruit, wine, poultry, pork, beef and fish-farming industries each offer tremendous export potential as a result of global trade liberalization, particularly between Chile and Asia. These sectors also benefit from the government's efforts to diversify its export sector away from copper to high value-added agricultural exports – most notably salmon and wine.

Multinational food manufacturers have a long history of investing in Chile and firms such as Nestlé and PepsiCo have manufacturing plants in the country. Although domestic consumption of processed food is rising steadily, most food and drink firms investing in Chile focus on how they can utilize the country's extensive natural resources and network of trade agreements to boost their sales in markets outside of Chile.

The processed (packaged) food sector's annual growth is represented by the sector's exports, which grew from US\$ 717 million in 2004 to more than US\$ 1.5 billion in 2008. The processed food sector is one of the main growth generators in Chilean exports, mainly due to the production increase of fruits and vegetables in their different formats (canned, dehydrated, frozen and juices). Other major exports are chocolates, cookies, candies and refreshments. Each one of these products has its origin in more than 200 industrial plants throughout the country.

About 10-15% of products sold in supermarkets are imported, but this segment has grown by 85% over the last five years.

The number of Chilean food processing companies has shrunk through mergers and acquisitions during the last couple of years. Currently, 53 companies dominate the market.

As food processors seek to rationalize their costs, they are leaning towards direct purchases and away from middlemen. As the big processors continue to grow, they reach economies of scale by negotiating directly with the supplier, even on a global scale. Smaller buyers still depend on distributors to manage their stock.

Manufacturers in mature sectors such as pasta, oils and fats have launched value-added products in order to develop high value niches in their market.

The following foreign food imports are in the highest demand: snack foods, healthy snacks, energy products, specialty drinks, cookies, tuna, dietetic snacks and candies, baked goods and mixes, sweets, gums and chocolates.

The market continues to consolidate through mergers, leaving a wide gap in size and capacity between the leading food producers and the small ones.

Convenience is the main trend in packaged food. Consumption trends influencing the type and quality of inputs being used include:

Easy-to-prepare food as more people, including women, join the workforce and spend less time at home

Out-of-home meals become more frequent as young people continue adopting new fast foods and snack foods as part of their diet

Light foods and beverages continue capturing market share

Consumers declare that the most valued benefit from specific items is health, quality, convenience and security. Functional foods are part of the usual shopping list of Chileans, especially among women and the medium and upper classes. Chileans give important credit to brands (in 80% of the cases, it determines the purchase selection due to its quality recognition).

The small organic food market has been steadily growing over the past eight years. The market, which had sales of only US\$ 200,000 in 2003, is expected to reach US\$ 53 million in sales by the end of 2013. The high price of organic goods is the main obstacle preventing some from consuming these alternative food products. Organic production in Chile is an export-driven activity, exporting US\$ 20 million per year. Wine, apples, kiwis, honey, cereals, olive oil and berries are the products with biggest growth trends, which are exported mainly to the U.S. and Europe.

Advantages and Challenges facing U.S. Food Ingredients in Chile [Return to top](#)

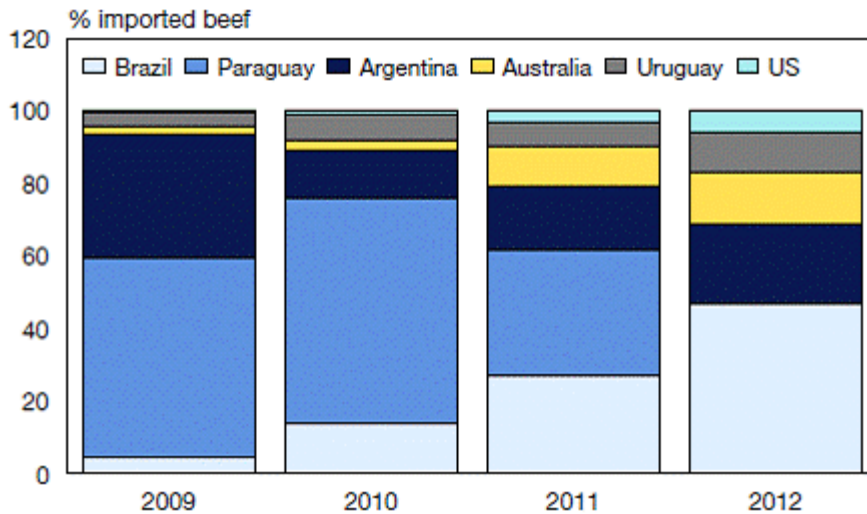
Advantages	Challenges
The U.S. is a strong trading partner through the U.S. Chile FTA and its products are welcome.	Quality of food ingredients from around the world has become very similar, abiding by U.S. and European standards.
U.S. food inputs are known for their quality. They meet respected FDA & USDA standards. Health concerns are low.	Chile has FTAs with many countries, allowing them to be price conscious and highly competitive, therefore removing dependency from any particular region.
Certain companies have corporate requirements to purchase U.S. inputs, such as Nestlé for products exported to the U.S.	Prices for U.S. products may still be higher than local products or imports from nearby countries, even after the FTA. FOB prices for U.S. inputs tend to be at least 10% higher than local prices for equivalent quality.
Rising disposable incomes have generated interest in foreign and higher quality foods.	Price sensitivity is strong due to high inflation and the economic downturn.

Process Food Sector by Specialization

Red Meat and Poultry [Return to top](#)

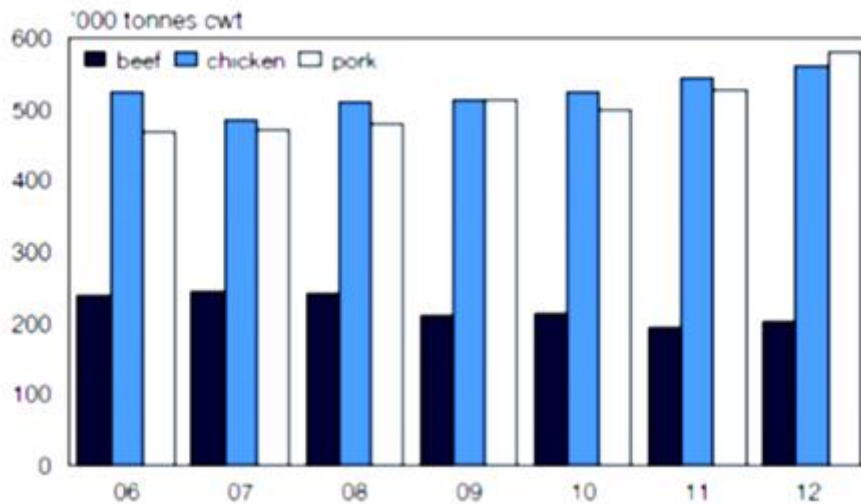
The Chilean cattle herd has contracted in the last decade, with beef production and exports at lower levels. Consequently, beef imports into Chile have been increasing, with the market becoming an important destination for some major beef export countries.

Chilean beef imports by country



On the other hand, the Chilean poultry industry grew 10% in 2012 over 2011, a faster rate than in Brazil and Argentina, the leading exporters of chicken meat in Latin America.

Total meat production

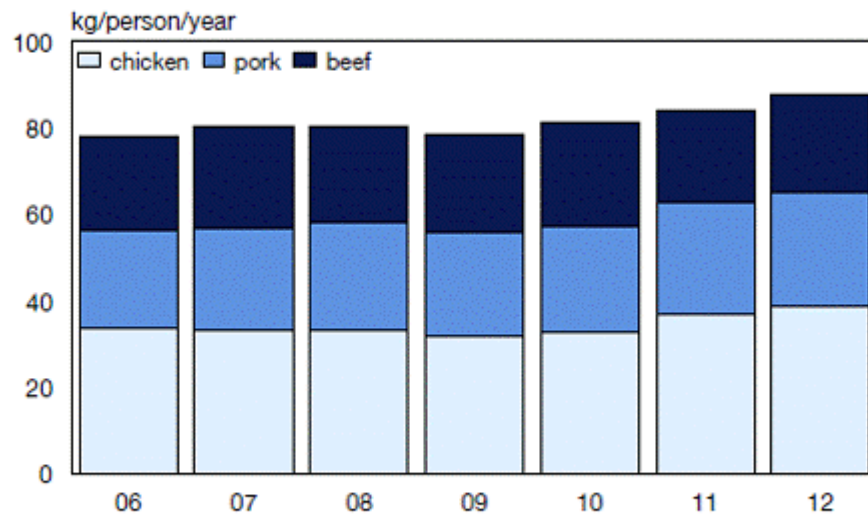


Source: ODEPA

Chilean chicken meat fulfills the requirements imposed by the world's most demanding markets and the sector exports to more than 28 countries.

One quarter of the national production of poultry meat is destined for international markets, while 15% of Chileans consume imported chicken that enters with 0% tariffs from Argentina, USA and Brazil.

Meat consumption



Source: INE (Instituto Nacional de Estadísticas - Chile)

In the past five years the consumption of processed meat (packaged or frozen) has grown 10.4%, reaching a total market of 143,000 tons in the first semester of 2013, according to Euromonitor International. With this number, Chile is the country with the highest per capita processed meat consumption rate in Latin America, with a total of 8.1 kg per capita, surpassing Argentina, which reached 7.4 kg per capita.

According to Odepa (Agricultural Research and Policies Office, www.odepa.cl), in 2012 the Chilean per capita consumption of beef amounted to 22.4 kg, 37 kg of poultry, and 27 kg of pork.

According to INE (National Statistics Institute, www.ine.cl) beef production in 2012 grew 3.5% to 197,600 tons. Additionally, imports increased by 3.7% in volume and 3.6% in value, reaching 130,400 tons and US\$ 806.8 million. Exports reached 1,902 tons and US\$ 16.9 million, representing declines of 53.0% and 44.2%, respectively. Imports were mainly from Brazil (52%), Argentina (22%) and Uruguay (10%).

Pork is the most exported product in 2012, with US\$ 476 million, mostly sent to Japan.

The Chilean poultry sector closed 2012 with very positive trade figures. Exports reached US\$ 329 million, while imports from the US, Argentina and Brazil amounted to about US\$ 147 million.

With effect from 1 January 2013 onwards, tariffs on Chilean poultry (chicken and turkey) exports to the US came down to zero, making the sector more competitive in the US market.

Producers

Agrosuper, Ariztía, Don Pollo and Chilean Poultry Producers Association (APA), controls 90% of the national meat production market share.

Main Importers/Suppliers

Main Meat Importers Companies	US Cif
WALMART CHILE COMERCIAL S.A.	140,293,624
CENCOSUD RETAIL S.A	117,099,066
MARFRIG CHILE S.A.	100,762,888
RENDIC HNOS. S.A.	85,804,228
SOC.COMERCIALIZAD.DEL SUR LTDA	74,839,987
COMERCIAL CERRILLOS S.A.	68,427,145
GLOBAL PRODUCTS S.A.	51,883,013
COMERCIALIZADORA INTERANDINA S	48,303,416
COMERCIAL DISER S.A.	31,326,038
COMERCIALIZADORA EL MIRADOR S.	30,826,282

Source: Chilean Custom's statistics 2012

Edible Fish and Seafood Products

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Chile has a highly competitive seafood industry. With 2,600 miles of coastline and 18,600 miles of canals, archipelagos and fjords, Chile boasts one of the five richest marine areas in the world.

Chile is one of the largest salmon producers in the world, sharing this leadership with Norway. Production is concentrated in the southern part of the country, where 95% of the producers are located.

This product is primarily exported to the U.S., specifically Miami, where approximately 800 tons arrive each week. Among the other regional markets is Brazil, importing approximately 150 tons per week.

Farmed salmon represents 48% of total Chilean agricultural product exports; seeds represent 32% of exports and, in the third place, fruits and other products, which represent 20%.

Chile's salmon industry recently faced the worst crisis in its history, because of the ISA virus, an infection that had its greatest impact in 2010 and drastically lowered export volumes by approximately 50% in comparison to 2009.

The impact was so severe, that predictions point to 2015 for a possible full recovery. However, new health regulations resulted in significant changes within the industry.

Chilean seafood is sold as fresh, chilled, frozen, canned, dried, salted and smoked. In comparison to meat consumption, domestic demand for fish is relatively low; most of the production goes to foreign markets.

In many sectors of the economy Chile is trying to increase the value added to its products, and this is also the case in the seafood industry. Technology and packaging to prolong the preservation of products in the industry are in demand, possibly creating opportunities for U.S. companies.

Producers

Main Edible Fish and Seafood Product Exporters 2012	
Companies	FOB
SALMONES MULTIEXPORT S.A.	209,832,198
MARINE HARVEST CHILE S.A.	170,452,908
EXPORTADORA LOS FIORDOS LTDA.	159,097,383
SALMONES BLUMAR S.A.	149,825,751
SALMONES CAMANCHACA S.A.	132,368,738
SALMONES ANTARTICA S.A.	129,329,554
MAINSTREAM CHILE S.A	129,074,620
AGUAS CLARAS S.A.	123,595,432
INVERMAR S.A.	119,054,950
EMPRESAS AQUACHILE S.A.	118,732,589
TRUSAL S.A.	118,720,843
AUSTRALIS MAR S.A.	108,112,530

Source: Chilean Customs

Main Importers/Suppliers

Main Edible Fish and Seafood Products Importers 2012	
Companies	Cif
FRIOSUR ALIMENTOS DEL MAR LTDA	3,771,174
COMERCIAL OCEANO LTDA.	3,438,829
EGC. S.A.	3,200,962
COMER KAMARON BAY LTDA	3,008,357
COMERCIAL SEA GARDEN SPA	2,907,684
EXP. Y COMERC. SAN DIEGO LTDA.	2,283,748
SALMONES DE CHILE S.A.	2,168,582
COM. GLOBAL PRODUCTS LTDA.	2,102,039
COMERCIAL ALCA LIMITADA	1,793,416
DON CAMARON S.A.	1,617,298
ECUADORIAN FOOD S A	1,561,596
CENCOSUD RETAIL S.A	1,519,637
WALMART CHILE ALIMENTOS Y SERV	1,462,086

Source: Chilean Customs

Chile's dairy cattle are grass fed so high-quality and abundant grass lead to increased milk production. The industry is projecting continued expansion, with the outlook for milk production in 2014 expected to increase further as large producers are expanding their operations and many farmers invest in new technologies and animal genetics.

Production of milk is expected to reach 3 billion liters at the end of 2013.

The production of milk in Chile has nearly doubled in quantity in the last 20 years, and large industry has gradually increased the proportion of milk received.

On a national level, the reception of milk is concentrated in four leading companies, with a combined market share of 75%, led by the cooperative Colún (Cooperación Agrícola y Lechera de la Unión) and Nestlé, both companies with significant recent investments to increase their reception capacity to produce high added-value milk powder and cheese.

Market share as follows: Colún 23.4%, Soprole 22.9%, Nestlé 22.3%, Watt's 11.8%, Surlat 6.4% and Quillayes 2.8%.

Producers

Main Dairy Exporters 2012	
Companies	FOB
NESTLE CHILE S.A.	79,942,631
COOP. AGR. Y LECH. DE LA UNION	35,826,460
PROLESUR S.A.	32,981,214
WATT S S.A.	16,392,298
SURLAT COMERCIAL S.A.	10,071,098
INVERS.E IND.VALLE VERDE S.A.	8,976,664
J.P.M. EXPORTACIONES LTDA.	8,279,586
SOC.DE INVERSIONES CARMENCITA	6,382,808
AGROINDUSTRIAL BLIGUEDER LTDA.	3,656,706
ALIMENTOS PUERTO VARAS S.A.	3,656,688

Source: Chilean Customs

Main Importers/Suppliers

Main Dairy Importers 2012	
Companies	Cif
PROLESUR S.A.	24,816,737
NESTLE CHILE S.A.	16,287,757
WATT S S.A.	10,542,308
COMINSUD LTDA.	10,146,979
MACRO FOOD S.A.	9,191,193
STA. ROSA CHILE ALIMENTOS LTDA.	8,645,668
AGROCOMERCIAL CODIGUA LTDA.	7,376,878
IMP. Y ALIM. ICB FOOD SERVICE L	5,801,094
COMERCIAL CERRILLOS S.A.	5,054,467
PROSUD S.A.	5,005,439

Source: Chilean Customs

Prepared Fruit, Prepared Vegetables, Oilseed Products (Sauces, Oils and Other Frozen, Canned and Dried Products)

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This subsector has played a large role in the growth of Chile's exports in the last decade, primarily due to the production increase of fruits and vegetables in their different formats (canned, dehydrated, frozen and juices).

PROCESSED FRUIT AND VEGETABLE EXPORTS													
EN / IN ' 000 US\$ FOB													
ANO YEAR	FRUTAS Y HORTALIZAS PROCESADAS					OTROS - OTHERS							
	CONSERVAS CANNED	DESIDRATADOS DEHYDRATED	CONGELADOS FROZEN	JUGOS JUICES	SUB TOTAL	G.Y CONF. B./CONFECTION	PESC Y MARIS CANNED FISH AND SHELL	MOLINERIA GRANOS CEREALES	EDULCORANTES CAFE, TE ESPECIAS	ACEITES GRASAS Y OTROS	PREP ALIMENTO REFRESCOS BEBIDAS	SUB TOTAL	TOTAL GENERAL
1998	194.882	192.668	71.234	49.994	508.778	63.560	189.036	15.827	1.078	24.318	131.603	425.422	934.200
1999	215.452	189.894	75.035	83.154	563.535	63.819	200.862	11.357	1.402	32.919	116.377	426.736	990.271
2000	151.806	173.369	74.449	72.445	472.069	52.788	209.398	9.968	1.150	39.864	115.567	428.735	900.804
2001	151.281	164.082	67.495	83.870	466.728	60.158	191.588	12.843	3.557	35.183	149.843	453.172	919.900
2002	154.731	169.280	68.414	67.874	460.299	39.946	169.970	44.410	4.550	76.580	64.862	399.318	859.617
2003	171.990	196.839	101.791	93.541	564.161	37.182	208.461	59.220	4.731	75.564	62.064	447.222	1.011.383
2004	211.875	235.449	137.580	113.897	698.801	44.756	240.450	65.940	5.020	91.080	82.174	529.420	1.228.221
2005	231.414	343.855	146.619	121.860	843.748	61.098	272.580	62.239	5.191	113.704	181.228	696.040	1.539.788
2006	259.338	360.138	183.069	154.382	956.927	65.652	299.076	85.458	6.657	139.687	102.599	699.189	1.656.036
2007	334.930	403.469	215.767	154.766	1.108.932	63.595	337.870	163.839	21.075	155.346	251.912	993.437	2.102.369
2008	439.778	563.492	320.642	230.904	1.554.816	65.617	366.854	249.490	17.447	274.427	328.519	1.302.154	2.856.970
2009	333.195	452.488	274.483	181.945	1.242.111	54.727	304.717	165.070	20.493	161.332	339.283	1.045.622	2.287.733
2010	352.859	583.502	273.773	157.892	1.368.026	60.204	272.860	195.366	25.147	180.589	372.070	1.106.236	2.474.262
2011	442.997	673.487	372.640	229.689	1.718.813	67.556	371.593	278.003	26.608	245.470	438.890	1.428.120	3.146.933

Source: Chilealimentos

A comprehensive list of the main companies in the processed fruit and vegetable industry can be found in the following business directory:

- <http://www.chilealimentos.com/link.cgi/ProductosEmpresas/empresas/>

Confectionery Products

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It is a very competitive market with important local production as well as imported products sent primarily from Colombia, Argentina, Guatemala, Brazil and the U.S.

The chocolate market is dominated by three companies: Arcor Dos en Uno, Carozzi (Costa and Ambrosoli) and Nestlé. The high-end chocolate market is dominated by Bozzo, Varsoviene, Damien Mercier, Félix Brunatto, and Dos Castillos.

The main channels of distribution for confectionary products and chocolates are the traditional grocery stores (54.1%) and supermarkets (45%).

Top Ten Exporters of Confectionary Products (2012)

Company	Fob
DRAFTI CHILE S.A.	13,822,440
IND.ALIMENTOS DOS EN UNO S.A.	8,317,862
EMPRESAS CAROZZI S.A.	5,292,403
OSTALMAR S.A.	789,499
NESTLE CHILE S.A.	762,904
ALIMENTOS Y PROD.CONFITRES LTD	192,796
SOC.COMERCIAL FLORES Y VIVAR L	186,700
DISTR.COM.IMP.,EXP.BENI LTDA	78,478
CELIA BARRAZA SALINAS COMERCIA	61,631

Source: Chilean Customs

Baked Goods

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According to Euromonitor International, the processed food market in Chile is estimated at US\$ 11 billion in sales volume per year. Within this industry, baked goods represented 36% of the total sales of the processed food market in 2012.

The Chilean Bakery Industry Federation (Fechipan) and the Supermarket Association (Asach), agreed in 2011 together with the Chilean Government to lower the sodium level in the bread progressively up to 2014, when it is expected to reach 400 milligrams of salt per 100 grs of bread, which is in line with the standards of the World Health Organization.

Chile is the largest per capital bread consumer in the Americas with 98 kg consumed per capita annually, followed by Argentina (82.5 kg). Globally, it is second only to Germany with 106 kg per capita.

About 3% of household income is spent on bread, compared to 1% in developed nations. Currently, the bakery market is comprised of supermarkets, representing 21% market share, and bakeries, of which 98% are small or medium size.

The main companies in the sector are Ideal (controlled by the Mexican group Bimbo), followed by Castaño and San Camilo.

Cookies and other baked goods are made by a few large companies, especially McKay (Nestlé) with 40% market share and Costa (Carozzi) with 30%. Nevertheless, the Chilean cookie market is small compared to bread.

The snacks market in Chile is estimated at around US\$ 900 million including cakes, nuts, crackers, and savory and sweet snacks. The three main players in the industry are Evercrisp (Lay's, Doritos, Cheetos) with a 70% market share, Marco Polo (15%) and Kryzpo (8%).

Chile is one of the biggest per-capita snack consumers in the region (1.4 kilos per capita), but is still far behind countries like Mexico, the U.S. or Great Britain.

Close to half of sales are made through supermarkets, and 53% of sales are made through traditional groceries and convenience stores.

Main Importers of Snack Products 2012

Company	US\$Cif
IMPORTADORA CAFE DO BRASIL S.A	16,901,660
EVERCRISP SNACK PROD.CHILE S.A	15,362,674
BAGLEY CHILE S.A.	12,380,260
NESTLE CHILE S.A.	12,046,811
LABORATORIOS WYETH LLC.	9,245,874
CENCOSUD RETAIL S.A	8,418,781
EMPRESAS CAROZZI S.A.	8,222,129
MONDELEZ CHILE S.A.	6,318,496
PROSUD S.A.	5,462,410
ABBOTT LABORAT. DE CHILE LTDA.	5,439,926
IMPORTADORA TRASANDINA S.A.	4,171,811
IMP.Y ALIM. ICB FOOD SERVICE L	2,909,488
PIBAMOUR LTDA.	2,546,362
COM. E INV. CHACABUCO LTDA.	2,502,683
WALMART CHILE COMERCIAL S.A.	2,059,109
FRANKONIA CORPORAT.IMP.Y EXP.L	1,698,887
SADIA CHILE S.A.	1,622,245
PROMERCO S.A.	1,427,244

Source: Chilean Customs

Main Exporters of Snack Products 2012

Company	US\$Fob
NESTLE CHILE S.A.	82,372,028
EMPRESAS CAROZZI S.A.	24,326,019
AVENATOP S.A.	17,577,629
AVENA DE LOS ANDES S.A.	13,950,764
PROCES. DE GRANOS AUSTRAL S.A.	11,388,250
ALIMENTOS EL GLOBO S.A.	11,319,477
MALTEXCO S.A.	8,879,940
LUCCHETTI CHILE S.A.	6,115,541
MONTEVERDE S.A.	5,948,643
IND.ALIMENTOS DOS EN UNO S.A.	4,414,812
INMOBILIARIA BRETANA LIMITADA	4,002,559
COMERC.AGROPECUARIA DEL SUR LT	2,990,287
MASEXPORT LTDA.	2,807,610
IND. COMMODITIES I. CHILE S.A	2,492,975
AGROINDUSTRIAL PEDREGAL S.A.	2,175,965

Source: Chilean Customs

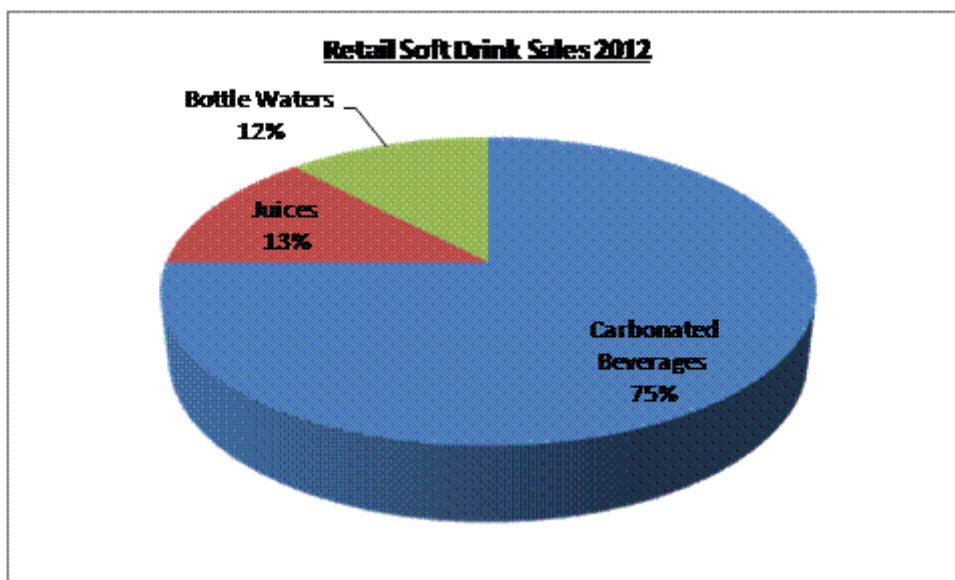
Non-Alcoholic Beverages

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The market for non-alcoholic drinks, including sodas, juices, waters, juices, sports drinks and tea-based beverages, has experienced significant growth over the past five years with a compound annual growth rate (CAGR) of 9%.

The figures show that in 2001 retail sales volume was 1.8 million liters equivalent to US\$ 2.2 billion, while in 2012 sales increased to a volume of nearly 3 million liters and US\$ 5.3 billion.

Soft drinks are definitely preferred by Chileans as they represent 75% of the sales volume of the industry and result in average per capita consumption of 127 liters per year, followed by juices and bottled waters with 23 and 20 liters respectively. However, the products that experienced the greatest growth in the period 2006-2012 were energy drinks, functional / fortified bottled waters, nectar and fruit juices.



Source: Fundación Chile

Consumption of carbonated drinks in Chile is among the highest in Latin America. Coca-Cola (U.S.) is the leading soft-drink brand with 52% market share, but growing price consciousness has led to an increasing market share of private label brand products.

Non-alcoholic beverages are the third most consumed food and beverage category by Chileans, after bread and meat. They are distributed through traditional channels (57%), supermarkets (30%) and consumption in food establishments (13%).

Company (Non Alc. Beverages)	Sales (US\$) 2012	End-Use Channels	Production Location(s)	Procurement Channels
Embotelladora KoAndina (Andina merged with Coca Cola Polar)	US\$ 2,410 million	Retail	Chile Argentina Brazil Paraguay	Direct (Local and Foreign)
Coca-Cola Embonor	US\$ 502 million	Retail and HRI	Chile Bolivia	Direct (Local and Foreign)

Source: Corporate publications

Alcoholic Beverages

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The Chilean population drinks more than 8.5 hectoliters of alcoholic beverages every year, which represents a per capita consumption of more than 56.3 liters.

The Chilean beer market is estimated at US\$ 1 billion and the annual consumption per capita is about 35.8 liters, representing a total annual consumption of more than 609.4 million liters. Only 10% of this market is premium.

The Chilean alcoholic drinks market registered moderate volume growth in 2012. The market grew in part due to the strong economic growth seen in Chile, which meant consumers had more money to spend on alcoholic drinks.

However, Chileans increasingly preferred beer to wine while the rum category appeared to have reached a level of maturity. A new zero tolerance drunk-driving law, enacted in March 2012, negatively affected on-trade establishments and strongly impacted sales of spirits like vodka during those initial first few months. However, by year's end, vodka and whisky both saw growth as consumers adapted to the change.

The off-trade channel achieved positive growth in 2012, due largely to the zero tolerance drunk-driving law mentioned above. The channel consists of neighborhood liquor stores and also a growing number of upscale specialists which carry products like microbrews and premium spirits and wines. These establishments generally have longer opening hours than supermarkets/hypermarkets, which typically close at 22.00hrs. In addition, the popularity of neighborhood liquor stores for buying beer plays an important role.

Many Chileans have a limited number of returnable bottles on hand and prefer to buy using that format as it is cheaper. It is easier for most people to go to a neighborhood store with a few bottles when they want them than to bring many bottles on a bi-weekly shopping trip. The proximity to residential areas coupled with the law clearly persuaded Chileans to continue entertaining at home rather than drive to a bar or restaurant.

Growth rates are predicted to slow over the forecast period. Rum is seen to have matured while sparkling wine will likely do so in the short term. Various spirits will continue to lead the way in terms of growth. Vodka will be one of the main growth drivers as Chileans like to experiment with mixing new drinks, especially with the new varieties of flavored vodka on the market. Rum will continue to perform well but after the heavy decline it suffered in 2012 it will start to slowly lose its former dynamism.

Meanwhile, in beer, another category that should outperform the market as a whole, microbrews, imports and other premium beers will be the drivers of growth.

The beer subcategory has lately increased its share, to the contrary of wine and pisco.

The trend has been to drink lighter alcoholic beverages. This tendency is observed also with the emergence of pre-mixed alcoholic beverages (with fruit juices).

Cía Cervecerías Unidas SA remains the most important player with more than a 50% volume share of the market in alcoholic drinks in 2012.

Wine production and exports have been growing at a much faster rate than consumption in the country. Chile is the smallest per-capita consumer of wine of all wine-producing countries.

Chile is the fifth largest wine-exporter behind Italy, France, Spain and Australia. Viña Concha y Toro is Chile's largest wine producer and exporter, followed by Viña San Pedro.

Top Wine Exporters (2012)

Company	US\$ FOB
VINA CONCHA Y TORO S.A. (E)	309,828,424
VINA CONO SUR S.A.	105,391,289
VINA SAN PEDRO TARAPACA S.A.	98,737,781
RR WINE LTDA	72,112,672
SOC.ANONIMA VINA SANTA RITA	54,295,835
VINA LUIS FELIPE EDWARDS LTDA.	49,864,472
SOC.EXP.Y COM.VINA MAIPO SPA.	47,290,701
(RUT ANTIGUO) VINA SANTA CAROL	47,253,328
MONTES S.A.	37,300,466
VINA SANTA HELENA S.A.	35,996,963

Source: Chilean Customs

Dry Goods & Condiments (Canned Soup, Dry Mixes, Pasta, Pet Food, and Seasonings)

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The size of the condiment market is estimated at US\$ 25 million.

The sauces, dressings and condiments category has changed in recent years. The boom in interest in ethnic and fusion-type meals has influenced this industry and the category has been characterized by the introduction of new products and innovations directed towards more sophisticated consumers and new segments with particular culinary requirements. Special condiments that are ready to mix for salads, soups and stews, among others, are aimed at making meal preparation easier. Young people are influencing the direction of the category by trying new solutions and products. This segment is also concerned about healthy and balanced food, creating new opportunities for companies to explore.

Unilever Chile Foods remained the leader of this category at the end 2012 with a 34% value share. However, it demonstrated a constant reduction over the years, taken by the entry of many new players. Unilever is highly diversified with a wide range of products at affordable prices, and competes in the larger segments.

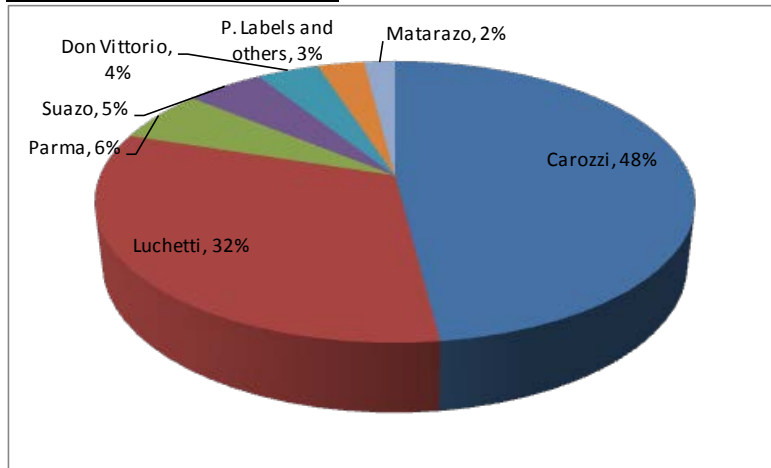
Chile is a very open country and has in recent years been influenced by many other cultures. Travelling, the Internet, and the open economy allow consumers to access different foods, flavors and world trends in cooking (fusion, Asian meals, for example).

In addition, young people are increasingly fond of cooking and eating healthy food. All this has introduced an important movement in the industry towards more elaborate products to take advantage of these changes in consumer behavior. As the Chilean economic situation should continue improving, its exposure to international trends should grow further in coming years, and an even wider variety of international dishes should be introduced to the local market.

Chile is the third largest country in per capita pasta consumption with 9 kg per person per year. Production of pasta in Chile reaches 140,000 tons, exporting only 20,000 tons or 14%. Carozzi is the most important company in the pasta market, followed by Lucchetti (owned by Corporacion Tresmontes).

Close to 75% of pasta is sold through supermarkets, the rest through traditional retailers.

Pasta Market Share 2012

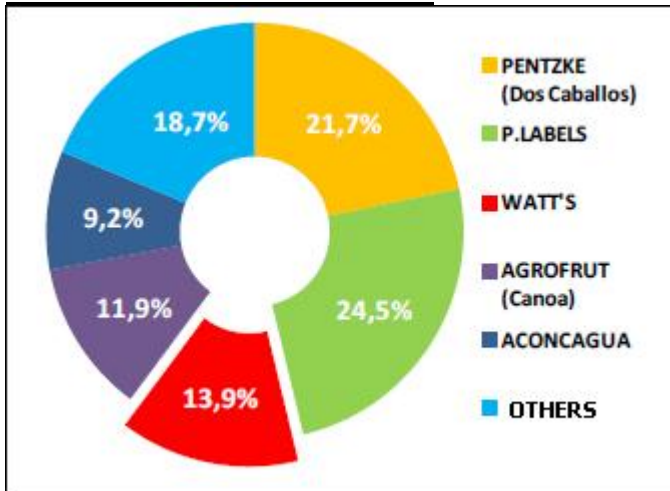


Source: Press information.

Note: P. Labels are private labels mostly developed by big supermarket chains.

The canned market is estimated in US\$ 100 million.

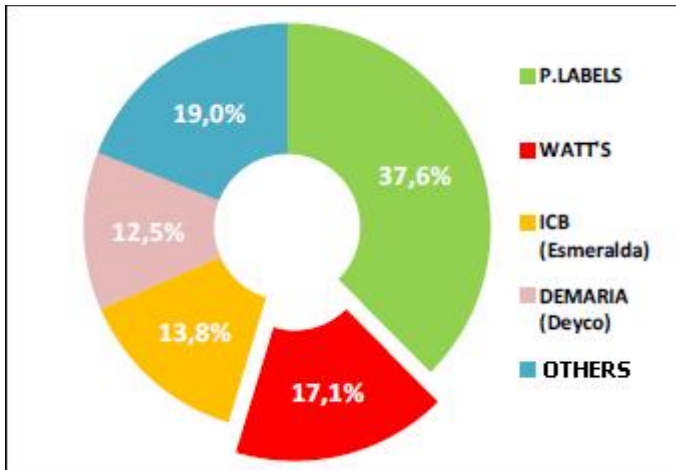
Canned Fruit Market Share 2012



Source: Watt's Annual Report

Note: P. Labels are private labels mostly developed by big supermarket chains

Canned Vegetables Market Share 2012



Source: Watt's Annual Report

Note: P. Labels are private labels mostly developed by big supermarket chains

Canned soup is not popular in Chile, but powdered and dehydrated soups in envelopes are. Maggi (Nestle) is the traditional leader, but others like Naturezza and Knorr have gained market share through heavy advertising.

The pet food market has also been growing. It is a competitive market with little consumer loyalty. In Chile, there are approximately 155,000 tons of pet food consumed annually amounting to US\$ 137 million.

The main pet food importers that distribute to supermarkets and retail stores are Effem (Whiskas), Nestlé (Friskies, Purina Dog Chow and Alpo) and Pet Market (Bil Jac, Precept, ANF, Star Pro, Pet Time, Must and Windy Hill).

Specialized Food Ingredients (Additives, Preservatives, Thickeners, Sweeteners [Return to top](#))

Large companies such as Carozzi import most of their ingredients from China because it is cheaper even than buying locally. U.S. products are not very popular because of their high cost.

Some important companies in this sector include: Duas Rodas of Brazil (coloring agents), Inducorn (Corn Products Chile), Lefersa, (Chilean yeast company), Puratos Chile (bakery, pastry and confectionery industry supplier) Iansa (sugar) and Cramer.

Nearly 380,000 tons of sugar and sweeteners was consumed in Chile during 2012.

According to Euromonitor, the average consumption of sugar and sweeteners per person in Chile during 2011 was 21.9 kg. During the past years, the consumption of sugar has dropped by close to 10% given the increase in lower calories sweetener consumption. Stevia and Sucralose are the preferred sweeteners in Chile.

The trend for additives, preservatives, thickeners and sweeteners and all food ingredients in general is towards more natural, less chemical products.

Premium, healthy, frozen and fast food.

- Health and wellness was one of the main growth drivers of soft drinks sales over the past years. This trend will continue to influence product development. Products associated with health and wellness, such as those with fewer calories or proven health benefits, will become increasingly visible. In view of the potential offered by the health and wellness trend, players should consider their overall product ranges and develop related products in line with this trend.
- There are already signs of maturity and saturation in certain well developed packaged food categories in Chile. As a result, packaged food is expected to see slightly slower growth in volume terms. The emergence of new packaged food categories among younger consumers and demand for international brands will, however, help bolster sales. With improved confidence and increased purchasing power, a growing number of Chilean consumers will seek higher-priced standard, innovative and premium brands across packaged food categories. However, demand for domestically and regionally produced economy and standard brands will remain strong.
- Pet care in Chile is expected to continue to expand over the coming years. There is still much room for growth, particularly within less developed categories, such as “other” pet food and pet products. The main growth drivers are predicted to be the on-going shift towards prepared food and the increasing consumer demand for value-added products. Manufacturers will focus on developing new products to attract new consumers, and invest in marketing campaigns to highlight the advantages of their products.
- Many categories in alcoholic drinks are becoming more mature. Therefore, growth rates are predicted to slow. Rum is seen to have matured while sparkling wine will likely do so in the short term. Various spirits will continue to lead the way in terms of growth. Vodka will be one of the main growth drivers. Rum will continue to perform well but after the heavy decline it suffered in 2012 it will start to slowly lose its former dynamism. Meanwhile, in beer, another category that should outperform the market as a whole, microbrews, imports and other premium beers will be the drivers of growth.
- Tea sales are expected to witness further diversification of product offerings and sophistication of demand. The growing health awareness of an ageing society will boost demand for tea offering health benefits. Consumers are expected to become more aware of quality, which will stimulate the interest in naturally healthy tea. Convenience will remain a key factor behind new product developments.
- The economic situation in Chile and the level of disposable income are expected to improve, enabling consumers to increase their spending on sports and energy drinks. As this category is still developing, new manufacturers and brands are likely to make an entrance in the local market.

- Health and wellness trends contributed also to drinking milk products which grew rapidly in 2012, leading to manufacturers continuing to improve their portfolios of health and wellness products, mostly reduced-fat offerings.
- The health and wellness trend will be beneficial for the bottled water category in Chile as well. Thanks to ongoing campaigns by health professionals and nutritionists, consumers are likely to become even more concerned about their health and more aware that sufficient water intake is an important contributor to their personal wellbeing. Furthermore, the bad publicity surrounding other soft drinks that are high in sugar, such as carbonates or fruit juices, is likely to cause a shift to more natural beverage options.
- Demand for pasta is expected to remain stable in coming years. While the Chilean economy continues to show a good performance, opportunity for growth will be derived from new premium segments and differentiated products. It also will continue to grow among consumers looking for healthier options.
- With good economic prospects and the on-going stability in consumer income levels, demand for premium chocolate confectionery is likely to build in coming years.
- Demand for vitamins and especially dietary supplements will continue to grow over the coming years due to rising consumer health awareness and increasing perception that these products help improve the health and the body's defense mechanisms in a safe way. Furthermore, with increasing stress levels induced by hectic lifestyles, Chileans will look for alternatives to boost their energy levels to enjoy all aspects of daily life.
- Fruit/vegetable juice in Chile continues to benefit from rising consumer awareness of the consequences on their health of the food and drink being consumed. This trend is particularly strong among young adults, women and middle-income to high-income urban dwellers. In common with the majority of the population, Chileans are experiencing increasingly sedentary lifestyles. This, combined with the rising consumer awareness of health and wellness, (in large part due to the strong national and local media coverage of the importance of healthy lifestyles and widening Internet usage), is boosting demand for healthy soft drinks, such as fruit/vegetable juice.
- Premium beer is expected to continue to drive category growth. A growing number of consumers have shown a willingness to pay more for higher-quality beer. Now that some Chileans have traded up, they are unlikely to consider returning to mid-priced or economy products. With regard to craft beers, industry experts foresee Chile following the trend of developed countries like the US, where microbreweries account for around 6% of the category.
- Regarding ingredients, spices and condiments, Chile is a relatively open country and has in recent years been influenced by many other cultures. Travelling, the Internet, and the open economy allow consumers to access different foods, flavors and world trends in cooking (fusion, oriental meals, for example). In addition, young people are increasingly fond of cooking and eating healthy food. All this has introduced an important movement in the industry towards more

elaborate products to take advantage of these changes in consumer behavior. As the Chilean economic situation should continue improving, its exposure to international trends should grow further in coming years, and an even wider variety of international dishes should be introduced to the local market.

- Breakfast cereals should continue to grow and the main players should focus additional resources on capturing the opportunity presented by changing demand. Taking into consideration that breakfast cereals is an important category for most players, there is expected to be more innovation and intense competition in the near term. Despite children being the main consumer segment for such products, recent years have seen a change in behavior, with adults and families increasingly incorporating cereals into their daily diet. Young adults should represent an opportunity to continue exploring demand opportunities, as well as sporting consumers.
- Workers and executives will continue choosing fast food at lunchtime based on three main variables; affordability, location and fast services. Along with these factors, healthy alternatives will develop to be more appealing to a broader segment of the population. This trend is not expected to change rapidly, although full-service restaurants and self-service cafeterias are expected to compete directly with fast food operators if prices are moderated.
- Canned/preserved food players should continue trying to take advantage of the opportunity presented by changes to positioning and reach premium segments by developing value-added gourmet-type products. Fruit, vegetables and fish/seafood can be improved in terms of positioning as snacks and enhanced meal products. This is especially the case given the trend in the Chilean market towards more sophisticated meals and cooking.
- Frozen vegetables, poultry and fish/seafood should benefit most from the healthy trend. On the other hand, frozen red meat and desserts should appeal as high-quality products. The category presents opportunities and potential to grow due to a consumer preference for these types of alternative food products, a good economic situation, and easy availability through supermarkets/hypermarkets and outlets that have appropriate equipment to store and display such products.
- The Chilean consumer is becoming more sophisticated. For companies it is important to offer high quality, original products that meet consumers' requirements, including health and wellness. Creams and soups are transversal food types, reaching all socio-economic segments. Although an improved economic situation should translate into increased demand for premium soup products, it should also generate an incentive for soup substitution. This imposes the challenge of manufacturers being more creative to introduce new products to maintain sales.

Products not present because they face significant barriers- There are very few products in this category. The U.S. and Chile are engaged in technical discussions regarding several of the products below.

- Salmon eggs (new site inspection requirements by the Chilean government)
- Honey and honey derived products (American Broth Disease)
- Genetically modified (GMO) products without registered events in Chile

- All poultry except chicken and turkey (i.e. duck)

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Chapter 5: Trade Regulations, Customs and Standards

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Import Tariffs

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The U.S.-Chile Free Trade Agreement (FTA) came into force on January 1, 2004. Tariffs on 90% of U.S. exports to Chile were eliminated immediately. As of January 2007, 97% of all U.S. exports to Chile are duty free. The remaining 3% include duties primarily on agricultural products. Key U.S. exports such as autos and auto parts, computers and IT equipment, medical devices and construction and agricultural equipment all won instant duty-free access. In addition, in 2011 all products listed under category C gained duty free access. This category included dairy products, processed vegetables, seeds and canned meat products. By 2015, all trade between the two countries will be duty-free. For those products still subject to duty and products not of U.S. (or other FTA country) origin, Chile generally applies a uniform 6% duty.

The U.S.-Chile FTA further addresses other import taxes, which Chile applies. For example, under the FTA, Chile eliminated the 50% duty surcharge applied to used-goods originating from the United States. In addition, Chile agreed to phase out its luxury tax on U.S.-made automobiles. As of January 2007, the tax was eliminated completely. Certain other imported “luxury goods” incur a 15% tax upon entry into Chile. These include: beer, chicha, cider, wine and champagne; gold, platinum, and white ivory articles; jewelry and natural or synthetic precious stones; fine furs; mobile home trailers; caviar conserves and their derivatives; pyrotechnic articles, such as fireworks, petards, and similar items (except for industrial, mining or agricultural use); air or gas arms and their accessories (except for underwater hunting); and fine carpets and similar articles. Other liquors, such as grape pisco, whisky, aguardiente and liquorice wines face a 27% tax. Tobacco products, such as cigarettes, cigars and processed tobacco, are subject to additional 61%, 51% and 57.9% taxes, respectively. Additionally, all imports are subject to the same 19% Value Added Tax (IVA) imposed on domestic goods.

Trade Barriers

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Chile has only a few barriers to imports or investments, allowing foreign firms to enjoy the same protections and operate under the same conditions as local firms. In agriculture, some exceptions apply. For example, there is an equivalency of the inspections systems for dairy, beef, and poultry and therefore the establishments no longer have to be individually inspected by the Chilean Ministry of Agriculture. Meanwhile, in the case of pet food and other animal products, individual establishments still must be inspected by the Ministry. Many import restrictions on fresh fruits have been resolved as a result of technical talks held annually and subsequent to the FTA negotiations under the Sanitary and Phyto-Sanitary Committee created with that purpose. Consequently, new market access is available for a wider range of fruits and vegetables, although exporters should contact the Department of Agriculture/APHIS to check on any restrictions before shipping to Chile.

Chile only approves the import of processed food products on a case-by-case basis. There is no blanket approval process for permitting identical products from different companies to enter Chile after they have been tested and found in compliance with local health regulations. To bring in a product, the importer must obtain the permission of the Health Service Officer at the port of entry, who will take samples and perform the necessary tests. Chile is increasingly following international standards such as the Codex Alimentarius, and labeling and fortification standards are very similar to U.S. standards. One distinction is that the label must be in Spanish. For more information regarding Chile's labeling requirements, see the Foreign Agricultural Service's Food and Agricultural Import Regulations report at www.usdachile.cl.

Import Requirements and Documentation

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The commercial forms used by both local importers and exporters are commercial invoices, certificates of origin, bills of lading, freight insurance and packing lists. Special permission, certificates, and approval documents, such as sanitary and phytosanitary certificates, are required for most agricultural products and in special cases for industrial products. Depending on the nature of the product, these certificates can be obtained at the USDA Food Safety Inspection Service (FSIS), USDA Animal and Plant Health Inspection Service (APHIS), USDA Agricultural Marketing Service (AMS), and the National Oceanic and Atmospheric Administration (NOAA). For documentation requirements specific to agricultural imports, see the SAG web site, www.sag.cl or contact the U.S. Foreign Agricultural Service in Chile, phone number, +56-2-2330-3704; e-mail: AgSantiago@usda.gov.

U.S. Export Controls

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The U.S. does not maintain an embargo against or any export controls specific to shipments to Chile. However, U.S. exporters should verify applicable export controls by reviewing information from the U.S. Department of Commerce and U.S. Department of State. See www.export.gov/exportcontrols.html.

Temporary Entry

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Under the terms of the U.S.-Chile FTA, Chile will permit duty-free temporary admission of professional equipment necessary for carrying out the business activity of a businessperson who qualifies for temporary entry under Chilean law. Temporary duty-free admission of goods intended for display or demonstration and commercial samples is allowed. For temporary entry of food samples, see www.aduana.cl, Acuerdos Internacionales, Tratados de Libre Comercio, Chile – Estados Unidos, Oficios Circulares, Oficio Circular N° 333. Contact the Commercial Service to add certainty to this process.

Labeling and Marking Requirements

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Chile has fairly common labeling requirements for imported products. Among the most important requirements for U.S. exporters is that labeling must be in Spanish and measurements must be in the metric system. In addition, consumer products must display the country of origin before being sold in Chile. Packaged goods must be marked to show the quality, purity, ingredients or mixtures, and the net weight or measure of the contents. There are also specific requirements for canned food, shoes, foods, electric machinery, liquid and compressed natural gas equipment (LNG and CNG), plastics, wines and alcoholic beverages, textiles and apparel, wheat flour, detergents and insecticides for agricultural use.

Canned or packaged foodstuffs imported into Chile must bear labels in Spanish for all ingredients, including additives, manufacturing and expiration dates of the products, and the name of the producer or importer. All sizes and weights of the net contents also must be converted to the metric system. Goods not complying with these requirements may be imported but not sold to consumers until conversion is made. Thus, foodstuffs labeled in English must be re-labeled in Chile before they can be sold. For information on Chile's labeling requirements for food, see the Foreign Agricultural Service's Food and Agricultural Import Regulations at www.usdachile.cl.

Prohibited and Restricted Imports

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Chile has fairly common labeling requirements for imported products. Among the most important requirements for U.S. exporters is that labeling must be in Spanish and measurements must be in the metric system. In addition, consumer products must display the country of origin before being sold in Chile. Packaged goods must be marked to show the quality, purity, ingredients or mixtures, and the net weight or measure of the contents. There are also specific requirements for canned food, shoes, foods, electric machinery, liquid and compressed natural gas equipment (LNG and CNG), plastics, wines and alcoholic beverages, textiles and apparel, wheat flour, detergents and insecticides for agricultural use.

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on Chile's labeling requirements for food, see the Foreign Agricultural Service's Food and Agricultural Import Regulations at www.usdachile.cl.

Customs Regulations and Contact Information

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Chilean customs valuation uses the normal value of merchandise, without special discounts, plus freight and insurance (CIF). Used goods are valued by the customs service according to the current new value of similar merchandise, discounting ten % per year of use, up to a 70% discount. For more information, see the Chilean Customs web page at www.aduana.cl.

Standards

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Overview

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Chile's growing export industrial base and expanding presence in the region has proven to be the reason why general policy for defining technical regulation has increased to comply with international standards. Chilean standard guidelines follow those of the World Trade Organization (WTO), Committee on Technical Barriers to Trade. In situations where required standards do not exist, the general policy is to turn to Chile's largest trading partners, including the European Union and the United States, in order to determine what are the generally accepted norms being implemented around the world.

The "Instituto Nacional de Normalización" or National Standards Institute (INN) is the institution that is responsible for overseeing and developing the use of technical regulations in standardization and accreditation in Chile. Chile's INN is the institution that fosters and develops the use of standards in Chile in three areas: standardization, accreditation and metrology. All the important and high profile standards cases are handled through the INN and its respective government offices. Certification is done only through accredited institutions. The accrediting institutions may have private, public, national and even international origin. As an example of this, the INN has accredited the U.S.-based Underwriters Laboratories (UL) to issue product certification.

Other factors influencing local policy in standardization are mentioned in chapter seven of the Free Trade Agreement (FTA) between the U.S. and Chile. The FTA addresses technical barriers to trade and calls on both countries to intensify their work in the field of standards, technical regulations, and conformity assessment procedures. This facilitates access to each other's markets as well.

Both countries have agreed to identify bilateral initiatives that are appropriate for particular issues or sectors. Such initiatives include cooperation on regulatory issues, such as the equivalence of technical regulations and standards aligned with international standards. The reliance on a supplier's declaration of conformity and the use of accreditation to qualify conformity assessment are also observed. Each country is also required to participate in the development of standards, technical regulations, and conformity assessment procedures. Chile's INN already interacts with several standards institutions from around the world, including the U.S. Department of Commerce's National Institute of Standards and Technology (NIST), the American National Standards Institute (ANSI) and the American Society for Testing and Materials (ASTM International).

Standards Organizations

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In Chile, there are no standards associations like those found in the United States. The only organization charged with developing standards in Chile is the INN. Its web site is www.inn.cl. Its long-term plan for the development of standards is aligned to Chile's chief export sectors. These include copper, forestry, agro-products in general, and the wine industry.

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other member countries.

Notify U.S. is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect access to international markets. Register online at Internet URL: <http://www.nist.gov/notifyus/>

Conformity Assessment

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The most important national testing organizations are grouped under the following categories.

- 1) Testing laboratories
- 2) System Quality Auditors
- 3) Inspection organizations
- 4) Product certification
- 5) Calibration laboratories
- 6) Quality Management Systems (QMS)
- 7) Environmental Management Systems (EMS)

A few of the locally accredited organizations are mentioned below. A complete list of accredited testing organizations under each category can be found at <http://www.inn.cl/acreditacion/organismos/portada/index.php> under the **DIRECTORIO DE ACREDITADOS**.

Name	Address In Chile	Telephone
CESMEC Ltda. (Chile), División Certificación / ISO9000 www.cesmec.cl	Av. Marathon 2595 Macul, Santiago	(56 2) 2350-2100
DICTUC S.A., (Chile) www.dictuc.cl	Av. Vicuña Mackenna 4860 Macul, Santiago	(56 2) 2354-4886
Fundación Chile (Chile) www.fundacionchile.cl	Av. Parque Antonio Rabat Sur 6165 Vitacura, Santiago	(56 2) 2240-0300
Bureau Veritas S.A. (France) www.bureauveritas.cl	Av. Marathon 2595 Macul, Santiago	(56 2) 2485-9000
ISP (Instituto de Salud Pública de Chile) www.ispch.cl	Av. Marathon 1000 Ñuñoa, Santiago	(56 2) 2575-5101
LACEM U de C www2.udec.cl/~lacem/	Edmundo Larenas 234, interior Concepción, Chile	(56 41) 220-4247
SAG (Servicio Agrícola y Ganadero) (Chile) www.sag.cl	Av. Bulnes 140, Piso 8 Santiago Centro, Santiago	(56 2) 2345-1101
SGS-Chile Ltda. www.cl.sgs.com	Ignacio Valdivieso 2409 San Joaquín, Santiago	(56 2) 2898-9500
Corthorn Quality (Chile) www.corthorn.cl	Palacio Riesco 4549 Huechuraba, Santiago	(56 2) 2580-8000

Product Certification

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In most sectors, standards are not mandatory in Chile, but companies can voluntarily comply with them, especially in industries where such compliance constitutes a kind of “seal of approval.” However, certain imported products, such as those related to industrial safety, building and construction materials, and the gas and electricity industries, must comply with the specific requirements of the supervising entity. For example, there are specific regulations pertaining to the seismic resistance of new construction. The INN is also promoting ISO 14000 and ISO 9000 standards among local manufacturers. The chemical industry is an example of one industry that has incorporated ISO 9000 standards into its industrial processes.

For agricultural products, the U.S.-Chile FTA includes an agreement on red meat grading standards, which now allows U.S. boneless red meat products to be sold in the Chilean market according to U.S. standards. There are also Agreements on equivalency in the inspection and Control Systems of poultry and beef.

Accreditation

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A complete list of accredited testing organizations under each category can be found at <http://www.inn.cl/acreditacion/organismos/portada/index.php> under the heading **DIRECTORIO DE ACREDITADOS.**

Publication of Technical Regulations

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The name of Chile's government bulletin is the "Diario Oficial". Once regulations are approved by the INN, and officially accepted by Chile's central government, they are published in the "Diario Oficial" and only those approved are published. Proposed regulations are never published in the "Diario Oficial".

Regulations currently under discussion, a schedule of upcoming standards development committee meetings and a forum for public comment are available on the INN web page at <http://www.inn.cl/normalizacion/comites/portada/index.php>

Any institution, private or public, may request the services of the INN for the development of a standard in accordance with most procedures. Moreover, institutions and company representatives can be active participants in the committee that is created when defining a certain standard. U.S. company representatives have, in fact, participated in such study discussions. The application request is available on-line.

Labeling and Marking

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As described previously in this section, Chile has fairly common labeling requirements for imported products. Among the most important requirements for U.S. exporters is that labeling must be in Spanish and measurements must be metric. In addition, consumer products must display the country of origin before being sold in Chile. Packaged goods must be marked to show the quality, purity, ingredients or mixtures, and the net weight or measure of the contents.

There are also specific requirements for canned food, shoes, foods, electric machinery, liquid and compressed natural gas equipment (LNG and CNG), plastics, wines and alcoholic beverages, textiles and apparel, wheat flour, detergents and insecticides for agricultural use.

Canned or packaged foodstuffs imported into Chile must bear labels in Spanish for all ingredients, including additives, manufacturing and expiration dates of the products, and the name of the producer or importer. All sizes and weights of the net contents also must be converted to the metric system. Goods not complying with these requirements may be imported but not sold to consumers until the conversion is made. Thus, foodstuffs labeled in English have to be re-labeled in Chile before they can be sold. For information on Chile's labeling requirements for food, see the Foreign Agricultural Service's Food and Agricultural Import Regulations at www.usdachile.cl.

Contacts

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The Standards Liaison at the U.S. Embassy in Santiago is Ms. Claudia Melkonian, Phone: +56-2-2330-3312; Fax: +56-2-2330-3172; E-Mail: claudia.melkonian@trade.gov; web site: <http://export.gov/chile/en>

INN, Head of Standards Division is Ms. Claudia Cerda. Phone: +56-2-2445-8870; E-Mail: claudia.cerda@inn.cl; website www.inn.cl.

The Government of Chile's Contact Point for WTO Technical Barriers to Trade is Mr. Jorge Soto, Head of the Department of International Trade, Ministry of Economy,

Ministerio de Economía, Phone: +56-2-473-3442; Email: jsoto@economia.cl; web site www.economia.cl.

Trade Agreements

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Chile continues to be a critical partner in promoting U.S. foreign policy goals throughout the region. In January 2010, Chile became the 31st member of the OECD and the first, and only, South American member. It is a member of the WTO and the Cairns Group. The U.S.-Chile Free Trade Agreement (FTA) entered into force on January 1, 2004, and will be fully implemented in 2015. Chile has negotiated 26 trade agreements of which 23 have entered into force, covering 62 countries. These agreements include 14 FTAs (Canada, Mexico; Central America which includes Costa Rica, El Salvador, Guatemala, Honduras y Nicaragua; U.S.A., Korea; EFTA which includes Iceland, Liechtenstein, Norway and Switzerland; China, Panama, Peru, Australia, Colombia, Turkey, Malaysia and Vietnam); 3 Economic Association Agreements (EU which includes the 28 country members; Japan and P-4, which includes New Zealand, Singapore and Brunei Darussalam); 5 Economic Cooperation Agreements (Bolivia, Cuba, Ecuador, Venezuela and Mercosur, which includes Argentina, Brazil, Paraguay, Uruguay, and Venezuela), and one Partial Association Agreement (India). FTA with Hong Kong will enter into force on October 2014. Pending ratification by the Congress are FTAs with Thailand and the chapter on Investments with China. Chile is also an active member of the Inter-American Institute for Cooperation on Agriculture and the Asia-Pacific Economic Cooperation. Chile is also one of twelve countries negotiating the Trans-Pacific Partnership (TPP) Agreement and a founding member of the Pacific Alliance.

Chile is also a member of OMPI, and “Pathways to Prosperity”.

This network of trade agreements has significantly improved market access for Chilean products and exports. During 2013, Chile sent roughly 45% of its exports to Asia, 14% to the European Union, 21% to NAFTA countries, and the rest to Latin American and other markets. For more information on Chile’s trade agreements, see www.direcon.cl.

Web Resources

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U.S. Government:	www.export.gov
U.S. Commercial Service Santiago:	www.buyusa.gov/chile/en
USDA Foreign Agricultural Service:	www.fas.usda.gov
U.S. Embassy Santiago:	http://chile.usembassy.gov/
U.S. Government information on exports controls:	
www.export.gov/exportcontrols.html	
Government of Chile:	www.gobiernodechile.cl
Ministry of the Economy:	www.economia.cl
Standards Development Organization:	www.inn.cl
Ministry of Foreign Affairs (Economic Directorate):	www.direcon.cl
Customs Service:	www.aduana.cl
Institute of Public Health:	www.ispch.cl
Agriculture and Livestock Service:	www.sag.cl

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Chapter 6: Investment Climate

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Openness to Foreign Investment

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Attitude Toward FDI

For over three decades, Chile has made FDI an essential part of its national development strategy. Chile's sound, market-oriented policies have created significant opportunities for foreign investors to participate in the country's steady economic growth. Chile's business climate is generally straightforward and transparent. Foreign investors receive treatment similar to Chilean nationals, and there is no overall economic or industrial strategy that has discriminatory effects on foreign investors or foreign-owned investments. A broad political consensus on the advantages of foreign investment means that Chile's policies toward FDI are unlikely to change.

Laws/Regulations of FDI

FDI in Chile enters under either the Foreign Investment Statute Decree Law 600 (DL600) or Chapter XIV of the Central Bank's Compendium of Foreign Exchange Regulations (CFER). The minimum investment under DL600 is USD 5,000,000 in currency and USD 2,500,000 in the case of fixed assets, technology, debt capitalization, and profit reinvestments. FDI valued below these levels but above USD 10,000 is made through Chapter XIV of the Central Bank's CFER.

Chile's openness and transparency to FDI are embodied in DL600. This law has been the main regulatory norm for FDI in Chile during the last 40 years. At the time

of publication of this report, the Chilean Congress is debating a bill that could do away with DL 600.

Under DL600, a foreign investor signs a contract with the Government of Chile (GOC) establishing the terms of the investment. The general regulations, terms, interest, and other modalities of foreign credit contracts as well as surcharges related to total costs to be paid by the debtor, including commissions, taxes, and expenses must also be authorized by the Central Bank of Chile. DL600 allows for capital increases in a given investment. A principle benefit of investing under DL600 is the option to lock in a ten-year, invariable total effective income tax rate (of 42 percent in 2013).

Chile's Foreign Investment Committee (FIC), the entity responsible for administering DL600, establishes the terms and conditions of investments made under DL600. Applications are typically approved within a matter of days and almost always within a month. The FIC's authority to reject a foreign investment is limited by the Chilean Constitution. The FIC's decision can be appealed if an investment is rejected.

Use of DL600 is optional; an investor can choose to go through Chapter XIV of the Central Bank's regulations if so desired. Chapter XIV establishes regulations that govern foreign exchange operations related to credits, deposits, investments, and capital contributions originating abroad. Investments made under Chapter XIV do not involve signing a contract with the Chilean state. Instead, the Central Bank grants authorization for a given investment. FDI made under Chapter XIV must be in a foreign currency and does not convey any special rights to the investor, such as access to a guaranteed tax rate. The investor must inform the Chilean Central Bank of the investment through a commercial bank or other authorized financial institution. FDI valued at less than USD 10,000 does not require Central Bank approval.

In 2002, the Chilean Government launched an Investment Platform Initiative ("the Initiative") aimed at attracting international corporations' Latin American headquarters to Chile. As part of the Initiative, an eligible company can make use of a variety of incentives, including tax exemptions for overseas shareholders based on certain criteria and a lack of restrictions on domestic borrowing by a platform company. The Initiative addresses the problem of three-way taxation by exempting platform companies from Chilean tax on overseas earnings and provides foreign investors with additional incentives to invest in Chile. This Initiative is meant to foster regional joint ventures between foreign investors and Chilean partners. To facilitate the entry of foreign capital into Chile, the Initiative also allows companies that are already established in the region to move their centers of operation to Chile without incurring the transaction costs involved in selling and re-buying assets.

Foreign investors are unlikely to experience government interference in Chile's legal system.

Industrial Strategy

The Chilean government seeks to attract foreign investment to **industrial and mining sectors** through tax incentives. For example, subject to approval on a case-by-case basis by the Foreign Investment Committee, a foreign investor can lock in a ten-year invariable tax rate (42 percent in 2013) for up to 20 years, as opposed to the maximum

ten-year limit afforded to investments in other sectors under DL600. For more information about benefits of investing in **industrial development and the extractive industries**, see DL600, http://unctad.org/sections/dite_dir/docs/wir2013/wir13_fs_cl_en.pdf. See the FIC's "Foreign Investor Guide" for information about tax treatment and foreign investments generally: http://www.ciechile.gob.cl/wp-content/uploads/2010/10/Foreign_Investors_Guide_in_Chile.pdf.

Limits on Foreign Control

There are no limits on foreign ownership or control of business entities or assets in Chile. See the "Right to Private Ownership and Establishment" section, below, for restrictions applicable to all investors.

Certain types of investment projects require additional authorization beyond that of the FIC and the Central Bank. There are no restrictions on foreign investment in telecommunications, but investors must acquire a license, and the number of licenses available is limited in some new sectors of the industry. The requirements for obtaining certain licenses in the **telecommunications sector** remain unclear as the industry evolves; at least one U.S.-based firm experienced significant delays in 2013 attempting to secure licenses due to opaque license granting requirements. Projects in the **copper mining sector** require the Chilean Copper Commission's authorization; investments in the **fishing sector** require the approval of the Under-Secretariat of Fishing; authorization from the Bank and Financial Institutions Regulatory Agency is required to operate in the **banking sector**; and the Securities and Exchange Commission must authorize projects related to **insurance and investment funds**. Additional authorizations are required from the **Pension Funds and Private Health Insurance** regulatory agencies to participate in those sectors. For projects with a potential **environmental** impact, authorization is required from the Environmental Evaluation Service, a decentralized service related to but independent from the Ministry of Environment. Chile also maintains national security related restrictions on investments in the areas of **nuclear energy, defense, maritime transportation, real estate, and mining**.

Profit remitted, withdrawn or distributed to foreign investors is subject to a withholding tax. Dividends paid to foreign shareholders are subject to an additional 35 percent tax on distribution, but a credit of 20 percent is given against the additional tax where the amount at issue is subject to Chile's First Category tax. The company must withhold the additional tax. The same tax procedure applies to remittances of profit made to partners and to profit withdrawn by foreigners. As noted, though, the effective tax rate – including taxes on remittances - for foreign investment occurring through DL600 can be capped at the ten-year invariable rate (42 percent in 2013).

Competition Law

Foreign investors are not required to seek a ruling on the potential competition implications of a planned investment before investing. Chile's anti-trust law, the Chilean Free Competition Act (1973), prohibits mergers or acquisitions that would prevent free competition in the industry at issue. An investor may voluntarily seek a ruling by an Antitrust Court that a planned investment would not have antitrust implications.

U.S.-Chile Free Trade Agreement

The United States-Chile Free Trade Agreement (FTA) entered into force on January 1, 2004. The chapter on investment is modeled on the standards found in agreements throughout the world such as U.S. bilateral investment treaties and customary international law. The main objective of the FTA chapter is to provide stability and security to investors. It provides six basic forms of protection:

- Non-discriminatory treatment, based on national treatment and most-favored-nation treatment, for investors from either country;
- Freedom from performance requirements;
- Free transfer of investment funds;
- Expropriation only when consistent with international law;
- A minimum standard of treatment in customary international law; and
- The ability to hire key managerial and technical personnel without regard to nationality.

TABLE 1

Measure	Year	Ranking
Transparency International Corruption Perceptions Index	2013	22
Heritage Economic Freedom	2014	7 (five spots ahead of U.S.A.)
World Bank Ease of Doing Business	2013	34

Conversion and Transfer Policies

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Chile's regulations ensure that capital markets are well developed and open to both foreign portfolio investment and FDI. In May 2000, Chile eliminated the one-year withholding period requirement for foreign capital entering the country under Chapter XIV. This type of investment capital may now be repatriated immediately without penalty.

A second major initiative in 2000 was the discontinuation of the use of the "encaje," or lock-in, which required foreign investors to deposit 30 percent of foreign-sourced loans and portfolio investment with the Central Bank in a non-interest-bearing account for up to two years. The Central Bank reserves the right to re-impose the "encaje" mechanism if needed in the future.

Over a decade ago the Chilean government delivered important reforms and measures aimed at promoting savings in investment securities, including by exempting capital gains taxes on highly traded stocks of publicly traded companies, lowering taxes for foreign investors on interest payments, and advancing the integration of Chilean capital markets with the international financing market.

A second set of reforms introduced in 2005-06 was aimed at promoting broader financing alternatives for high growth, emerging companies (small- to medium-sized enterprises, SMEs) and providing tax incentives for the development of a local risk capital fund management industry. In June 2007, the GOC passed Law 20.190, which

introduced tax incentives to promote venture capital. The law improves the availability of financial resources for SMEs and provides tax benefits to public as well as private venture capital funds. Law 20.190 authorizes Chile's Development Promotion Agency (CORFO, www.corfo.cl) to take an equity position of up to 40 percent in specialized venture capital funds. It also allows banks to invest up to the equivalent of one percent of their asset base in venture capital through investment fund administrators and subsidiaries.

A third capital markets reform was introduced in 2010, aimed at increasing security levels of financial transactions and reinforcing regulatory and supervision capabilities. This set of reforms enhanced competition in the credit market by increasing available credit instruments and improving consumer information. The reform also increased liquidity, deepened credit markets, improved flexibility for investment funds, created Exchange Traded Funds (ETFs), allowed access to secondary markets, and fostered investment in mutual and investment funds. Investors, importers, and others are guaranteed access to foreign exchange in the official inter-bank currency market without restriction.

The Central Bank reserves the right to deny access to the inter-bank currency market for royalty payments in excess of five percent of sales. The same restriction applies to payments for the use of patents that exceed five percent of sales. In such cases, firms would have access to the informal market. The Chilean tax service reserves the right to prevent royalties of over five percent of sales from being counted as expenses for domestic tax purposes.

Under the Investment Chapter of the U.S.–Chile FTA, each government must allow transfers of covered investments to be made freely and without delay into and out of its territory. These include transfers of profits, royalties, sales proceeds, and other remittances related to the investment. However, for certain types of short-term capital flows, the chapter allow Chile to impose transfer restrictions for up to 12 months as long as those restrictions do not substantially impede transfers. If restrictions are found to impede transfers substantially, damages accrue from the date of the initiation of the measure.

As a general rule, Chile does not engage in currency manipulation.

Expropriation and Compensation

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Chilean law grants the government authority to expropriate property, including property of foreign investors, only for public or national interests, on a non-discriminatory basis and in accordance with due process of law.

The law requires the payment of compensation without delay at fair market value, in addition to any applicable interest. The government has not nationalized a private firm since 1973.

Dispute Settlement

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Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Chile's legal and regulatory framework provides for effective means for enforcing property and contractual rights. Laws governing issues of interest to foreign investors are found in several statutes, including the Commercial Code of 1868, the Civil Code, the Labor Code and the General Banking Act. Chile has specialized courts for dealing with tax and labor issues.

The judicial system in Chile is generally transparent and independent. The likelihood of government intervention in court cases is low. If a state-dependent firm is involved in the dispute, the GOC may become directly involved through the State Defense Council. In cases where courts determine a firm is bankrupt, a receiver is named to distribute the debtor's remaining assets to the creditors.

Judgments of foreign courts and binding international arbitration rulings are generally recognized and enforced by local courts.

Investment Disputes

Disputes involving U.S. investors have been typically settled in negotiations between the investor and the appropriate government entity. Disputes have been referred to the local judicial system, although the time required for resolution may make this an unattractive option for foreign investors. Because of high case loads, understaffing and antiquated case-management procedures, resolution of business disputes in the civil court system can take four to five years. Accordingly, litigants often choose to settle out of court. Mediation and binding arbitration exist in Chile as alternative dispute resolution mechanisms. A suit may also be brought in court under expedited procedures involving the abrogation of constitutional rights.

The FTA Investment Chapter provides a mechanism for investors to pursue a claim against a host government that is in breach of the FTA's investment obligations, an investment agreement, or an investment authorization. An exception is disputes related to investment authorizations under DL600, which are *not* subject to this mechanism. Only agreements signed within two years of the FTA's entry into force may make use of this mechanism. Under this section, the investor pursuing a claim may by right submit a claim under the International Center for Settlement of Investment Disputes (ICSID) Convention or under the United Nations Commission on International Trade Law (UNCITRAL) arbitration rules. Any other mutually agreed upon arbitral institution may also be utilized. Rules agreed upon by the parties will govern the proceedings except to the extent that they are inconsistent with the FTA. An investor must give notice of intent to arbitrate at least 90 days before submitting a claim, and must wait at least six months from the time of the event which gave rise to the claim before initiating a proceeding. All claims must be brought within three years of the date when the claimant acquired knowledge of the breach and/or injury.

The FTA chapter on investments encourages consultations or negotiations before recourse to dispute settlement mechanisms. If the parties fail to resolve the matter, a claim for arbitration can be submitted by the investor. Provisions in Section C of the FTA ensure that the proceedings are transparent by requiring that all documents submitted to or issued by the tribunal be available to the public, and by stipulating that

proceedings be public. The tribunal must also accept amicus curiae submissions. The FTA chapter on investments establishes clear and specific terms for making proceedings more efficient and avoiding frivolous claims. Chilean law is generally to be applied to all contracts. However, arbitral tribunals decide disputes in accordance with FTA obligations and applicable international law.

International Arbitration

Chile is party to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention).

Performance Requirements and Incentives

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WTO/TRIMS

Chile has not notified the World Trade Organization of any measures inconsistent with its Trade Investment Measures (TRIMS) requirements, and does not maintain measures alleged to violate the country's TRIMS obligations.

Investment Incentives

Chile does not subsidize foreign investment. There are, however, some incentives linked to isolated geographical zones and to the information technology sector. These benefits relate to co-financing of feasibility studies as well as to incentives for the purchase of land in industrial zones, the hiring of local labor, and the facilitation of project financing. Other important incentives include accelerated depreciation accounting for tax purposes, special tax treatment for retained earnings, and legal guarantees for remitting profits and capital.

Chile has other special incentive programs aimed mostly at promoting investment and employment in remote or disadvantaged regions, the development of new businesses, support for micro-, small-, and medium-sized enterprises, and promotion of technological innovation.

Since 2001, the Chilean Economic Development Agency (CORFO) has implemented the "Chile Invests" plan with the goal of fostering FDI outside the Santiago Metropolitan Region in certain sectors. A key objective of the plan is to encourage investment in areas of non-traditional technology such as biotechnology, research and development of new materials, electronics and engineering processes, and new production techniques to increase the value added to natural resource exports. The plan also promotes investment in the energy sector mainly for non-conventional renewable energy projects. CORFO provides co-financing programs to pre-investment feasibility studies for projects using renewable non-conventional energy resources. See CORFO's website for more information about its investment incentive programs:

<http://www.english.corfo.cl/programs>

The Arica Law of 2001 grants tax credits to companies in the provinces of Arica and Parinacota. Investment projects amounting to over 2,000 UTM (about USD 148,000) in Arica are eligible for a tax credit of 30 percent of the value of the fixed physical assets (40 percent for tourism projects). Investment projects totaling more than 1,000 UTM (about USD 74,000) in Parinacota are eligible for a tax credit of 40 percent of the value

of the fixed physical assets. These incentives are available until December 31, 2030. [NOTE: The Unidad Tributaria Mensual (UTM) is an inflation-indexed measure of value, adjusted on a monthly basis. On April 22, 2014, 1 UTM was equivalent to about USD 74.

A third investment promotion plan for the province of Tierra del Fuego in Region XII (Magallanes) is available for mining, manufacturing, transport, fishing and tourism companies that produce goods or services made up of at least 25 percent of local labor and inputs.

Other investment incentives have been introduced through the “Chile Competes Plan.” The Plan includes an exemption from the income tax normally paid by institutional investors, such as mutual funds and pension funds, on earnings from the transfer of corporate stock that is publicly traded, or bonds or other publicly offered securities representing debt issued by the Central Bank of Chile, the Chilean Government, or by companies incorporated in Chile.

In January 2011, the Ministry of Economy, through CORFO, established a USD 40 million program, known as “StartUp Chile,” whereby selected entrepreneurs receive a USD 40,000 grant and a Chilean work visa to develop a “start-up” business in Chile. Upon admittance into the program, an entrepreneur is given six months to develop a project and then promote it through a series of pitches and seminars at local universities, corporate meetings and other community outreach.

Performance Requirements

Neither Chile's Foreign Investment Committee nor the Central Bank applies performance requirements in its review of proposed investment projects.

The investment chapter in the U.S.–Chile FTA establishes rules prohibiting performance requirements that apply to all investments, whether by a third party or domestic investors. The FTA investment chapter also regulates the use of mandatory performance requirements as a condition for receiving incentives and spells out certain exceptions. These include government procurement, qualifications for export and foreign aid programs, and non-discriminatory health, safety, and environmental requirements.

Right to Private Ownership and Establishment

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Except for the limitations in the fisheries and media sectors noted above, Chile does not, in general, restrict the right to private ownership or establishment. Section 24 of Article 19 of the Constitution establishes, however, the “absolute, exclusive, inalienable and permanent domain” of the Chilean state over all mineral, hydrocarbon, and fossil fuel deposits within Chilean territory. Under Chilean law, the government may grant concession rights to individuals and companies for exploration and development of these natural resources for a finite period. There are also national security-related measures regarding the purchase of real estate by foreigners near land borders with Chile’s neighbors.

Real Property

Secured interests in property, both movable and real, are recognized and generally enforced in Chile. There is a recognized and generally reliable system for recording mortgages and other forms of liens. Chile ranked 55 out of 146 countries in the World Bank's 2013 Doing Business report for property registration.

Intellectual Property

Because of concerns about its commitment to the protection of intellectual property rights (IPR), Chile has been on the Special 301 Priority Watch List (PWL) since January 8, 2007. The Chilean government has undertaken a number of legislative reforms to strengthen its IPR regime and bring it in line with international commitments, including the U.S.-Chile Free Trade Agreement (FTA). However, there are still substantive deficiencies in Chile's IPR laws and enforcement of existing IPR protections. Of particular concern are inadequate patent and test data protection in the pharmaceutical sector; the lack of an effective system for addressing patent issues expeditiously in connection with applications to market pharmaceutical products; circumvention of technological protection measures; piracy of music and software, particularly over the internet; Chile's failure to protect encrypted program-carrying satellite signals, including its failure to address the sale of pirate satellite decoder boxes; and inadequate protection for plant varieties. The 2014 Special 301 Report on IPR is available on the USTR website at <http://www.ustr.gov/about-us/press-office/reports-and-publications/2014>.

Chile has been a member of the World Intellectual Property Organization (WIPO) since 1975 and joined the Treaties on Copyright and Performances and Phonograms in April 2001. Chile approved legislation to comply with TRIPS obligations related to industrial property in December 2004. The law provides, among other protections, for expedited court proceedings and the authority to seize illegal copies of patented products. In 2008, Chile ratified the Patent Cooperation Treaty (PCT), which came into force in June 2009.

The U.S. and Chile have committed to making a system available for the resolution of disputes regarding internet domain names. This follows international standards with respect to problems such as the cyber piracy of brands and trademarks for country domain names. Furthermore, both countries committed to creating a database containing information on individuals who have registered higher-level domain names. This database will protect the personal data of those who have registered.

It is generally easy for investors to register intellectual property – including copyrights, trademarks, patents and trade secrets.

For additional information about treaty obligations and points of contact at local IP offices, please see Chile's WIPO country profile at:
http://www.wipo.int/directory/en/details.jsp?country_code=CL

Inquiries regarding intellectual property issues in Chile can be addressed to:
Alexander Bryan
Economic Officer
U.S. Embassy, Santiago
(56)-(2)-2330-3397
BryanAT@state.gov

Local lawyers list: <http://chile.usembassy.gov/medical-legal.html>

Useful information on IP issues in Chile can also be found from the American Chamber of Commerce in Chile, <http://www.amchamchile.cl/node/110125>.

Transparency of Regulatory System

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Chilean regulatory systems tend to be transparent, and government regulators generally have little discretion in carrying out their duties. While rulemaking processes do not generally include formal provisions for public hearing or comment. The World Bank's "Doing Business 2014" report ranks Chile 22nd of 189 economies (after ranking 30th in 2013) for ease of starting a business. The U.S.–Chile FTA establishes some additional obligations for transparency in regulatory processes.

Efficient Capital Markets and Portfolio Investment

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Chile's capital markets are well-developed and open to foreign portfolio investors. Credit is allocated on market terms and is available to foreigners, although the Central Bank does reserve the right to restrict foreign investors' access to internal credit if a credit shortage exists. To date, this authority has not been exercised.

Publicly traded Chilean companies attract substantial international investment.

Under the U.S.-Chile FTA, U.S. insurance firms have full rights to establish subsidiaries or joint ventures for all insurance sectors, with limited exceptions. A program was undertaken to phase in insurance branching rights and to modify Chile's legislation to open cross-border supply of key insurance sectors such as marine, aviation, and transport insurance, and insurance brokerage of reinsurance.

U.S. banks and securities firms are allowed to establish branches and subsidiaries and may invest in local firms without restriction, except under very limited circumstances. U.S. financial institutions are also able to offer financial services to citizens participating in Chile's privatized voluntary saving plans, and they have gained increased market access to Chile's mandatory social security system. U.S.-based firms are allowed to offer services in Chile in areas such as financial information, data processing, and financial advisory services, with limited exceptions. Under the measures outlined in "Capital Market Reform III," Chilean mutual funds are permitted to use foreign-based portfolio managers.

In May 2011, the stock markets of Chile, Peru and Colombia merged to become the second largest trading market in Latin America after Brazil. This market alliance, known as the Integrated Latin American Market (MILA) hopes to better expose investors to assets linked to the region's natural resources. Chile's IPSA Index is a total return index and is composed of 40 highly traded stocks. The IPSA has been calculated since 1977 and is revised on a quarterly basis.

The main institutional investors and suppliers of capital to local companies are the pension fund administrators (AFP) as well as insurance companies, mutual funds and banks. More than half of the instruments issued in the fixed-income market are held by institutional investors.

Pension funds are the largest institutional investors followed by insurance companies. As of March 2014, Chile's six AFPs managed a total investment portfolio of USD 161.9 billion, representing about 65 percent of Chile's GDP. The pension funds administered by the AFPs belong to 9.6 million participants, of which 5 million are contributors. As of March 2014, the total resources under AFP administration were distributed in five different types of funds of varying degrees of risk. As of July 2012, accumulated savings in the voluntary contributions system (APV) of the AFP system totaled USD 4.3 billion, belonging to 735,170 contributors.

The GOC has been raising the percentage of pension funds that can be invested overseas. In 2008, a reform package of the pension system was approved by Congress increasing the threshold for pension fund administrators to invest abroad (from 30 to 60 percent of their funds).

The reform package also set the foundation on which to build a “solidarity pillar” to increase coverage among lower-income contributors and self-employed workers and expand social security assistance coverage. Total spending in 2012 on “solidarity pension payments” reached USD 286.2 million.

As of September 2012, insurance companies managed more than USD 6 billion in assets. Insurance companies invest a major share of their portfolio in fixed-income securities.

The Chilean banking system is sound, competitive, and meets Basel standards. There are currently 23 banks operating in Chile, and 4 are foreign-owned representational branches. Only one bank is completely owned by Chilean economic interests (BCI). The rest have some level of incorporation with foreign institutions. Foreign banks can compete on the same terms as their domestic rivals. There are also seven local savings and loan corporations, and one state-owned bank, Banco Estado, which is the nation's third largest. Private banks manage most corporate business.

The Chilean banking industry is subject to strict limits on lending to a single debtor or group of related companies. This is capped at five percent of the capital and reserves of a bank for collateral-free loans and at 25 percent for collateralized loans (fixed assets).
Summary of Chilean Banking System (September 2013): Total Loans – USD 223 billion
Deposits – USD 185.8 billion
Total Assets – USD 302.4 billion

Source: Chile's Superintendence of Banks and Financial Institutions

General Information on the Financial Market

– Banks and Financial Institutions: 23 participants. Total Loans: USD 223. Billion

– Pension Funds: 6 administrators. Funds under management: USD 161.9 billion

– Insurance Companies: 56 (23 general insurers, 33 life insurers).

According to the World Economic Forum's Global Competitiveness Report for 2013-2014, Chile is the most competitive country of South America and the third most competitive of the Americas after the U.S. and Canada. Chile is ranked 34th in the world.

Competition from State Owned Enterprises

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Chile's SOEs

Chile has relatively few state-owned enterprises (SOEs), most having been privatized during the military government's economic reforms between 1974 and 1989. Notable SOE's are the national **copper** company, CODELCO; the national **petroleum** company, ENAP; the National **Postal System** (Correos de Chile); and the state-owned **bank**, Banco Estado.

In general, private enterprise is allowed to compete with public enterprise under the same terms and conditions (e.g., there are many private copper mines and private banks). However, there are specific areas where this does not hold and SOEs enjoy special advantages. For example, ENAP is the only **refining company** in Chile. SOEs spend a similar portion of their budget on research and development to the portion spent by private sector domestic and foreign companies in the same sector.

Most SOEs in Chile are structured so that the company management reports to a board of directors, which includes the relevant government minister (e.g., the Minister of **Mining** sits on ENAP's board of directors). Most board members are independent representatives from the private sector and academia, or from that industry's main labor union or trade association. Board members are usually designated by the President of Chile.

Chile passed a law in October 2009 which modifies CODELCO's corporate governing structure. The law removes the Ministers of Finance and Mining and a representative of the military from the board of directors. It also expands the board to nine members, three of whom are designated by the President of Chile, two of whom are nominated by CODELCO's labor unions and approved by the President of Chile, and four of whom are elected by the Consejo de Alta Dirección Pública (Chile's independent committee that makes high-level civil service appointments) and subsequently approved by the President of Chile.

SOEs are subject to the same taxes and the same value added tax rebate policies as their private sector competitors.

Sovereign Wealth Funds

Chile has two **sovereign wealth funds** constituted principally from state **copper** revenues. The Economic and Social Stabilization Fund (FEES) was established in 2007 and was valued at USD 14.9 billion in November 2012. The Reserve Pension Fund was established in 2006 and was valued at USD 15.4 billion at the end of 2013. The stated purpose of this fund is to assist the Government with payments to those eligible to receive pensions but who remain indigent (Chile uses a privatized pension system). A

third sovereign wealth fund, called the Bicentennial Fund, encourages Chileans to study abroad through the use of government funded scholarships.

The sovereign wealth funds are administered by the Chilean Central Bank, at the direction of the Ministry of Finance. The Ministry of Finance receives advice on policy related to the funds from an external Finance Committee made up of independent advisors. The Ministry of Finance publishes monthly, quarterly, and yearly reports on the funds.

Corporate Social Responsibility

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The government encourages foreign and local enterprises to follow generally accepted CSR principles, including the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights.

There is general awareness of corporate social responsibility among both producers and consumers in Chile. As part of the OECD accession process, Chile passed a law in September 2009 setting out new rules to help bolster corporate social responsibility. Chile maintains and enforces domestic laws concerning labor and employment rights, consumer protections and environmental protections. Labor and environmental laws are not waived in order to attract or retain investments.

Independent NGOs in Chile promote and monitor CSR. Examples include NGO Acción RSE: <http://www.accionrse.cl/>, and the Catholic University of Valparaiso's Center for Corporate Social Responsibility.

Political Violence

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The incidence of terrorist activity and civil disturbance is generally low in Chile, and the violence that has occurred has had little impact on the Chilean economy. Crime rates are moderate throughout the country, and the vast majority of crimes are nonviolent. During the last 10 years there have been relatively few incidents of politically motivated attacks on investment projects or installations. In 2013, there were occasional incidents of vandalism of storefronts and public transport during student protests over education reform, some of which included violent incidents. Incidents of anti-American sentiment and civil disorder are rare, and there have been no attacks known to be attributable to international terrorist organizations.

Since 2007 Chile has experienced a number of small-scale bombings targeting mostly banks, but also a police station, a political memorial and the U.K. Embassy, the offices of a major newspaper and magazine publisher, and a prominent Catholic cathedral. Anarchist groups have claimed credit for some of the bombings.

There have also been violent incidents on farms and forestry plantations in south-central Chile, resulting in three deaths in 2012 and further damage to property and injuries in 2013. Many of these incidents are related to the land claims and other grievances of

indigenous people (the Mapuche Native American group) in regions VIII (Bio-Bio) and IX (Araucania).

Corruption

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Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: <http://www.justice.gov/criminal/fraud/>

Other Instruments: It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. This country is party to [add instrument to which this country is party], but generally all countries prohibit the bribery and solicitation of their public officials.

OECD Antibribery Convention: The OECD Antibribery Convention entered into force in February 1999. As of March 2009, there are 38 parties to the Convention including the United States (see <http://www.oecd.org/dataoecd/59/13/40272933.pdf>). Major

exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. [Insert information as to whether your country is a party to the OECD Convention.]

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 158 parties to it as of November 2011 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. [Insert information as to whether your country is a party to the UN Convention.]

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 34 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>) [Insert information as to whether your country is a party to the OAS Convention.]

Council of Europe Criminal Law and Civil Law Conventions: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). As of December 2011, the Criminal Law Convention has 43 parties and the Civil Law Convention has 34 (see www.coe.int/greco.) [Insert information as to whether your country is a party to the Council of Europe Conventions.]

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to

any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements>. [Insert information as to whether your country has an FTA with the United States: Country [X] has a free trade agreement (FTA) in place with the United States, the [name of FTA], which came into force. Consult USTR Website for date: <http://www.ustr.gov/trade-agreements/free-trade-agreements>.]

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company’s overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department’s Advocacy Center and State’s Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center “Report A Trade Barrier” Website at tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA: The Department of Justice’s (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department’s present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ’s Fraud Section Website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at http://www.ogc.doc.gov/trans_anti_bribery.html. More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

POST INPUT: Public sector corruption, including bribery of public officials, [remains a major/minor challenge for U.S. firms operating in xxx xxx. Insert country specific corruption climate, enforcement, commitment and information about relevant anticorruption legislation.

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a “Lay-Person’s Guide to the FCPA” is available at the U.S. Department of Justice’s Website at: <http://www.justice.gov/criminal/fraud/fcpa>.
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/departement/0,3355,en_2649_34859_1_1_1_1_1,00.html. See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: <http://www.oecd.org/dataoecd/11/40/44176910.pdf>.
- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.
- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/policy_research/surveys_indices/cpi/2009. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/publications/gcr>.
- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 213 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See <http://info.worldbank.org/governance/wgi/index.asp>. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://data.worldbank.org/data-catalog/BEEPS>.
- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See <http://www.weforum.org/s?s=global+enabling+trade+report>.

- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at <http://www.state.gov/g/drl/rls/hrrpt/>.
- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 106 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: <http://report.globalintegrity.org/>.

Bilateral Investment Agreements

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In 1991, Chile became a signatory of the Washington Convention of 1965, which created the International Center for Settlement of Investment Disputes (ICSID). Since then, Chile has negotiated numerous Bilateral Investment Treaties (BITs) through which Chile provides additional protection to foreign investment flows. According to information provided by the Government of Chile to ICSID, as of the end of 2013, Chile had signed 53 BITs, of which 40 are in force. There are agreements in force with Argentina, Australia, Austria, Belgium, Bolivia, China, Costa Rica, Croatia, Cuba, Czech Republic, Denmark, Dominican Republic, Ecuador, El Salvador, Finland, France, Germany, Greece, Guatemala, Honduras, Italy, Malaysia, Nicaragua, Norway, Panama, Paraguay, Peru, Philippines, Poland, Portugal, Romania, Spain, Sweden, Switzerland, Ukraine, the United Kingdom, Uruguay, and Venezuela. BITs signed but not in force include those with Brazil, Colombia, Egypt, Hungary, Iceland, Indonesia, Lebanon, Netherlands, New Zealand, South Africa, Tunisia, Turkey and Vietnam.

Chile has double taxation treaties in force with: Australia, Belgium, Brazil, Canada, Colombia, Croatia, Denmark, Ecuador, France, Ireland, Malaysia, Mexico, New Zealand, Norway, Paraguay, Peru, Poland, Portugal, Russia, South Korea, Spain, Sweden, Switzerland Thailand and the United Kingdom.

Chile and the United States have signed the U.S.-Chile Treaty to Avoid Double Taxation, which addresses certain tax-related obligations for U.S. companies operating in Chile. In May 2012 President Obama submitted the treaty to the U.S. Senate for ratification. In March 2014, the Government of Chile submitted the treaty to the Chilean Congress for ratification; at the time of publication of this report, neither the U.S. nor the Chilean Congress had ratified the treaty. Other double taxation treaties signed by Chile but not in force include those with Austria and South Africa.

OPIC and Other Investment Insurance Programs

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A Bilateral Investment Agreement between Chile and the United States, through the Overseas Private Investment Corporation (OPIC), took effect in 1984. Chile is a party to the convention of the World Bank's Multilateral Investment Guarantee Agency (MIGA).

Unemployment in Chile stood at 5.7 percent at the end of 2013. The labor participation rate was 60.13 percent as of March 2014. The size of the total workforce increased by 1.6 percent in 2013 as compared to the prior year.

Chile has and generally enforces laws and regulations related to the internationally recognized labor rights of: freedom of association and collective bargaining; the elimination of forced labor; child labor, including the minimum age for work; discrimination in respect to employment and occupation; and acceptable conditions of work related to minimum wage, occupational safety and health, and hours of work.

Chile has enjoyed generally calm labor relations over the last decade, but strikes do occur. Strikes and public protests have been concentrated in the mining, health, education, transportation, and civil service sectors. Arbitration and mediation mechanisms exist to resolve labor-related disputes. Strikes are prohibited in certain "essential services" sectors prescribed by law.

Union membership is voluntary. According to the OECD, 15.3 percent of Chile's workforce belonged to a trade union in 2012. Multiple unions exist in many companies, and management can negotiate collective agreements with any of the unions or with ad hoc groups of workers. Unions can form confederations or nationwide labor centrals and can affiliate with international labor federations. Contracts are normally negotiated at the company level. Multi-company bargaining is permitted on a voluntary basis. Overtime, paid annual vacations, and holidays are all established by law. Women are entitled to state-funded maternity leave for a period of six weeks before and six months after childbirth. Layoffs are not permitted between conception and one year after the female employee has returned from maternity leave.

Top executive salaries are on a par with European countries, although well below those in the United States. Chile allows companies to deduct set training costs (up to one percent of annual payroll) from corporate tax payments. A company can also use 10 percent of the rebate to finance an analysis of its training needs, and 15 percent to run a training department.

The maximum number of labor hours allowed per week in Chile is 45.

Subject to certain exceptions, Chilean nationals must comprise no less than 85 percent of the workforce of companies employing more than 25 persons.

A 2007 subcontracting law defines outsourcing as two different activities: subcontracting and the supply of outside labor. Subcontracting is when a company permanently outsources a specific process to another firm which takes full responsibility for it, carrying it out with its own employees. However, the law does not permit companies to outsource its main economic activity. Retention of outside labor falls within the ambit of subcontracting under the law only where it is "temporary" in nature, defined as stints of up to 90 (or in some cases 180) days during an "emergency." Additionally, only firms that register as suppliers of temporary labor and set up guarantees against their obligations to their own workers are allowed to fulfill this function. The law also sets limits on the number of staff that can be used on short-term jobs.

Foreign-Trade Zones/Free Ports[Return to top](#)

Chile has two tax-free zones: one in the northern port city of Iquique (Region I) and the other in the southern city of Punta Arenas (Region XII). Merchants and manufacturers in these zones are exempt from corporate tax, value added taxes (VAT), and customs duties. Businesses can re-export goods without paying taxes but must pay VAT (19 percent) and import duties when goods leave the zone to be used or sold in other regions of Chile. The same exemptions also apply to manufacturers in the Chacalluta and Las Americas Industrial Park in Arica (in the XV Arica and Parinacota Region). Mining, fishing and financial services are not eligible for free zone concessions. Management companies and firms established in the free zone are exempt from payment of tariffs, VAT, other charges on imports, first category income tax under the Income Tax Law, and payment of VAT on goods and services for all their operations in the free zone. Foreign-owned firms have the same investment opportunities in these zones as Chilean firms.

Foreign Direct Investment Statistics[Return to top](#)

Today more than 3,000 companies from over 60 countries have operations in Chile. Over the last decade, FDI has represented an annual average of over 6 percent of Chile's GDP. The most recent United Nations Conference on Trade and Development (UNCTAD) Global Investment Trends Monitor report in January 2014 placed Chile 18th in the world and second in Latin America for 2013 in terms of FDI inflows.

Between 2009 and 2012, the mining sector attracted 50.1 percent of implemented FDI under DL600, followed by services (26.6 percent); electricity, gas and water (10.9 percent); manufacturing (7.9 percent); construction (2.4 percent); transportation and communications (1.7 percent); and agriculture and fishing (0.5 percent). Total implemented FDI through DL600 from 2009-2012 amounted to USD 81.5 billion.

According to its Central Bank, Chile recorded USD 7.36 billion in implemented FDI in 2013 through DL600, representing a 32 percent decrease from 2012. The top five recipient sectors of implemented FDI in 2013 through DL600 were: mining (USD 3.9 billion); insurance (USD 1.2 billion); food (USD 634 million); financial services (USD 627 million); and electricity, gas and water (USD 283 million).

TABLE 2: Key Macroeconomic data, U.S. FDI in Chile

	Chilean statistical source – Central Bank	USG or international statistical source	USG or international statistical source website
Economic Data	Year / Amount	Year / Amount	
Chile GDP	2012 / USD 225.1 billion	2012 / USD 269.9 billion	World Bank: http://data.worldbank.org/country/chile

FDI to Chile	2012 / USD 28.2 billion	2012 / USD 27.1 billion	UNCTAD: http://unctad.org/en/PublicationsLibrary/webdiaeia2014d1_en.pdf
FDI to Chile from U.S.	2012 / *USD 2.95 billion	2012 / **USD 39.8 billion	U.S. Bureau of Economic Analysis: http://search.bea.gov/search?utf8=%E2%9C%93&sc=0&query=chile+fdi&m=&affiliate=u.s.bureauofeconomicanalysis
FDI to U.S. from Chile	Data unavailable from Chilean sources	**2012 / USD 933 million	U.S. Bureau of Economic Analysis: http://search.bea.gov/search?utf8=%E2%9C%93&sc=0&query=chile+fdi&m=&affiliate=u.s.bureauofeconomicanalysis
Total inbound FDI as % of Chile's GDP	2012 / 12.5 percent	2012 / 11.2 percent	World Bank: http://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS

Chilean Central Bank economic statistics are available online in Spanish only:

<http://www.bcentral.cl/estadisticas-economicas/>

*Represents FDI coming through DL600 only; does not account for FDI under Chapter XIV of the Central Bank. Numbers are provisional.

**Represents total *stock* in Chile/U.S., not inflows in 2012. Inflow statistics are unavailable as of April 2014.

TABLE 3: Sources and Destination of FDI for Chile in 2012

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	182,719	100%	Total Outward	73,267	100%
Spain	32,263	18%	Argentina	13,411	18%
United States	29,728	16%	Brazil	12,773	17%
Canada	16,782	9%	Peru	9,453	13%
Bermuda	16,482	9%	United Arab Emirates	6,123	8%

Virgin Islands, British	14,676	8%	Spain	5,493	7%
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"0" reflects amounts rounded to +/- USD 500.000.

Source: IMF, Coordinated Direct Investment Survey; <http://cdi.imf.org/>

TABLE 4: Sources of Portfolio Investment for Chile in 2012

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
World	125,001	100%	World	93,750	100%	World	31,251	100%
United States	51,340	41%	Luxembourg	41,875	45%	United States	13,903	44%
Luxembourg	44,095	35%	United States	37,437	40%	Germany	6,100	20%
Ireland	6,653	5%	Ireland	6,579	7%	Luxembourg	2,220	7%
Germany	6,190	5%	United Kingdom	2,204	2%	Japan	2,075	7%
United Kingdom	2,847	2%	Virgin Islands, British	2,033	2%	Brazil	1,018	3%

Contact Point at Post

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Chapter 7: Trade and Project Financing

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How Do I Get Paid (Methods of Payment)

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In Chile, payment to foreign suppliers is often made via an irrevocable letter of credit from a Chilean commercial bank. This is relatively fast and simple, with no lengthy delays in the remittance of foreign currency. Payments are made upon receipt of notice of shipment of goods. Other methods of payment to suppliers include cash against documents and open account. Suppliers willing to offer an open account generally do so only after developing a long-standing relationship with the buyer.

An alternative, attractive and competitive method of securing payment is through the Export Credit Insurance Program available from the U.S. Export Import Bank (EXIM). For more information, visit the EXIM Bank web site at www.exim.gov. For agricultural and food products, the U.S. Department of Agriculture's Commodity Credit Corporation offers export credit guarantees for U.S. exporters.

How Does the Banking System Operate

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Chile's banking system offers many of the asset and liability products available in international markets. Foreign trade financing and money exchange operations are particularly well developed and efficient compared to the rest of Latin America.

Chile's Superintendence of Banks and Financial Institutions (www.sbf.cl), an agency under the Ministry of Finance, regulates the financial sector. Chile's Central Bank, which is autonomous from the government in conducting monetary policy and regulating foreign capital movements, also regulates bank operations (www.bcentral.cl).

Some Chilean banks with direct presence in the United States are Banco de Crédito e Inversiones, also known as BCI, having acquired Florida's third largest bank, National Bank of Florida, from Bankia, in early 2013, and Banco Estado and CorpBanca, each with representative offices in New York.

U.S. banks operating in Chile (see list below) concentrate on corporate lending for multinationals and capital market activities (wholesale), although others such as Banco de Chile (which merged with Citibank) and HSBC Chile are active in retail banking as well.

Foreign-Exchange Controls[Return to top](#)

Chile has no restrictions on incoming and outgoing foreign capital. Reserve requirements for external capital, and the prior authorization requirement to enter funds associated with external loans, investment, working capital, bonds and ADRs have been eliminated. Limitations on capital and profit repatriation were also eliminated. Foreign trade finance operations (both import and export) are allowed to perform their foreign exchange transactions in the open market.

Foreign exchange operations are relatively active and efficient in Chile. As a general rule, currency may be freely traded in two markets: the informal and the interbank market (formal). Prior to receiving authorization, Chile's Central Bank requires confirmation that the trade finance transactions, foreign loans, capital flows, and profit repatriation will be executed through a commercial bank (formal market).

U.S. Banks and Local Correspondent Banks[Return to top](#)

U.S. Banks	Phone (56-2)	Fax (56-2)	Website
JP Morgan Chase Bank	2425-5100	2425-5367	www.jpmorganchase.com
Wachovia N.A. (Rep. Office)	2365-9733	2365-9709	www.wachovia.com
Israel Discount Bank of New York (Rep. Office)	2236-5600	2236-5300	www.idbbank.com

Financial Institutions actively offering U.S. Exports Financing and Insurance	Phone (56-2)	Fax (56-2)	Website
UPS Capital Business Credit (*)	2247-1221	2243-8724	www.capital.ups.com
PNC Bank (*)	2446-8866	2433-2226	www.pnc.com

(*) Local offices are business development representatives.

Local Banks	Phone (56-2)	Fax (56-2)	Website
Banco BICE	2692-2000	2787-2230	www.bice.cl
CorpBanca	2687-8000	2660-2366	www.corpbanca.cl
Banco de Crédito e Inversiones (BCI)	2692-7000	2695-3775	www.bci.cl
Banco de Chile	2637-1111	2637-3434	www.bancochile.cl
Edwards - Citi	2338-8000	2338-8391	www.edwards.cl
Banco del Desarrollo	2674-5000	2671-5547	www.bdd.cl
Banco Internacional	2369-7000	2369-7367	www.bancointernacional.cl
Banco Security	2584-4000	2584-4001	www.security.cl
Scotia Bank Sudamericano	2692-6000	2698-6008	www.scotiabank.cl
Banco Estado	2970-7000	2970-5711	www.bancoestado.cl
Banco Itaú Chile	2686-0000	2686-0760	www.italu.cl
Rabobank Chile	2449-8000	2449-8595	www.rabobank.cl
Banco Falabella	2385-9000	2385-9009	www.bancofalabella.cl

Banco Ripley	2351-6000	2351-6050	www.bancoripley.cl
BBVA	2679-1000	2679-1350	www.bbva.cl
Banco Paris	2437-6605	2437-6868	www.bancoparis.cl
Banco Penta	2873-3000	2837-3499	www.bancopenta.cl
Banco Santander -Chile	2320-2000	2672-3166	www.santandersantiago.cl
HSBC Bank Chile	2299-7200	2299-7393	www.hsbc.com
Banco Monex	2787-1800	2787-1895	www.bancomonex.cl
Banco de la Nación Argentina	2696-6935	2672-9078	www.bnach.cl
Banco Do Brasil	2336-3001	2336-3005	www.bb.com.br
ING Bank N.V.	2452-2700	2452-2745	www.ing.com
The Royal Bank of Scotland	2396-5000	2396-5666	www.rbsbank.cl
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2345-1000	2333-3032	-----
Deutsche Bank	2337-7700	2337-7701	-----

Rep. Office	Phone (56-2)	Fax (56-2)	Website
Korea Exchange Bank	2246-9105	2946-0171	www.keb.co.kr
Banco Intesa SanPaolo S.P.A.	2432-1940	2432-1945	www.intesasanpaolo.com
BNP Paribas	2787-3333	2787-3300	www.bnpparibas.com
Credit Industriel et Comercial S.A., CIC	2203-6790	2203-4156	www.cic.fr
Credit Suisse Consultas y Asesorías Ltda.	2232-3366	2334-2848	www.credit-suisse.com
Dresdner Bank A.G.	2230-2900	2657-1730	www.dresdner-bank.com
ING Bank N.V.	2659-2700	2659-2745	www.ing.com
Société Générale	2233-8126	2658-3243	www.socgen.com
UBS A.G.	2385-5555	2234-5554	www.ubs.com
Westlb AG	2334-0434	2334-0825	www.westlb.de

Project Financing

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Major project financing is available through issue of equity, bonds in the international and local capital markets, and through syndicated loans.

The Overseas Private Investment Corporation (OPIC) is a business development corporation of the U.S. Government that helps U.S. investors overseas, fosters economic growth in new and emerging markets, complements the private sector in managing the risks associated with foreign direct investment, and supports U.S. foreign policy. For more information, contact the OPIC liaison for Chile, Mr. Matthew Hilgendorf matthew.hilgendorf@trade.gov and/or visit www.opic.gov

Private companies can also take advantage of different programs like the World Bank's International Finance Corporation (IFC), which provides financing to private sector companies involved in certain types of infrastructure projects. The IFC is particularly

interested in non-traditional industries, cross-border operations and asset securitization. See www.ifc.org.

Web Resources

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Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

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Business Customs

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U.S. business representatives will find that business practices in Chile and the United States are very similar. The business day usually begins at 9 a.m. and ends between 6 and 7 p.m. Lunch breaks usually do not begin before 1 p.m. If there is business to be conducted, two or even three-hour lunches are not uncommon. Although social occasions rarely begin at the indicated time, business meetings usually do.

Many Chilean businesspeople are well-educated professionals who travel internationally and speak some English. However, not all speak English, and foreigners will often find the ability to speak Spanish very useful, if not an absolute must. Product marketing or company promotional literature should be in Spanish.

Appearances are an important part of Chilean business. Dress codes are generally formal and conservative - suit and tie for men and discreet business suit (skirt or trousers) for women. Men tend to put on their jackets when leaving the office, even if it is just for lunch. Business attire becomes less formal outside major cities and in certain sectors.

It is useful to have business cards printed with English on one side and Spanish on the other. Generally, cards are presented to everyone at the beginning of the meeting.

Travel Advisory

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For Travel Advisory information please see the State Department's Country Specific Information for Chile at:

www.travel.state.gov/travel/cis_pa_tw/cis/cis_1088.html.

You can also search for any Travel Alerts or Travel warning at the same website.

For current info: http://travel.state.gov/travel/cis_pa_tw/cis_1088.html

U.S. citizens entering Chile must have a passport valid for the period of stay. U.S. citizens traveling to Chile for recreation, tourism, business, or academic conferences do not need to obtain a visa prior to their arrival to Chile. A Tourist Card will be issued for a stay of up to 90 days upon arrival. An extension of stay for another 90 days is possible upon payment of an extension fee at the Chilean Immigration Office located at San Antonio 580, Santiago; telephone 56-2-2486 3000. The Tourist Card must be surrendered upon departure. Failure to submit this card upon departure may result in delays until a replacement is obtained. If lost or stolen, the tourist card must be replaced by the International Police at their nearest headquarters or at the international airport prior to departure.

If you have stayed in Chile for more than the allowed time period, you will not be allowed to leave the country without paying a fine. This fine cannot be paid at the airport, so you should pay it before attempting to depart Chile. To pay the fine prior to your departure, you should go to the [Departamento de Extranjería](#) and make an *autodenuncia* or complaint against yourself in the Sanciones office. Upon doing this, you will be told how much the fine will be, and once you pay it, you can depart Chile. If you attempt to depart Chile without paying the fine, your passport will be confiscated by the airport police, and they will give you directions on how to pay the fine. This process involves going to multiple Chilean government offices, first to find out how much the fine is, then to pay the fine, next to show that you have paid the fine, so that you can get a document indicating your passport should be returned, and lastly, to retrieve your passport. The entire process may take several days and could take up to three weeks.

U.S. citizens who intend to work, live, or study in Chile must apply in advance for a Chilean visa.

All people traveling on official business in possession of an official or diplomatic passport must obtain a visa at a Chilean Embassy or Consulate before traveling to or through Chile. If you hold an official or diplomatic passport and are traveling for tourism or personal reasons, you should obtain a tourist passport to present upon arrival in Chile as the authorities will not grant you a tourist visa or Tourist Card without one.

Ensure that you have appropriate documentation to enter Chile. U.S. passports must be in good condition and valid for the period of stay. The U.S. Embassy cannot secure entry on your behalf if you arrive without a valid U.S. passport, with a passport that is damaged or mutilated, or if you arrive without a visa when one is required.

For up-to-date information on visa requirements, visit the website of the Embassy of Chile in Washington D.C. (<http://www.chile-usa.org/>) U.S. citizens, who intend to work, live, or study in Chile must apply in advance for a Chilean visa.

The U.S. Department of State is unaware of any HIV/AIDS entry restrictions for visitors to or foreign residents of Chile.

Find additional information at Travel.State.Gov regarding the prevention of international child abduction.

For visa information for travel from Chile to the U.S. visit http://chile.usembassy.gov/non-immigrant_visas.html (Include information here on visa requirements entering this country.)

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/>

Telecommunications

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Chile's capital, Santiago, has a well-developed telecommunications infrastructure. Domestic and international telephony works well and rates are generally competitive. There are also several mobile operators present, including Claro, Entel, and Movistar. Visitors can rent cell phones in Chile or are advised to check with their own United States-carrier to see if their phone is able to make international calls from Chile. Cell phones can be rented at kiosks in Santiago's international airport.

Wi-Fi "hot spots" are fairly common in Santiago. In rural parts of Chile, the telecommunications infrastructure is less developed. Most business hotels have internet connections available, as well as business centers. PCMCIA cards that will allow a notebook computer to connect to the Internet can also be rented at kiosks in Santiago's international airport.

Transportation

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Chile is well connected via air service to the United States and countries throughout Latin America. American Airlines has non-stop service between Santiago and both Miami and Dallas. Delta Airlines has non-stop service to Atlanta. Chile's main airline, LAN, partners with American Airlines in the OneWorld Alliance and offers non-stop service to Miami, New York (JFK) and direct service to Los Angeles via Lima, Peru. The primary point of entry is the Santiago International Airport (see [www.aeropuertოსantiago.cl/english/](http://www.aeropuertোসantiago.cl/english/)).

Domestic air service is well developed. Flights between Santiago and most cities in Chile are fairly frequent. The rail system is less developed, but there is a good central train line that runs between Santiago and Chillan. See www.efc.cl/.

Primary roads in Chile are good. The main highways are concessioned toll roads and are in good condition. Secondary roads, especially outside of Santiago, are sometimes in lesser repair. Gravel and dirt roads are common in rural areas. For more information on driving in Chile, see the Country Specific Information.

www.travel.state.gov/travel/cis_pa_tw/cis/cis_1088.html.

Language

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Spanish is the language of Chile. Among the business community, there is a fair level of English language capability, but in order to operate in Chile, U.S. businesspeople need to speak Spanish or identify a local partner who can speak both English and Spanish. For more information about partner-matching assistance provided by the U.S. Commercial Service, see www.export.gov/chile.

Health

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Chile has both public and private healthcare service providers. Some of the private clinics in Santiago are well equipped and operate at the level of service providers in the United States and Europe. Travelers to Chile are advised to check with their health insurance providers to ascertain coverage levels in Chile. For more information on medical issues in Chile, see the Country Specific Information:

www.travel.state.gov/travel/cis_pa_tw/cis/cis_1088.html

Local Time, Business Hours, and Holidays

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Because Chile is in the Southern Hemisphere, its seasons are opposite those in the United States. This means that when the United States enters daylight savings time, Chile falls back at about the same time. Consequently, during the northern winter, Chile is 2 hours ahead of Eastern Standard Time. In the summer, Chile is the same time as Eastern Daylight Time.

Business hours in Chile are roughly the same as the United States. Most offices open at 8:30 or 9:00 am and continue until usually 6:00 pm or later. Lunchtime is usually later (beginning at 1:00 pm or later) and longer (1-2 hours) than in the United States. There is an increasing use of a 9-hour workday from Monday to Thursday, and a 4-hour workday on Friday.

Below is a list of holidays to be observed by the U.S. Embassy in Santiago during 2014. The Embassy will be closed to the public on these holidays.

January 1	Wednesday	New Year's Day	American/Chilean
January 20	Monday	Martin L. King's Birthday	American
February 17	Monday	Washington's Birthday	American
April 18	Friday	Good Friday	Chilean
May 1	Thursday	Labor Day	Chilean
May 21	Wednesday	Navy Day	Chilean
May 26	Monday	Memorial Day	American
July 4	Friday	Independence Day	American
July 16	Wednesday	Virgen del Carmen Day	Chilean
August 15	Friday	Assumption Day	Chilean
September 1	Monday	Labor Day	American
September 18	Thursday	Independence Day	Chilean
September 19	Friday	Army Day	Chilean

October 13	Monday	Columbus Day	American
October 31	Friday	National Day of Evangelical & Protestant Churches	Chilean
November 11	Tuesday	Veterans Day	American
December 8	Monday	Immaculate Conception	Chilean
December 25	Thursday	Christmas Day	American/Chilean
December 31	Wednesday	* Banking day	Chilean

Banks and other financial institutions close down. Workers in other fields are not given the day off as in the rest of the holidays, though the workday schedule is usually shorter.

Temporary Entry of Materials and Personal Belongings

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Under the terms of the U.S.-Chile FTA, Chile will permit duty-free temporary admission of professional equipment necessary for carrying out the business activity of a U.S. businessperson who qualifies for temporary entry under Chilean law.

Chile is the first Latin American country to accept carnets

(<http://www.atacarnet.com/ATACarnetCountryAdvisories/ChileisRegionsFirsttoAcceptCarnets.aspx>)

A Carnet or ATA Carnet is an international customs document issued by [70 countries](#). It is presented when entering a Carnet country with merchandise or equipment that will be re-exported within 12 months. ([Information about using carnets in non-carnet countries.](#))

Upon presentation, the Carnet permits the equipment or merchandise to clear customs without the payment of duties and taxes. Payment is not necessary because the Carnet guarantees that the merchandise or equipment will be re-exported within a year. Thus the use of a Carnet is a way of temporarily importing into foreign countries without payment of duties and taxes. Carnets also serve as the U.S. registration of goods so that the goods can re-enter the U.S. without payment of duties and taxes.

Chile will accept carnets for these categories of goods:

- Exhibitions and Fairs
- Professional Equipment
- Commercial Samples
- For temporary entry of food samples, see the Foreign Agricultural Service's
- Food and Agricultural Import Regulations report at

www.fas.usda.gov/scriptsw/attacherep/default.asp

Web Resources

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State Department Country Specific Information:

www.travel.state.gov/travel/cis_pa_tw/cis/cis_1088.html

Tourism Service of Chile: www.sernatur.cl

U.S. Embassy Santiago (American Citizen Services):

<http://chile.usembassy.gov/service.html>

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Chapter 9: Contacts, Market Research and Trade Events

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- [Market Research](#)
- [Trade Events](#)

Contacts

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U.S. Commercial Service Santiago: www.export.gov/chile
USDA Foreign Agricultural Service: www.fas.usda.gov
U.S. Embassy Santiago: <http://chile.usembassy.gov/>
U.S. Chamber of Commerce: www.uschamber.com
Chilean-American Chamber of Commerce (Amcham): www.amchamchile.cl
Chilean Embassy Washington: www.chile-usa.org
Government of Chile (links to Ministries): www.gobiernodechile.cl
Chile's National Chamber of Commerce: www.cnc.cl
Santiago Chamber of Commerce: www.ccs.cl

Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/mrktresearch/index.asp> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

Trade Events

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Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents/index.asp>

(Add link to trade events section of local buyusa.gov website here or just delete this text.)

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Chapter 10: Guide to Our Services

The President's National Export Initiative marshals Federal agencies to **prepare U.S. companies to export successfully, connect them with trade opportunities** and **support them once they do have exporting opportunities**.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: (Insert link to Products and Services section of local buyusa.gov website here.)

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center at (800) USA-TRAD(E)**.

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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