



## Doing Business in Chile: 2008

### 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 and Chile Free Trade Agreement (FTA) concludes its fourth year, commercial trade, both in products and services, has been a resounding success. As of January 1, 2004, 90 percent of U.S. exports to Chile entered duty free, with all remaining tariffs to be phased out by 2015. Chile was Latin America's fastest growing economy in the 1990s, and thanks to its conservative fiscal and monetary policies, it has enjoyed unprecedented economic stability while much of the rest of Latin America experienced its share of ups and downs.

As several Latin American countries held presidential elections in 2006, many U.S. companies were left wondering what possible implications these new leaders might have on trade and investment. Whereas some newly elected presidents are still defining their economic and trade policies, Chile's president - who took office in March 2004 - remains steadfast in her commitment to market-oriented policies.

Most significant is that it was President Michelle Bachelet's administration (the first woman president in Chile and a socialist party leader), which continued to pursue market-oriented strategies. Chile's private sector leaders eagerly pursue improving and expanding global commercial ties, while boasting the region's largest number of bilateral free-trade agreements; partners range from traditional markets such as the United States and the European Union to Asian counterparts including China, India, South Korea, and Japan. This offers a unique opportunity for U.S. exporters interested in expanding their business in arguably the most open, stable and attractive market in Latin America. Many U.S. companies consider Chile an excellent platform for doing business in the region.

- Chile ended 2006 ranked as the 28<sup>th</sup> largest export market for the United States, climbing from 29<sup>th</sup> place in 2005, 30<sup>th</sup> place in 2004 and 35<sup>th</sup> place in 2003. The United States was the top source of Chile's imports for 2006 and remained the top destination for Chile's exports in 2006.
- U.S. exports to Chile for 2007 (\$8.3 billion) surpassed exports to Chile for 2006 (\$6.8 billion). This was a 31.7% increase from 2006.

- Bilateral trade has increased nearly 200% since implementation of the U.S.-Chile Free Trade Agreement. Two-way trade between the U.S. and Chile was up 5.5% in 2007 (\$17.3 billion), over the same time period in 2006 (\$16.4 billion).
- U.S. products comprised 17% of Chile's imports in 2007. This is up from 15.9% in 2006. The United States remains the top source of Chilean imports.
- The United States is the largest investor in Chile, representing 18% of all foreign direct investment. Spain follows closely, with Canada a distant third.
- Chile's economy grew by 5.2 percent in 2007. The Central Bank of Chile projects 2008 GDP growth of over 4.5 percent.
- Sustained GDP growth, low inflation, macroeconomic stability and growing integration with international capital markets mean Chile's credit rating remains the best in Latin America, with a long-term foreign currency sovereign credit rating of A.

## Market Challenges

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Perhaps the greatest challenge to a U.S. firm seeking to export to Chile is the high degree of competition. Chile is relatively open to trade and investment and, as a result, many foreign firms are already present in the market.

- Chile is one of the most open economies in the world, engaged in trade agreements with nearly 60 trade partners. Chile continues to pursue new trade agreements worldwide.
- A key to competing is finding the right Chilean partner. A good Chilean agent or distributor can use their business and social connections to open doors. They can also help overcome regulatory, as well as cultural and language barriers.

For businesses in certain sectors, 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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The fast growing Chilean economy is generating investment and new opportunities for foreign investors and suppliers. The United States-Chile FTA, coupled with a very competitive U.S. dollar, offers further advantages for U.S. exporters. See [Chapter 4: Leading Sectors for U.S. Export and Investment](#) for some key best prospects.

- The Chilean peso has appreciated significantly against the U.S. dollar since 2004 and has proven a challenge for some Chilean exporters. Conversely, the strong peso has made U.S. products more competitive in Chile. The number of

companies exporting and the number of products being sent to Chile have continued to rise.

## **Market Entry Strategy**

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Establishing a local subsidiary or branch office in Chile is the appropriate strategy for a U.S. exporter who is convinced that sales volume will be large and/or local service support or localized inventory are keys to success. 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/1981.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 ([www.buyusa.gov/chile/en](http://www.buyusa.gov/chile/en)) and for agricultural exports, the Department of Agriculture's Foreign Agricultural Service ([www.fas.usda.gov](http://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. The direct costs are approximately US\$1,500 and takes about two months. 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, simultaneously requesting a Permanent Residence Visa. This confers official residence status on the company, without which it will be barred from conducting commercial activities in Chile.

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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In 2007, franchising sector sales reached approximately \$280 million, a 16 percent increase over 2006. The sector provided an estimated 25,000 jobs, and continued to push for a nationwide presence. According to the 2007 study of the University of Chile Economics Department, there are some 116 franchises operating in Chile, of which approximately 60 percent are represented by the fast-food and services sector.

Franchise companies operating in Chile are subject to regular trade laws and have benefited greatly from the US-Chile FTA. Royalties and fees have a withholding tax that ranges from 15 percent to 35 percent. Chile's Franchise Chamber, [www.camaradefranquicias.cl](http://www.camaradefranquicias.cl), was founded in 2005. Even though there is no franchise trade fair planned for 2008, Chile's Franchise Chamber is looking into the option of participating in Santiago's ExpoRetail in October 2009.

Since trademark/brand stockpiling is rather common in Chile, U.S. companies are encouraged to register their trademarks as soon as possible if they are considering Chile as a potential market.

U.S. franchises operating in Chile include: Alamo Rent a Car, Applebee's, Avis, Blockbuster, Chuck E. Cheese, Dunkin Donuts, McDonald's, Domino's Pizza, Pizza Hut, KFC, Burger King, Curves, H2O Plus, Holiday Inn Express, Ruby Tuesday, Manpower, Berlitz, Taco Bell, Fridays, Subway, Coverall, Gymboree, and Mr. Pretzel.

For more information, contact Marcela Cintron of the U.S. Commercial Service Santiago at [Marcela.Cintron@mail.doc.gov](mailto:Marcela.Cintron@mail.doc.gov).

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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 commonplace with the average Chilean consumer, but are growing rapidly among the middle to upper classes, young teens and Internet savvy professionals.

The more traditional Chilean consumer generally prefers to browse in shops rather than to purchase through catalogs. This consumer type will diminish over time. Customers

do want to know there is a store that can provide after sales service or address any problem that might arise.

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.

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The U.S.-Chile FTA calls for open tendering in public procurement. Tenders must be in writing and winning bids published, including the name of the supplier and the value of the contract. The FTA provisions cover procurements by twenty Chilean central government entities for non-construction purchases over \$56,000. It also covers local government non-construction procurements over \$460,000. In both cases, higher limits apply for construction work. 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](http://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 Provisionamiento 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 a considerable investment, but is justified if sales are large in volume or when local service support and/or inventory are key to success.



Another practical and more common market entry strategy, especially for new-to-market exporters, is appointing an agent or representative with good access to relevant buyers and with solid technical expertise. Most manufacturing, trade and service activities in Chile are managed from Santiago, the capitol. However, Chile's distances are great, so 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 percent of exports and 59 percent of imports go through seaports, of which the most important are San Antonio and Valparaíso. Remaining trade enters/exits 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 train 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.

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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.

Where dependability becomes more important, products such as advanced electronics or heavy machinery; 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, with the order of importance depending on the industry, the customer and the application.

All sales materials should be in Spanish.

## **Electronic Commerce**

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The 2007 Digital Economy Study of the Santiago Chamber of Commerce (CCS), reported the total value of transactions exceeded \$20 billion for all types of e-commerce-related activities, with a 14 percent increase compared to 2006. Among the different components of the digital economy, e-commerce reached sales of over \$12 billion, of which \$11.8 billion represent on-line transactions of the public sector with private industries. B2C sales represented \$300 million, an increase of 20 percent compared to 2006.

In the scope of electronic government, the study reported higher indicators of internet connection and the number of government agency websites increasing from 51 percent in 2006, to 59 percent in 2007. Municipalities also experienced an increase in their websites from 48 percent in 2005, to 70 percent in 2007. The study indicated the need

to improve website quality at the government and municipal levels, in addition to poor IT infrastructure in remote regions of the country.

A “Digital Strategy for Chile 2007-2012” was recently presented by President Bachelet, which will foster the IT industry, electronic government, and public use of new technologies through access and education.

In 2007, the Chilean government centralized procurement website, [www.chilecompra.cl](http://www.chilecompra.cl) , generated transactions exceeding \$403 million, a 31.5 percent increase compared to 2006.

Some e-commerce sites in Chile are listed below:

**E-Government:**

Chilean government: [www.gobiernodechile.cl](http://www.gobiernodechile.cl)

**B2B:**

Santiago Chamber of Commerce: [www.ccs.cl](http://www.ccs.cl)

Sonda systems integrator: [www.sonda.cl](http://www.sonda.cl)

**B2G:**

Chile’s export promotion agency ProChile: [www.prochile.cl/](http://www.prochile.cl/)

Chile’s government procurement site: [www.chilecompra.cl/](http://www.chilecompra.cl/)

Chile’s internal revenue service: [www.sii.cl](http://www.sii.cl)

**B2C – Retailers:**

[www.falabella.cl](http://www.falabella.cl)

[www.paris.cl](http://www.paris.cl)

[www.ripley.cl](http://www.ripley.cl)

[www.sodimac.cl](http://www.sodimac.cl)

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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 \$836 million was spent on advertising in Chile in 2006. Non-cable television accounted for 48.1 percent of all spending on advertising, followed by newspapers (29.2 percent), radio (7.5 percent), billboards/posters (8.8 percent), magazines (3.1 percent), cable TV (1.7 percent), the Internet (1.4 percent) and films (0.3 percent). See [www.achap.cl](http://www.achap.cl).

## TV

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Chile has five national broadcast television networks. All of them are self-supporting through advertising. There are a total of 7 TV stations in Santiago, including: Telecanal (Channel 2); Red TV (Channel 4); Universidad Católica Valparaíso (UCV – Channel 5); Televisión Nacional (TVN – Channel 7); Mega TV (Channel 9); Chilevisión (Channel 11); and Corporación de Televisión de la Universidad Católica (UCTV – Channel 13).

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Chile has approximately 40 newspapers, ranging from nationally distributed dailies to small-town tabloids. Distribution ranges from as many as 301,606 copies (Sunday edition of Santiago's El Mercurio) to regional papers with 3,000 copies. Santiago has 10 newspapers with a combined weekday circulation of approximately 771,000. The circulation of local dailies in the regions is approximately 220,000.

Two major established newspaper enterprises operate in Chile: the El Mercurio chain, owned by the Edwards family, with 3 national newspapers and 20 regional dailies affiliated throughout Chile; and Consorcio Periodístico de Chile (COPESA), owned by the Alvaro Saieh group, which distributes nationally La Tercera, popular La Cuarta, daily free tabloid La Hora and the newsweekly Qué Pasa. Copesa also owns three radio stations. El Mercurio of Santiago is Chile's most influential paper, followed by La Tercera.

Also published in Santiago are economic and financial newspapers El Diario and Estrategia, government-owned La Nación, mass-oriented and popular tabloids Las Ultimas Noticias (El Mercurio-owned), La Cuarta, and afternoon daily La Segunda (El Mercurio-owned), and free tabloids Publimetro and La Hora.

Circulation for Santiago's major newspapers:

| Dailies:                    | Monday-Friday | Saturday | *Sunday |
|-----------------------------|---------------|----------|---------|
| El Mercurio                 | 143,301       | 186,476  | 263,903 |
| La Tercera                  | 108,039       | 197,263  | 222,796 |
| Las Últimas Noticias        | 132,479       | 163,492  | 184,351 |
| La Cuarta                   | 141,087       | 142,911  | 184,960 |
| La Nación                   | 9,186         | ---      | 16,999  |
| La Segunda (Evening Mo-Fri) | 32,139        | ---      | ----    |
| Free Daily Publmetro        | 108,934       |          |         |
| Free Daily La Hora          | 96,123        |          |         |
| Total:                      | 771,285       | 690,142  | 673,009 |

\*Circulation figures are from the study for the Circulation and Readership Verification System for the January-June 2007 period, carried out by KPMG.

## Magazines

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The major Santiago current affairs magazines published for nationwide readership include the weekly Qué Pasa (approximate 195,000 circulate with the Saturday edition of La Tercera), and biweeklies El Periodista, of independent leftist orientation (8,000), and conservative Ercilla with an approximate circulation of 10,000. Three business-oriented publications – the monthlies Capital, AméricaEconomía, and Gestión – focus on business and professional audiences. Two biweeklies with Life-magazine style formats -- Cosas and Caras – feature photos and illustrations accompanying their “beautiful people” interviews and articles on national and international topics. Other publications include El Siglo, the weekly Communist Party publication; Punto Final, a biweekly publication of the extreme-left group Movimiento de Izquierda Revolucionario (MIR); Mensaje, an intellectual monthly published by the Jesuits; and several sports and TV/motion picture magazines.

Useful web links for major Chilean publications:

El Mercurio chain website [www.emol.cl](http://www.emol.cl)  
 Consorcio Periodístico de Chile (COPESA) [www.copesa.cl](http://www.copesa.cl) or [www.latercera.cl](http://www.latercera.cl)  
 Economic and financial daily Estrategia [www.estrategia.cl](http://www.estrategia.cl)  
 Economic and financial daily El Diario: [www.eldiario.cl](http://www.eldiario.cl)

Useful web links for major Television stations

National Televisión (TVN): [www.tvn.cl](http://www.tvn.cl)  
 Catholic University of Chile TV (TVUC): [www.canal13.cl](http://www.canal13.cl)  
 Mega TV: [www.megavision.cl](http://www.megavision.cl)  
 Chilevisión TV (CHV): [www.chilevision.cl](http://www.chilevision.cl)

Useful web links for major Chilean radio networks

Radio Cooperativa: [www.cooperativa.cl](http://www.cooperativa.cl)  
 Radio Agricultura: [www.radioagricultura.cl](http://www.radioagricultura.cl)

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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 percent or more for direct sales to consumers, or 20 to 30 percent 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 to prosper. More specialized products are sold by stocking distributors or by commissioned agents who generally earn margins of 5 to 10 percent 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 percent 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.

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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.

## **Protecting Your Intellectual Property**

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### **Introduction**

Several general principles are important for effective management of intellectual property rights (IPR) in Chile. First, it is important to have an overall strategy to protect IPR. Second, IPR is protected differently in Chile than in the United States. Third, rights must be registered and enforced in Chile, under local laws. Companies may wish to seek advice from local attorneys or IP consultants. The U.S. Commercial Service can provide a list of local lawyers upon request.

It is vital that companies understand that intellectual property is primarily a private right and that the U.S. 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. While the U.S. Government is willing to assist, there is little it can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IPR 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 doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a lawsuit. 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 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. 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 Chilean laws to create a solid contract that includes non-compete 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 IPR 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)
- Departamento de Propiedad Industrial (DPI) [www.dpi.cl](http://www.dpi.cl).

For more information on IPR issues in Chile, see the section on [Protection of Property Rights](#) in [Chapter 6: Investment Climate](#).

## **IPR Resources**

A wealth of information on protecting IPR 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 register at [www.StopFakes.gov](http://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.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: 1-202-707-5959.
- For US small and medium-size companies, the Department of Commerce offers a "SME IPR Advisory Program" available through the American Bar Association, which provides one hour of free IPR legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and Thailand. For details and to register, visit: [http://www.abanet.org/intlaw/intlproj/iprprogram\\_consultation.html](http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html)
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: [www.StopFakes.gov](http://www.StopFakes.gov). This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries). The U.S. Customs & Border Protection website will also allow you to record registered trademarks and copyrighted works (to assist customs in

blocking imports of IPR-infringing products) and allows you to register for Webinars on protecting IPR.

- 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: [Dorian.Mazurkevich@mail.doc.gov](mailto:Dorian.Mazurkevich@mail.doc.gov)

## **IPR Climate in Chile**

Legislation, regulations and institutional capacity to protect intellectual property in Chile are growing more sophisticated, but overall enforcement still falls far short of U.S. standards. In fact, Chile's inadequate intellectual property rights protection and failure to comply with the obligations agreed upon in Chapter 17 of the U.S.-Chile FTA led to a U.S. Trade Representative "Out of Cycle Review" in the second semester of 2006 and, as a result, Chile was placed on the U.S. Trade Representative's Priority Watch List, in January 2007.

Chile belongs to the World Intellectual Property Organization (WIPO); therefore, patents, trademarks, industrial designs, models, and copyrights are protected in Chile by the provisions of the International Convention for the Protection of Industrial Property (the Paris Convention). In December 2004, Chile agreed to comply with WTO/TRIPs, resulting in expedited civil court proceedings and creation of the authority of the government to seize illegal copies of patented products.

The U.S.-Chile FTA stimulated further improvements in intellectual property protection:

- Chile is required to accede in full to several international IPR agreements, e.g., the Patent Cooperation Treaty (1984) and the Trademark Law Treaty (1994).
- It established procedures in Chile to prevent or cancel the registration of marks that are similar or identical to a well-known trademark used internationally.
- Authors, performers and producers have exclusive rights to authorize or prohibit reproductions of their work. The term of protection is not less than the life of the author and 70 years after the author's death, or not less than 70 years from the end of the year of the first publication of the work, if the term is not based on the life of a person.
- The Government of Chile confirmed its commitment to use only legitimate computer software.
- It required Chilean authorities to adjust patent terms to allow for unreasonable delays encountered in granting the patent. Under the FTA, data exclusivity is to be guaranteed for 5 years for pharmaceuticals and 10 years for agricultural chemicals.
- In civil proceedings, the rights holder can request destruction of goods that have been found to be pirated or to bear counterfeit marks. Rights violators can be held liable for actual damages or statutory damages where actual damages are unknown. Law enforcement is given the authority to seize suspected counterfeit or pirated goods, as well as the equipment used to produce such goods.



Ongoing challenges:

- Pirated computer software and video recordings in Chile (roughly 50 percent of the market).
- Continued significant IPR violations with pharmaceutical products and the exclusivity of private research data. This includes outright patent violation through the Ministry of Health's granting of sanitary approval (in essence, marketing approval) for generic drugs and sanitary approval for generics based on test data (data exclusivity) provided by foreign pharmaceutical companies.
- Inadequate legal recourses available to companies with considerable delays in the courts (up to 2-4 years), expensive proceedings (\$5,000 - \$10,000+), minor fines, and weak sentences. To date, legal action has failed to protect IPR in Chile.
- Inadequate protection of data exclusivity.

U.S. firms should still register their trademark as soon as they have any intention of doing business in Chile. Ownership of the trademark is not prejudiced by lack of use in cases where the registered party makes use of the mark in other countries, and trademarks may be perpetually registered in periods of ten years at a time. Firms wishing to register their trademarks should do so with the Ministry of Economy, "Departamento de Propiedad Industrial," Tel: (56-2) 687 – 4605, or on the web at [www.dpi.cl](http://www.dpi.cl).

For more information on IPR issues in Chile, see the section on [Protection of Property Rights](#) in [Chapter 6: Investment Climate](#).

## **Due Diligence**

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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 [www.buyusa.gov/chile/en/76.html](http://www.buyusa.gov/chile/en/76.html).

## **Local Professional Services**

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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 [www.buyusa.gov/chile/en/business\\_service\\_providers.html](http://www.buyusa.gov/chile/en/business_service_providers.html)



|                                                                                                                                        |                                                                      |
|----------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|
| U.S. Commercial Service Santiago:                                                                                                      | <a href="http://www.buyusa.gov/chile/en">www.buyusa.gov/chile/en</a> |
| And for a list of local service providers/hotels/transport:                                                                            |                                                                      |
| <a href="http://www.buyusa.gov/chile/en/business_service_providers.html">www.buyusa.gov/chile/en/business_service_providers.html</a> . |                                                                      |
| USDA Foreign Agricultural Service:                                                                                                     | <a href="http://www.fas.usda.gov">www.fas.usda.gov</a>               |
| U.S. Embassy Santiago:                                                                                                                 | <a href="http://www.usembassy.cl">www.usembassy.cl</a>               |
| Chilean-American Chamber of Commerce (Amcham):                                                                                         | <a href="http://www.amchamchile.cl">www.amchamchile.cl</a>           |
| Chilean Embassy in Washington:                                                                                                         | <a href="http://www.chile-usa.org">www.chile-usa.org</a>             |
| Santiago Chamber of Commerce:                                                                                                          | <a href="http://www.ccs.cl">www.ccs.cl</a>                           |
| Chile's Industrial Property Department:                                                                                                | <a href="http://www.dpi.cl">www.dpi.cl</a>                           |
| Chilean Government Procurement website:                                                                                                | <a href="http://www.chilecompra.cl">www.chilecompra.cl</a>           |

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## Chapter 4: Leading Sectors for U.S. Export and Investment

- [Agricultural Sector](#)

### **Commercial Sectors**

- [Computer Hardware/Software/Services \(CPT/CSF/CSV\)](#)
- [Construction \(CON\)](#)
- [Electric Power Equipment \(ELP\)](#)
- [Food Processing and Packaging Equipment \(FPP\)](#)
- [Healthcare/Medical Equipment \(HCS/MED\)](#)
- [Mining Equipment \(MIN\)](#)
- [Plastics Machinery/Materials/Resins \(PMR\)](#)
- [Pollution Control and Water Sector \(POL\)](#)
- [Safety and Security Equipment \(SEC\)](#)
- [Telecommunication \(TEL\)](#)
- [Travel and Tourism \(TRA\)](#)

## Computer Hardware/Software/Services (CPT/CSF/CSV)

### Overview

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|                        | 2006       | 2007       | 2008 (estimated) |
|------------------------|------------|------------|------------------|
| Total Market Size      | 656        | 1,038      | 1,180            |
| Total Local Production | 223        | 250        | 290              |
| Total Exports          | Negligible | Negligible | Negligible       |
| Total Imports          | 433        | 788        | 890              |
| Imports from the U.S.  | 123        | 194        | 219              |

(In millions of U.S. Dollars. Source: Santiago Chamber of Commerce)

Chile's market for computers and peripherals has been showing positive growth over the last three years due to better overall economic conditions and a 15 percent drop in prices. According to local contacts, this market will grow 13 percent in 2008.

Computer hardware sales in Chile had a strong increase during 2007, mainly PCs. According to IDC, IT investment in the country during 2007 reached \$1,970 million, and for 2008, it is expected to grow 13 percent, reaching \$2,200 million. According to the same source, during 2007, servers x86, PCs (notebook and desktop), and printers maintained sustained growth that should continue in 2008. China was the main supplier of hardware during 2007, with 48.9 percent of the imports, followed by the U.S. with 24.6 percent, and Malaysia with 4.1 percent. It is important to note that a significant amount of these types of manufactured products, previously coming from the United States, are now coming from U.S. IT companies with production in China.

The purchase of computer software by companies is also rising along with the overall growth in the economy. Small enterprises are important potential customers, since they account for some 40 percent of software purchases in the country.

### Best Prospects/Services

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Hardware: Servers, PCs (notebooks and desktops), and wireless products.

Software: Firewalls, spyware, antivirus.

There are good opportunities for software products aimed at small and medium-sized companies. The most common programs purchased by such companies are data processing programs, navigators, and email systems.

IT and software application services, especially for the development and implementation of solutions for industrial production processes, are also good prospects.

The IT services market should continue to be boosted by the U.S.-Chile Free Trade Agreement's guarantee of non-discriminatory access for U.S. service providers.

## Opportunities

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- Joint ventures with local digital companies
- Strengthen e-government via strategic partnerships with foreign companies providing state-of-the-art digital technologies and software

## Resources

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Chilean Association of Information Technology Companies: [www.acti.cl](http://www.acti.cl)

Chilean Software Distribution Association: [www.ads.cl](http://www.ads.cl)

Santiago Chamber of Commerce: [www.ccs.cl](http://www.ccs.cl)

For more information, contact Veronica Pinto of the U.S. Commercial Service Santiago at [Veronica.Pinto@mail.doc.gov](mailto:Veronica.Pinto@mail.doc.gov).

## Construction (CON)

### Overview

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|                        | 2006  | 2007  | 2008 (estimated) |
|------------------------|-------|-------|------------------|
| Total Market Size      | 1,100 | 1,210 | 1319             |
| Total Local Production | 594   | 610   | 650              |
| Total Exports          | 125   | 180   | 230              |
| Total Imports          | 631   | 780   | 899              |
| Imports from the U.S.  | 206   | 269   | 314              |

(Source: Chilean Customs Data, industry experts and elaboration)

The construction industry continues to expand at a very strong pace, exceeding that of the local economy (5 percent for 2007). For 2008, the industry anticipates an average growth of 7.1 percent. For the coming four to five years, it is expected that this growth will stay at or above 7.5 percent. However, it is worth noting that imports of building materials are expanding annually 18 percent, while imports of construction machinery are increasing 10 percent/year.

### Best Prospects/Services

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Main areas of business: housing (all income levels); hotels and tourism services; retail business; commerce, especially shopping malls; educational and health; recreational complexes for tourism, cultural, and ecological purposes; and industry installations.

### Opportunities

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- Public Works (highways, airports, ports, hospitals)
- Mining & general industry construction
- Private Buildings (offices, first & second homes)
- Hotels (5 & 4 Star, lake and beach resorts)

The Chilean Ministry of Public Works recently announced investments of 4 billion dollars to be offered under the existing private concession program. This program allows private investors interested in bidding on these BOT construction projects to be granted with 15 to 30 year concessions via toll collection. These projects range from inter-regional and rural highways, hospitals to jails. There are also projects would include ports and the construction of new (and expansion of existing) airports.

The public highways concessioned to private investors are largely dominated by Spanish investors and followed at some distance by Italian, German and Chilean investors. Public airports concessioned to private investors have the widest variety of investors, including Spanish, U.S., Canadian, Swiss, and Colombian, where Spanish investors again dominate the scene. In the area of general public infrastructure, i.e., dams, jails and multi-modal transfer centers, investors are mainly Chilean construction companies in partnership with U.S. service companies.

Private construction: During 2007, the private sector realized investments exceeding 2.5 billion dollars, mostly related to construction and the development of commercial infrastructure, such as malls and strip malls, industrial infrastructure, mining, forestry, energy, and sanitary services. Based upon all projected investment, private construction should continue exhibiting this fast-paced growth for years to come.

## Resources

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Chilean Chamber of Construction [www.cchc.cl](http://www.cchc.cl)  
Ministry of Public Works [www.mop.cl](http://www.mop.cl)  
Ministry of Housing and Urbanism [www.minvu.cl](http://www.minvu.cl)

For more information, contact Carlos Capurro of the U.S. Commercial Service Santiago at [Carlos.Capurro@mail.gov.doc](mailto:Carlos.Capurro@mail.gov.doc).

## Electric Power Equipment (ELP)

### Overview

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|                        | 2006 | 2007 | 2008 (estimated) |
|------------------------|------|------|------------------|
| Total Market Size      | 499  | 593  | 705              |
| Total Local Production | 150  | 180  | 198              |
| Total Exports          | 44   | 49   | 53               |
| Total Imports          | 393  | 462  | 560              |
| Imports from the U.S.  | 95   | 89   | 120              |

(Source: Chilean Customs Data, industry experts and elaboration)

Chile has been experiencing a couple of difficult years, due to the lack of energy sources and the lack of investment in the generation and transmission areas. Current energy shortages are not expected to be solved until all new investments come on-stream after 2010 and beyond.

Chile is a net importer of oil and gas and it has been severely hurt by the current international price hike. The Chilean Government has recently opened the possibility for foreign companies to participate in oil & gas exploration, which allowed U.S. companies to bid and be granted with exploration rights on a couple of exploration tracks in the southernmost region of Chile.

In the meantime, traditional power generation companies, plus a few new electricity suppliers, are due to invest in Non-Traditional Renewable Energy sources, namely wind power, small hydro generation (up to 20 MW) and, most promising of all, geothermal energy, of which Chile seems to be sitting on a huge reserve, but this needs to be properly assessed prior to exploitation. In this regard, there are two U.S. companies, one Italian, and the Chilean state-owned oil & gas company ENAP, actively involved in different stages of exploration.

As seen in 2007, the electricity industry will experience a strong push from the largest Chilean customers between 2008 and 2012, i.e., distribution companies and mining companies, for new and larger supplies of electric power. This could represent business opportunities exceeding 17 billion dollars in new generation and transmission investment projects, where Italian, Spanish and Australian investors seem to continue to have the lead.

### Best Prospects/Services

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#### Generation

- Hydro-generation plants
  - >20 MW - 70 MW
  - 70 MW - 150 MW

- >200 MW - 500 MW
- Thermal-generation plants in the range of 100 MW - 300 MW
- Clean coal technology plants
- Combined-cycle gas fired plants
- Dual gas/diesel fired plants
- Geothermal plants
- Wind generation plants
  - >0.3 MW - 10 MW, horizontal, variable speed, pitch reg., >50 mt. mast turbine

### **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

## **Opportunities**

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Between 2008 and 2012, there will be a surge in power generation and transmission investment that will require foreign direct investment and supplies up to an estimated \$17 billion.

## **Resources**

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Chilean Energy Commission, (a.k.a. Ministry of Energy) - [www.cne.cl](http://www.cne.cl)  
Central Interconnected Grid Management System - [www.cdecsic.cl](http://www.cdecsic.cl)  
Northern Interconnected Grid Management System - [www.cdecsing.cl](http://www.cdecsing.cl)  
Electric Industry Magazine - [www.revistaei.cl](http://www.revistaei.cl)

For more information, contact Carlos Capurro of the U.S. Commercial Service Santiago at [Carlos.Capurro@mail.gov.doc](mailto:Carlos.Capurro@mail.gov.doc).



## Food Processing/Packaging Equipment (FPP)

### Overview

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|                        | 2006       | 2007       | 2008 (estimated) |
|------------------------|------------|------------|------------------|
| Total Market Size      | 248        | 259        | 290              |
| Total Local Production | 8          | 7          | 7                |
| Total Exports          | Negligible | Negligible | Negligible       |
| Total Imports          | 240        | 252        | 283              |
| Imports from the U.S.  | 18         | 21         | 29               |

(In millions of U.S. Dollars. Source: Chilean Customs. \*Unofficial figures)

Chile's food industry continues to grow and aims to become more efficient, cost-effective and competitive in order to fully take advantage of Free Trade Agreements signed with trade partners such as Mexico, Mercosur, Canada, South Korea, the European Union, the United States, and China. Chile's agro-industry has been growing at significant annual rates, accounting for 10 percent of the country's GDP. During 2007, Chile exported approximately \$9 billion worth agro-industrial products, ranked as number 17 among the world's food suppliers. Chile projects being top ten in food exports by 2010, with projections ranging between \$14 and \$17 billion.

Chile has excellent natural conditions to continue developing its agro-industry and food industry sectors. Its Mediterranean climate and favorable geography make it viable to produce a wide range of food products. In addition, the country is a phyto-sanitary island (desert in the north, the Andes mountain range to the east, the Pacific Ocean to the west and south). Being a sanitary island, and the strict government sanitary policy, make it difficult for diseases and pests to enter Chile. One of the country's major advantages is also its location in the southern hemisphere, which is very convenient for counter-season exports, especially considering that the major purchasing markets are located in the northern hemisphere.

Chilean wine, salmon, trout, and fresh fruit are well recognized internationally, and even though still growing, have reached maturity as sub-sectors. New and promising products include meats (beef, poultry, pork and exotic meats), olive oil, other aquaculture products (mussels, abalone, scallops, tilapia, oysters, catfish, etc.), dairy products, etc. 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.

### Best Prospects/Services

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In recent years, Chile's agriculture, fisheries & aquaculture, and food processing sub-sectors have become more concentrated, with a focus on producing and exporting value-added products and a growing concern for clean production. Product tracking, food safety, best practices programs and certification are important issues for Chilean exporters. Moreover, in order to reach its goal of becoming a top-ten world food

supplier, the industry needs to invest heavily on R&D, technology, and ensure access to adequate energy supplies. Most of the machinery and equipment required in this industry is imported, since local production is very basic and small.

Italy, Germany and other European countries are the traditional suppliers of food processing machinery in Chile. However, given the reputation of U.S. equipment, the more competitive U.S. dollar (vis-à-vis the Euro), and the elimination of duties on most U.S. imports through the U.S.-Chile FTA, Chilean companies are actively seeking new sources of U.S.-made food processing equipment, mainly freezing & refrigeration equipment, skinning machines, meat and bone separators, filleting equipment, meat grinders, dehydrating equipment, industrial microwave ovens, automatic stuffing, portioning, waste recycling systems, and vacuum packaging machinery.

## Opportunities

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The Chilean Economic Development Agency, CORFO, is organizing a series of trade missions to Chile, to attract foreign investors. CORFO funds lodging and transportation (local and regional) and participation in a weeklong program. The International Forum for Investors in the Wine Industry will take place June 23-27, 2008, starting with a forum in Santiago, followed by meetings and site visits.

Another good opportunity to enter the Chilean market is to participate in local trade fairs such as:

- PescaSur 2009 (Fishing Show)  
March 2009 – Talcahuano, Chile ([www.pesca-sur.cl](http://www.pesca-sur.cl))
- Expo Onel 2009 (Food processing and related industries trade show)  
November 3-6, 2009 – Santiago, Chile ([www.expotrader.cl](http://www.expotrader.cl))
- AquaSur 2010 (Aquaculture Show)  
March, 2010 – Puerto Montt, Chile. (<http://www.aqua-sur.cl/>)

If interested in obtaining additional information, or in participating, please contact: Mary Lou Lathrop, [Mary.Lou.Lathrop@mail.doc.gov](mailto:Mary.Lou.Lathrop@mail.doc.gov)

## Resources

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- Association of Chilean Food Producers: [www.chilealimentos.cl](http://www.chilealimentos.cl)
- Salmon Industry Association: [www.salmonchile.cl](http://www.salmonchile.cl)
- Chilean Winery Association: [www.vinasdechile.cl](http://www.vinasdechile.cl)
- Chilean Olive Oil Producers Association: [www.chileoliva.cl](http://www.chileoliva.cl)

For more information, contact Mary Lou Lathrop of the U.S. Commercial Service Santiago at [Mary.Lou.Lathrop@mail.doc.gov](mailto:Mary.Lou.Lathrop@mail.doc.gov)

## Healthcare/Medical Equipment (HCS/MED)

### Overview

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|                        | 2006  | 2007  | 2008 (estimated) |
|------------------------|-------|-------|------------------|
| Total Market Size      | 175.6 | 186.4 | 198.3            |
| Total Local Production | 20    | 22    | 24               |
| Total Exports          | 5.7   | 5.4   | 5.6              |
| Total Imports          | 161.3 | 169.8 | 179.9            |
| Imports from the U.S.  | 62.1  | 60.2  | 63.8             |

(In millions of U.S. Dollars. Source: Chilean Customs)

Chile's medical sector is small but extremely competitive. Currently, the country spends approximately 7 percent of its GDP on healthcare. Chile produces and exports a limited amount of medical products, exporting approximately \$5.4 million of medical equipment, disposables, and instruments in 2007. Given its limited production, Chile relies upon imports to supply its growing healthcare market.

Yearly increases in government spending since 1990 have raised the Chilean public healthcare budget to a record \$4.4 billion for 2008, representing a 16 percent increase over the 2007 budget.

According to the Chilean Health Superintendence, public health insurance (Fonasa) and private health insurance companies (ISAPRES) cover \$2 billion and \$1.8 billion, respectively, of medical expenses per year.

In July 2005, the Chilean government implemented a healthcare reform package aimed at reducing inequities of the Chilean healthcare system. Chile's "Universal Access with Explicit Guarantees" or "Plan AUGE" ensures government-funded healthcare coverage for individuals regardless of age, class, and most importantly, their ability to pay. On January 1, 2008, "Plan AUGE" expanded to include 62 major illnesses and by 2009 there will be 80 diseases listed by the Ministry of Health. These illnesses range from cancer to respiratory disease to mental illness.

The Chilean Ministry of Health is also undergoing improvements of some of its public hospital infrastructure and their improvement will require an investment of over \$600 million in equipment and infrastructure for the next several years. Investment includes the construction of new hospitals and new medical attention units. The government will finance new or refurbished hospitals, opening these projects to concessions during 2008.

Concessions will only be applied to the construction and repair of the hospitals and to the non-clinical areas of the hospitals such as parking, security, and catering.

Many private hospitals are expanding existing facilities or planning the construction of new ones. Some of these projects include: Clinica Santa Maria (\$50 million); Clinica

Indisa (\$18 million); Clinica U.S. San Carlos de Apoquindo (\$3 million); and Clinica Las Condes (\$140 million).

### **Best Prospects/Services**

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After the implementation in 2004 of the Free Trade Agreement between the United States and Chile, most U.S.-made medical equipment enters Chile duty-free. Medical imports, like all products foreign and domestic, are subject to Chile's 19 percent VAT (Value Added Tax).

The United States has long been Chile's most important supplier of medical equipment by supplying around 30% of all imports. Many medical professionals study or receive training in the United States and prefer U.S.-made equipment. Other competitors are Germany (15 percent share) and Japan (7 percent share).

### **Opportunities**

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The Ministry of Health is undergoing a major improvement of its hospital infrastructure that will require an investment of about \$600 million in equipment and infrastructure for the next five years. Investment includes the construction and remodeling of 35 hospitals, 11 of which will be new. Concessions will only be applied to the construction and repair of the hospitals and to the non-clinical areas of the hospitals, such as parking, security and catering. There will be good opportunities for U.S. companies to supply the necessary equipment for these projects.

### **Resources**

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The Ministry of Health: [www.minsal.cl](http://www.minsal.cl)

ISAPRE Association: [www.isapre.cl](http://www.isapre.cl)

Medical Professional Association: [www.colegiomedico.cl](http://www.colegiomedico.cl)

Institute of Public Health: [www.ispch.cl](http://www.ispch.cl)

For more information, contact Veronica Pinto of the U.S. Commercial Service Santiago at [veronica.pinto@mail.doc.gov](mailto:veronica.pinto@mail.doc.gov).

## Mining Equipment (MIN)

### Overview

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|                        | 2006  | 2007  | 2008 (estimated) |
|------------------------|-------|-------|------------------|
| Total Market Size      | 1,700 | 1,181 | 1,991            |
| Total Local Production | 440   | 485   | 533              |
| Total Exports          | 30    | 35    | 42               |
| Total Imports          | 1,290 | 731   | 1,500            |
| Imports from the U.S.  | 710   | 780   | 870              |

(Source: Chilean Customs Data, industry experts and elaboration)

The mining industry will be investing not only in mining development and expansions, but also in developing their own sources of energy, as each MW of energy unavailable represents large daily losses in lost production. Therefore, all large mining companies are developing investment plans that will allow them to secure their much-needed energy.

By the end of 2007, there were declared investments exceeding US \$3 billion. However, for the next 5-6 years, these investments will exceed 12 billion dollars to cover new mines, the expansion of existing ones and drastic changes in mining technology in others. The mining industry continues to include Canadian, Australian and some European companies as key players in this vital industry for Chile, with almost no U.S. presence in mining exploitation, but still the largest mining equipment supplier.

### Best Products/Services

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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, air pollution abatement, mine closures)

- Underground mining technology services
- Wear-resistant materials

### Opportunities

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Between 2008 and 2014, there will be investments exceeding \$12 billion that will most likely be supplied by U.S. companies, especially if the exchange rate continues to be favorable to U.S. exporters.

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

EXPOMIN: This is the world's largest mining trade show outside of the U.S. It has world attendance, gathering over 2,500 exhibitors. The official U.S. Pavilion usually takes half of the entire exhibit floor with some 200 exhibitors. Expomin is a CS Certified Trade Show. It takes place in even years in Santiago, and Expomin 2008 took place from April 15-18, 2008: [www.expomin.cl](http://www.expomin.cl)

EXPONOR: Exponor is another CS Certified trade show, taking place since 2005. During the 2007 trade show the U.S. Pavilion featured over 100 exhibitors. This trade show takes place in odd years in the city of Antofagasta. Exponor 2009 is scheduled for June 2009: [www.exponor.cl](http://www.exponor.cl)

|                                                |                                                                |
|------------------------------------------------|----------------------------------------------------------------|
| Chilean Mining Ministry:                       | <a href="http://www.minmineria.cl">www.minmineria.cl</a>       |
| Chilean Geology & Mining Service:              | <a href="http://www.sernageomin.cl">www.sernageomin.cl</a>     |
| Chilean Mining Metallurgic Center of Research: | <a href="http://www.cimm.cl">www.cimm.cl</a>                   |
| National Mining Society:                       | <a href="http://www.sonami.cl">www.sonami.cl</a>               |
| Chilean Mining Council:                        | <a href="http://www.consejominero.cl">www.consejominero.cl</a> |
| Large Mining Suppliers Association:            | <a href="http://www.aprimin.cl">www.aprimin.cl</a>             |
| Minería Chilena (Mining Magazine):             | <a href="http://www.mch.cl">www.mch.cl</a>                     |

For more information, contact Carlos Capurro of the U.S. Commercial Service Santiago at [Carlos.Capurro@mail.gov.doc](mailto:Carlos.Capurro@mail.gov.doc).

## Plastics Machinery/Materials/Resins

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### Overview

Plastics Resins Market  
(Millions of U.S. Dollars)

|                        | 2006 | 2007 | 2008 (estimated) |
|------------------------|------|------|------------------|
| Total Market Size      | 690  | 878  | 998              |
| Total Local Production | 344  | 465  | 465              |
| Total Exports          | 86   | 76   | 105              |
| Total Imports          | 432  | 489  | 638              |
| Imports from the U.S.  | 44   | 121  | 150              |

(Source: Chilean Customs Data, industry experts and elaboration)

Plastics Processing Equipment Market  
(Million of U.S. Dollars)

|                        | 2006 | 2007 | 2008 (estimated) |
|------------------------|------|------|------------------|
| Total Market Size      | 66.6 | 88.0 | 96.8             |
| Total Local Production | 2.5  | 2.5  | 2.8              |
| Total Exports          | 0.4  | 0.5  | 0.6              |
| Total Imports          | 64.5 | 86.0 | 94.6             |
| Imports from the U.S.  | 5.1  | 18.4 | 20.2             |

(Source: Chilean Customs Data, industry experts and elaboration)

## Best Products/Services

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- Extruders
- Injection molding
- Replacement pieces and parts for equipment
- Slightly used small and medium size processing plants

## Opportunities

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Best business opportunities are those related to help local packaging production companies enhance their productivity by introducing higher technology and higher throughput equipment, as to keep up with the growing demand of the food processing industry.

## Resources

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Chilean Plastics Association (ASIPLA) - [www.asipla.cl](http://www.asipla.cl)

For more information, contact Carlos Capurro of the U.S. Commercial Service Santiago at [Carlos.Capurro@mail.gov.doc](mailto:Carlos.Capurro@mail.gov.doc).

Clear environmental laws and a stable economy have allowed Chile to have a leading role in the region. Many Latin American countries follow the model that Chile is using or has already tested. As a result, Chile has become a platform country for the transfer of environmental technology and expertise to other Latin American countries.

A healthy environment has become a great concern for the Chilean government and its society as a whole. The Minister currently of the National Environmental Commission, assigned by the President of Chile, is responsible for creating the Environmental Ministry and the Superintendence that will oversee compliance with environmental legislation. This should contribute to investment in environmental solutions in local industries.

Chile is in the process of implementing its environmental regulations. In the water/sanitary sector, the regulations that are in place are key to generating a larger demand for pollution control equipment, specifically in water and wastewater treatment equipment and technologies and for engineering and consulting services. For this reason, the water sector is probably the one that offers the best market potential for U.S. companies as suppliers of environmental equipment, products and technologies.

#### **Water Treatment Equipment**

|                        | <u>2006</u> | <u>2007</u> | <u>2008 (e)</u> |
|------------------------|-------------|-------------|-----------------|
| Total Market Size      | 296         | 457         | 460             |
| Total Local Production | Negligible  | Negligible  | Negligible      |
| Total Exports          | Negligible  | Negligible  | Negligible      |
| Total Imports          | 45          | 457         | 460             |
| Imports from the U.S.  | 18          | 107         | 110             |

(In millions of U.S. Dollars. Figures are unofficial estimates based on data from Lexis Nexis)

#### **Water Sector**

According to Chilean regulation, all wastewater had to be treated by end of 2006. For this reason, the market and imports grew approximately 65 percent in 2007 compared to the previous year. By 2010, Chile expects to reach 100% coverage in terms of potable water, sanitation, sewage, and 98% of water treated. Reaching this goal implies significant investment. In wastewater treatment plants alone, it is estimated there will be investment of more than 2 billion dollars between 2006 and 2016. Many projects have been completed and others are already underway. Local sources estimate that imported equipment accounts for approximately 25-30 percent of the total outlay in new water treatment plants.

#### **Opportunities**

Chilean production of specialty equipment and technologies used in the water sector is practically nonexistent. Local environmental engineering and consulting companies are



keen to partner with foreign companies that possess the necessary know-how and technical expertise, mainly in the following areas:

- Environmental impact assessment
- Project design and construction of water treatment plants
- Reclamation and remediation services
- Solid and hazardous waste management and disposal.

The following subsectors have potential in Chile:

- Industry: Reduction of wastes, recycling, treatment of liquid and solid wastes
- Sanitary Installments, Water and Sewage: Handling of water resources and treatment of sewage waters
- Agriculture: Technologies, equipment, and systems for monitoring, watering, drainage and reutilization of sludge.
- Mining: Environmental management, efficiency specialists, waste reduction, treatment of wastes.
- Engineering: Underground water handling and exploration, hydraulic and environmental engineering advisory.
- Construction: Handling of home wastes, final disposal and dumping grounds.
- Municipal: Land disposal and rubbish dumps, municipal waste treatment.
- Meteorology: Implementation, metering equipment.

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Chilean Environmental Commission (CONAMA): <http://www.conama.cl>

Chilean Environmental Association (AEPA): <http://www.aepa.cl/>

Superintendence of Sanitary Services: <http://www.siss.cl>

For more information, contact Isabel Valenzuela of the U.S. Commercial Service Santiago at [isabel.valenzuela@mail.doc.gov](mailto:isabel.valenzuela@mail.doc.gov).

**Overview**

|                        | 2006 | 2007 | 2008 (estimated) |
|------------------------|------|------|------------------|
| Total Market Size      | 85.2 | 94.1 | 103.2            |
| Total Local Production | 7.5  | 9.8  | 6.6              |
| Total Exports          | 6.6  | 8.9  | 5.9              |
| Total Imports          | 84.3 | 93.2 | 102.5            |
| Imports from the U.S.  | 11.6 | 13.1 | 14.41            |

(In millions of U.S. Dollars. Source: Chilean Customs)

In 2008, the market size for the safety and security industry is expected to grow by 10 percent. The U.S. market share for 2007 imports was 14 percent, followed by China with 12 percent and France with 10 percent. The Chilean government, through the Ministry of Interior, is currently implementing a national strategy for public security as a result of the sustained increase in violent crime over recent years. The government's strategy for this implementation considers strengthening the police, providing a unified public information system, prevention/control/rehabilitation, and victim assistance. Therefore, Chile continues to offer a wide range of opportunities for U.S. suppliers of residential, commercial and industrial security equipment and services. Local companies are open to incorporation of new technologies to guarantee a better quality of service for residences, companies, institutions, and industries.

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Personal safety products, access control, fire detection, home automation, CCTV, outdoor photoelectric beam detectors for perimeter protection, integrated systems, sprinkler systems, and signage and lighting, as well as guard services for residences and institutions.

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There are numerous ongoing construction projects in 2008 in the health, industrial, banking, and education sectors, in addition to new ones that will require security-related equipment and supplies. In addition, there is an ongoing concession project to double Chile's prison capacity, creating demand for imported security technology and equipment.

## Resources

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Ministry of Interior: [www.interior.cl](http://www.interior.cl)  
Chilean Police: [www.carabineros.cl](http://www.carabineros.cl)  
Chilean Investigative Police: [www.investigaciones.cl](http://www.investigaciones.cl)  
Chilean Security Association: [www.achs.cl](http://www.achs.cl)  
Chilean Institute of Safety at Work: [www.ist.cl](http://www.ist.cl)

For more information, contact Marcela Cintron of the U.S. Commercial Service Santiago at [Marcela.Cintron@mail.doc.gov](mailto:Marcela.Cintron@mail.doc.gov).

**Telecommunications Equipment**

|                        | <u>2006</u> | <u>2007</u> | <u>2008 (estimated)</u> |
|------------------------|-------------|-------------|-------------------------|
| Total Market Size      | 823         | 967         | 1060                    |
| Total Local Production | Negligible  | Negligible  | Negligible              |
| Total Exports          | Negligible  | Negligible  | Negligible              |
| Total Imports          | 823         | 967         | 1047                    |
| Imports from the U.S.  | 103         | 141         | 157                     |

(In millions of U.S. Dollars. Estimates based on Lexis Nexis )

Chile's telecommunications sector is one of the most advanced and competitive in Latin America. It has grown at an average rate of approximately 20 percent annually during the last few years. U. S. suppliers have approximately 15 percent of the total import market and the same as the total market size, since Chile does not manufacture telecommunications equipment.

Chile's mobile market continues to grow consistently and the fixed-line sector continues to decrease its penetration. SUBTEL reports 13.9 million cell phones in use in Chile as of December 2007, which represents an 84 percent penetration and 12 percent growth compared to the previous year. Total fixed lines as of December 2007 totaled 3.3 million, which represented 20 percent penetration.

Chile's Undersecretariat of Telecommunications (SUBTEL) regulates the sector, sets standards and issues licenses and concessions. The main issue for SUBTEL during the past two years has been to study and evaluate the definition of a standard for Digital TV, among the European, Japanese and North American standards. The U.S. Commercial Service in Santiago has supported the promotion of the ATSC standard through numerous events and activities.

Telecom companies in Chile are highly competitive in their effort to attract more customers. The largest market potential is in the mobile market, Internet services, broadband access and value-added services, such as cellular messaging, home security services and others.

The main players in the mobile sector are Telefónica (Spain), Entel (Chile) and Claro (Mexico). In cable TV and ISPs, VTR (U.S.) is the major supplier.

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Chilean Undersecretariat of Telecommunications: [www.subtel.cl](http://www.subtel.cl)

Chilean Association of Information Technology Companies: [www.acti.cl](http://www.acti.cl)

For more information, contact Isabel Valenzuela of the U.S. Commercial Service Santiago at [isabel.valenzuela@mail.doc.gov](mailto:isabel.valenzuela@mail.doc.gov).

International travel from Chile continues growing steadily, mainly due to Chile's economy. Chileans' main destinations are Latin American countries, such as Brazil, Argentina and Peru, due to their proximity. The U.S. remains as the most attractive overseas destination for Chilean travelers.

The strong Chilean peso, in relation to the U.S. dollar, now attracts more Chilean leisure travelers to the U.S. The U.S. attracts Chileans because of its excellent tourism infrastructure, amusement parks and entertainment for the entire family, shopping and recreational activities. Chileans travel to the U.S. for vacation, business, school, and to visit relatives. Europe has become a more expensive destination, due to the exchange rate with the Euro.

The peak travel season for Chileans, representing 30 percent of travel, includes the months of January and February (Chile's summer season). During January and February 2008, Miami was the main overseas destination. July and September (winter and spring school breaks, respectively) are also busy travel times.

### MARKET DATA

|                                       | 2006      | 2007      | 2008(e)   |
|---------------------------------------|-----------|-----------|-----------|
| Outbound travelers                    | 2,080,465 | 2,414,383 | 2,900,000 |
| Travelers to Latin American countries | 1,420,400 | 1,707,762 | 2,050,809 |
| Travelers to the U.S.                 | 294,172   | 313,673   | 360,000   |

Source: Junta de Aeronáutica Civil, [www.juntadeaeronauticacivil.cl](http://www.juntadeaeronauticacivil.cl).

Data collected from Junta de Aeronautica Civil represents the totals of all outbound airline travel from Chile.

Chile offers good market potential for U.S. suppliers of travel and tourism services, such as the following:

- Tourism packages that offer a combination of airline tickets, hotel, car rental and attractions.
- Cruises to the Caribbean, Alaska, Hawaii and other destinations, which have grown considerably during the last year.
- U.S. trade shows in Chile's growing sectors, such as mining, environmental, telecommunications, energy, food processing, packaging and others.
- Sports packages offering golf and skiing have great demand, due to opposite seasons between Chile and the United States.
- Amusement parks and attractions for children, such as Disney, MGM Studios, Epcot Center, Animal Kingdom, Sea World, Bush Gardens and others, especially during the months of January and February, traditional vacation months for Chilean families.
- Studying English as a second-language has an increased demand for high school, college students, and young business people.

The U.S. Commercial Service in Santiago, in conjunction with the Visit USA Committee Chile, organizes several trade events throughout the year to promote exclusively U.S. destinations and U.S. traveling products and services. U.S. companies interested in participating in the events below may contact: [Isabel.valenzuela@mail.doc.gov](mailto:Isabel.valenzuela@mail.doc.gov) or [evalenzuela@visitusa.cl](http://evalenzuela@visitusa.cl)

- Visit USA Workshop – July 2008, Concepción, Chile
- Visit USA Workshop – August 2008, Viña del Mar, Chile
- Visit USA Show – April 2009, Intercontinental Hotel, Santiago, Chile
- Visit USA Training Seminars for Travel Agents. Every month a training seminar is hosted at the U.S. Embassy, organized by the US Commercial Service Santiago and the Visit USA Committee Chile, to train travel agents in specific topics (non-traditional destinations, car rentals, hotel reservations, etc.) Panelists are exclusively members of the Visit USA Committee.

### **Resources & Key Contacts**

- Visit USA Committee Chile: [www.visitusa.cl](http://www.visitusa.cl)
- Tourism Wholesalers Association, ACHMART: [www.achmart.cl](http://www.achmart.cl)
- National Tourism Agency: [www.sernatur.cl](http://www.sernatur.cl)
- Travel and Tourism Leader, Tony Michalski: [tony.michalski@mail.doc.gov](mailto:tony.michalski@mail.doc.gov)
- Civil Aviation Board: [www.jac-chile.cl](http://www.jac-chile.cl)

The U.S. Commercial Service in Santiago, Chile can be contacted via e-mail at: [Isabel.Valenzuela@mail.doc.gov](mailto:Isabel.Valenzuela@mail.doc.gov); Phone: (+56 2) 330-3705; Fax: (+56 2) 330-3172 or visit our website: [www.buyusa.gov/chile](http://www.buyusa.gov/chile).

## **Agricultural Sectors**

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The Chilean farm sector produces a wide variety of crops, but Chile is still a net importer of most bulk and intermediate commodities. Chile also has its own competitive food processing sector, as well as an extended growing/harvest season due to its extreme north-south geography. As a result, a wide variety of domestic fresh fruits and vegetables are available much of the year. It is estimated that only about 100,000 households, or 400,000 consumers, can afford to purchase imported consumer-oriented food products on a regular basis. Based on size, market growth rates and the U.S. competitive position in the market, the following individual products have the greatest potential for sale in Chile: corn, wheat, corn gluten feed, forage seeds, pet food, soy protein isolates and concentrates, whey and lactose products, pork products, animal genetics, oak for wine barrels, and snack foods/high-value processed foods.

Competition from Mercosur suppliers remains fierce for grains, soybean products and pet food, while domestic and European imports present the greatest challenge to U.S. processed foods.

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## **Bulk Commodities**

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U.S. exports of bulk commodities to Chile should increase even though the United States will likely remain a residual supplier due to higher prices relative to Argentina, Brazil and other suppliers. An important U.S. advantage is our reliable menu of grains and feed ingredients available throughout the year, which creates good opportunities for sales whenever other suppliers are short. Mixed cargoes of commodities also are sometimes an attractive option that helps U.S. exporters to be competitive in this market.

## **Intermediate Products**

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We see steady growth potential for feeds, fodders and genetics as Chile expands its production of pork, beef and poultry. Chile will also continue to be a strong market for planting seeds. Growth in these U.S. exports will be further stimulated as a result of the U.S.-Chile FTA.

## **Food Ingredients for Food Processing Sector**

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Chile has a very competitive food manufacturing/processing sector that supplies a wide range of products, including: poultry and pork products, dairy products, seafood, processed fruits and vegetables, cookies, chocolates, candies, pasta, powdered beverages, soft drinks, bakery products, canned peaches, marmalades, tomato sauces and wine. Chile has worked steadily to improve food safety standards, and has become a leader in this area in the South American region. The Chilean food processing industry is growing and Chile's Free Trade Agreements with the European Union and the United States are expected to provide further impetus to this sector.

The principal constraint in the market is that currently most low cost imports for this sector come from other Mercosur countries (Argentina, Uruguay, Paraguay and Brazil). However, we believe there is a need for US high tech food ingredients. The U.S.-Chile FTA also opened up new market access for previously restricted inputs of meat, fresh fruits and dairy. In general, opportunities exist for food ingredients for the following processed food categories: dairy, bakery products, snacks, processed meats, etc. In addition to the domestic food processors that dominate the market, there are several foreign food processors that have invested in Chile to make products specifically for sale in Chile and in the region.

## **Consumer-Oriented Products for the Retail Sector**

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The retail food market (supermarkets, department stores and others) accounted for 21% percent of Chile's GDP in 2006 with sales of U.S. \$33.9 billion, according to a report by AC Nielsen. Chile's supermarket industry reported sales of 26% of the total sales in the retail market.

Chile has a modern, highly competitive supermarket sector. The number of retail food stores grows approximately one percent per year. The market for consumer-ready food products and imports is concentrated in Santiago, where higher incomes and the city's population density command almost half of the country's consumer demand. Supermarkets, i.e., stores with 3 or more checkouts, serve about 60% of the grocery market and number about 688. Traditional neighborhood mini-markets, beverage stores, vegetable stands, etc. serve about 20% of the market and number about 90,000. Convenience stores, gas marts and kiosks sell limited quantities of imported candy and snack foods. In general, they do not import, but purchase from local wholesalers/distributors.

There are important differences between the products carried by both hypermarkets and supermarkets in the low versus mid to high socio-economic segments. The stores located in low-income areas normally carry a limited number of specialty items (usually higher-priced imported goods), apart from the items destined for massive consumption. Hypermarkets and supermarkets in the mid to high-income areas carry a varied assortment of specialty items with a relatively high degree of imported products. A rise in consumer sophistication in the mid to high socio-economic areas, in terms of products, brands and price, has resulted in increased demand for imported food products. These stores now account for 26% of total sales, offering customers fresh bakery goods, delicatessen items, fresh seafood, coffee bars, prepared salads, pizzas and meat



dishes, in addition to fresh, frozen and dry grocery products. Warehouse outlets and wholesale clubs have not yet made an appearance.

Nevertheless, despite the increasing selection of products and advances made in the super and hypermarket sector as a whole, compared to the US, the selection of imported specialty products is still limited. About 10-15% of products sold in supermarkets are imported, but this segment has grown by 85% over the last six years. The U.S. – Chile FTA has prompted new interest in U.S. products and opened new opportunities for previously prohibited products, such as red meat, poultry, certain fresh fruits, and dairy products. The following foreign food imports are in the highest demand: snack foods, including high energy nutritional snacks for sports; frozen prepared dinner entrees and frozen bread products; dairy products, fresh and frozen, such as yogurt and specialty drinks; processed meats, sardines and tuna; dietetic snacks and candies; baked goods and mixes; sweets, gum and chocolates; specialty pet foods (other than dry dog food) and alcoholic beverages (rum & vodka in particular).

**High-Value Food Products for Institutional Food Service** [Return to top](#)

The institutional food service market reported sales of US\$600 million for 2005, and the top three companies (Sodexho Chile S.A., Central del Restaurantes, Compass Catering S.A.) control 64 percent of the market. Mines and educational institutions dominate demand for institutional food services. The three giants currently source mainly domestically or from Brazil and Argentina. However with export pricing on institutional unit sizes, the following products offer good opportunities: tuna, rice, oil, canned vegetables, deli meats, cheese and other dairy products, low carbohydrate products and pre-mix sauces.

The leading local products sold to the Hotel, Restaurant, Institute (HRI) sector are produce, poultry and pork, seafood/fish, fruits and wine. Imported food accounts for about 10 percent of the demand. Imported products are mainly beef from Argentina, Brazil and Uruguay, legumes and cereals such as corn and wheat from Argentina and Canada. Chileans still value freshness as much as possible, but do consume large amounts of frozen food, mostly from domestic suppliers.

For Jan-November 2005, the following U.S. processed food products showed promising growth in exports to Chile: sausage casings (234%), processed red meat (509%), canned fruit (470%), baked sweet snacks (80%), seasonings (72%), misc. consumer ready products (70%), sweeteners (68%), other misc. processed foods (62%), candy (24%), spirits (40%), and protein concentrate (28%).

2007 Agricultural, Forestry & Fish Imports by Chile (millions of dollars)

|                           |              |
|---------------------------|--------------|
| Total (from world)        | 3,659        |
| From the U.S.             | 490          |
| U.S. Share                | 13.4 percent |
| Chilean Surplus with U.S. | 3,169        |

2007 Principal U.S. Agricultural Exports to Chile (in millions of dollars)

|                                 |      |
|---------------------------------|------|
| Wheat                           | 109  |
| Animal Feed                     | 46   |
| Other Intermediate Products     | 26.5 |
| Planting Seeds                  | 22.2 |
| Soybean meal                    | 19.4 |
| Dairy                           | 20.2 |
| Forest Products                 | 19.2 |
| Cotton                          | 12.6 |
| Tree nuts                       | 9.1  |
| Snack Foods                     | 6.1  |
| Processed Fruits and Vegetables | 7    |
| Live Animals                    | 2.5  |
| Pet food                        | 3.1  |

Source: US Bureau of the Census Trade Data

2007 Principal U.S. Agricultural Imports from Chile (in millions of dollars)

|                               |         |
|-------------------------------|---------|
| Fresh Fruit                   | 1,158.7 |
| Fish Products                 | 1,023.9 |
| Forest Products               | 767.1   |
| Wine & Beer                   | 207.2   |
| Planting Seeds                | 152.5   |
| Processed Fruits & Vegetables | 147.7   |
| Fruit & Vegetables Juices     | 61.5    |
| Fresh Vegetables              | 14.5    |
| Snack Foods                   | 7.5     |
| Spices                        | 5.2     |

Source: US Bureau of the Census Trade Data

For more detailed trade statistics and reports on US food and agricultural export opportunities, visit [www.fas.usda.gov/commodities.asp](http://www.fas.usda.gov/commodities.asp).

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## Chapter 5: Trade Regulations 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 percent of U.S. exports to Chile were eliminated immediately. As of January 2007, 97 percent of all U.S. exports to Chile are duty free. The remaining 3 percent included 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, Chilean tariffs on more than three quarters of U.S. farm products will be eliminated by 2008. 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 percent duty.

The U.S.-Chile FTA further addresses other import taxes, which Chile applies. For example, under the FTA, Chile eliminated the 50 percent 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 has been eliminated completely. Certain other imported "luxury goods" incur a 15 percent 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 percent tax. Tobacco products, such as cigarettes, cigars and processed tobacco, are subject to additional 61 percent, 51 percent and 57.9 percent taxes, respectively. Additionally, all imports are subject to the same 19 percent Value Added Tax (IVA) imposed on domestic goods.

## Trade Barriers

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Chile generally has few barriers to imports or investment allowing, in most cases, foreign firms to enjoy the same protections and operate under the same conditions as local firms. In agriculture, some exceptions apply. For example, while dairy, beef, and poultry establishments no longer have to be individually inspected by the Chilean Ministry of Agriculture, pet food establishments still do. Many import restrictions on fresh fruits have been resolved, as a result of technical talks held in tandem with the FTA negotiations. Consequently, new market access is available for a wider range of fruits and vegetables, although exporters should still check with 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. This process raises the overhead cost of introducing new products into the market. Labeling and fortification standards are also unique to Chile's Health Ministry and sufficiently distinct from U.S. standards that most U.S. processed food products must be labeled and/or formulated especially for Chile. For more information regarding Chile's labeling requirements see the Foreign Agricultural Service's Food and Agricultural Import Regulations report at [www.usembassy.cl](http://www.usembassy.cl), Food & Agriculture, Food Regulation.

## Import Requirements and Documentation

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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 from National Health Service (Servicio Nacional de Salud, SNS), the Agricultural and Livestock Service (Servicio Agrícola y Ganadero, SAG), and the National Fishing Service (Servicio Nacional de Pesca, SERNAP). For documentation requirements specific to agricultural imports, see the SAG web site, [www.sag.cl](http://www.sag.cl).

## 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](http://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](http://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 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 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.usembassy.cl](http://www.usembassy.cl), Food & Agriculture, Food Regulations.

## Prohibited and Restricted Imports

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The importation of used passenger and cargo transportation vehicles is prohibited. Exceptions include the importation of off-the-road vehicles, used ambulances, armored cars, mobile homes, prison vans, street and highway cleaning vehicles, cement-making vehicles, hearses, and fire-fighting vehicles. Contact Commercial Specialist Marcelo Orellana for additional information at [marcelo.orellana@mail.doc.gov](mailto:marcelo.orellana@mail.doc.gov).

Firearms can be imported, but they require a special permit from a military authority in Chile. Controls for importing firearms are becoming more stringent.

The import of pharmaceuticals, cosmetics and most biological and bio-chemical preparations requires prior registration with the Institute of Public Health (Instituto de Salud Pública (see web site [www.ispch.cl](http://www.ispch.cl)) and may be subject to special labeling and other requirements, depending on the nature of the product. Contact Commercial

Specialist Veronica Pinto for questions related to pharmaceuticals: +56-2-330-3369; [Veronica.Pinto@mail.doc.gov](mailto:Veronica.Pinto@mail.doc.gov).

Imported goods that are considered inconsistent with Chilean "morals, public health, national security, or the environment" require special authorization to enter Chile. These include certain chemicals/processes and some media products that face review and possible censorship. All films, videos and TV programs, imported or locally produced, are currently reviewed for suitability.

Chile continues to have animal health, phytosanitary and sanitary requirements that impede imports, although great progress has been made on a number of fresh fruits, dairy products and red meat. All food products entering Chile are subject to sampling and analysis by health authorities. For specific information, see [www.sag.cl](http://www.sag.cl) or contact the U.S. Foreign Agricultural Service in Chile +56-2-330-3704; e-mail: [AgSantiago@usda.gov](mailto:AgSantiago@usda.gov).

For more information regarding restrictions on agricultural product imports, see the Foreign Agricultural Service's Food and Agricultural Import Regulations at [www.usembassy.cl](http://www.usembassy.cl), Food & Agriculture, Food Regulation.

## 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 percent per year of use, up to a 70 percent discount. For more information, see the Chilean Customs web page at [www.aduana.cl](http://www.aduana.cl).

## Standards

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## Overview

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Chile is both a standards maker and a standards taker. The country has made a concerted effort to develop technical regulations useful to its growing export industrial base. The overall policy is to use and comply with international standards under the guidelines of the World Trade Organization (WTO) Committee on Technical Barriers to

Trade. In the event that a required standard does not exist, then the general policy is to look into norms that are generally accepted by Chile's largest trading partners, including the European Union and the United States.

Chile's "Instituto Nacional de Normalización" or National Standards Institute (INN) is the institution that oversees, fosters and develops the use of technical regulations in three areas: Standardization, Accreditation and Metrology. Certification is done through accredited institutions. These include institutions of private, public, national and international origin. For example, the INN has accredited U.S.-based Underwriters Laboratories (UL) to issue product certification.

Certain standards are set by Chile's central government. Such will be the case for a High Definition TV standard (HDTV), currently under study by the Office of the Undersecretary of Telecommunications. A decision is expected to be made on this standard during 2008.

Chapter seven of the U.S.-Chile FTA addresses technical barriers to trade and calls on the two parties to intensify their joint work in the field of standards, technical regulations, and conformity assessment procedures with a view to facilitating access to each other's markets. The countries agreed to identify bilateral initiatives that are appropriate for particular issues or sectors. Such initiatives may include cooperation on regulatory issues, such as convergence or equivalence of technical regulations and standards, alignment with international standards, reliance on a supplier's declaration of conformity, and use of accreditation to qualify conformity assessment bodies, as well as cooperation through mutual recognition. Each party is also required to allow persons of the other party – on terms no less favorable than those accorded to its own people -- 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).

For questions related to standards, please contact Mr. Marcelo Orellana at [Marcelo.Orellana@mail.doc.gov](mailto:Marcelo.Orellana@mail.doc.gov)

## **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. A loose translation of the INN's name would be National Standards Institute. Its web site is [www.inn.cl](http://www.inn.cl). Its long-term plan for the development of standards is aligned to Chile's chief export sectors. These are copper, salmon, forestry, agro-products and wine. Chile is also keen to develop its biotechnology and information technology sectors. See [www.inn.cl/pags/normalizacion/index.html](http://www.inn.cl/pags/normalizacion/index.html) for INN's current standards development plan.

### 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 main national testing organizations are grouped under the following categories. The number in parenthesis indicates the approximate number of institutions actively working in an area:

- a) Quality Management Systems (QMS) (8)
- b) Environmental Management Systems (EMS) (2)
- c) Product certification (40)
- d) Testing laboratories (200)
- e) Calibration laboratories (40)
- f) System Quality Auditors (80)
- g) Inspection organizations (55)

A few of the locally accredited organizations are:

| Name                                                                                                          | Address in Chile                                         | Telephone       |
|---------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|-----------------|
| SGS ICS (Switzerland) / ISO9000<br><a href="http://www.sgs.com">www.sgs.com</a>                               | Ignacio Valdivieso 2409<br>San Joaquín, Santiago         | (56 2) 555-8478 |
| Underwriters Laboratories UL (U.S.)<br><a href="http://www.ul.com">www.ul.com</a>                             | Malaga 115 Of. 703<br>Las Condes, Santiago               | (56 2) 378-0990 |
| ICONTEC (Colombia) / ISO9000<br><a href="http://www.icontec.org.co">www.icontec.org.co</a>                    | Augusto Leguía Norte 100 Of. 306<br>Las Condes, Santiago | (56 2) 657-8907 |
| IRAM (Argentina), Certificación de Sistemas / ISO9000<br><a href="http://www.iram.org.ar">www.iram.org.ar</a> | Av. 11 de Septiembre 1881, Of. 1714<br>Santiago          | (56 2) 233-5409 |



| Name                                                                    | Address in Chile                                            | Telephone       |
|-------------------------------------------------------------------------|-------------------------------------------------------------|-----------------|
| AENOR (Spain) División de Certificación de Sistemas / ISO9000           | Andrés Bello 2711, Of. 2402<br>Las Condes, Santiago         | (56 2) 499-9200 |
| CESMEC Ltda. (Chile), División Certificación / ISO9000<br>www.cesmec.cl | Av. Marathon 2595<br>Macul, Santiago                        | (56 2) 350-2100 |
| DICTUC S.A., (Chile)<br>www.dictuc.cl                                   | Av. Vicuña Mackenna 4860<br>Macul, Santiago                 | (56 2) 354-4886 |
| Fundación Chile (Chile)<br>www.fundacionchile.cl                        | Av. Parque Antonio Rabat Sur 6165<br>Vitacura, Santiago     | (56 2) 240-0300 |
| Bureau Veritas S. A. (France)<br>www.bureauveritas.cl                   | Av. Isidora Goyenechea 3250, Piso 7<br>Las Condes, Santiago | (56 2) 485-9000 |
| ISP (Instituto de Salud Pública de Chile)<br>www.ispch.cl               | Av. Marathon 1000<br>Nuñoa, Santiago                        | (56 2) 350-7477 |
| IDIC (Instituto de Investigaciones y Control) (Chile)                   | Avda. Pedro Montt 2050<br>Santiago Centro, Santiago         | (56 2) 520-7700 |
| SAG (Servicio Agrícola y Ganadero) (Chile)<br>www.sag.cl                | Av. Bulnes 140, Piso 8<br>Santiago Centro, Santiago         | (56 2) 345-1104 |
| Salimax (Chile)<br>www.salimax.cl                                       | Malaga 115 Of. 703<br>Las Condes, Santiago                  | (56 2) 799-0748 |
| Corthorn Quality (Chile)<br>www.corthorn.cl                             | Palacio Riesco 4549<br>Huechuraba, Santiago                 | (56 2) 243-9292 |

## 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 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 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.

## Accreditation

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A complete list of accredited testing organizations under each category can be found at [www3.inn.cl/acreditacion/portada/index.php](http://www3.inn.cl/acreditacion/portada/index.php) under the heading DIRECTORIO DE ACREDITADOS

## Publication of Technical Regulations

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The name of Chile's national gazette 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. Only approved and officially accepted regulations are published. Proposed regulations are not 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 [www.inn.cl/pags/normalizacion/index.html](http://www.inn.cl/pags/normalizacion/index.html). Any institution, private or public, may request the services of the INN for the development of a standard, in accordance with open and transparent procedures. Institutions and company representatives can be active participants or observers in the committee that is created when defining a standard. U.S. company representatives have, in fact, participated in such study discussions. The application request is done via the Internet.

## 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 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.usembassy.cl](http://www.usembassy.cl), Food & Agriculture, Food Regulations.

## Contacts

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The Standards Liaison at the U.S. Embassy in Santiago is Mr. Marcelo Orellana, Phone: +56-2-330-3455; Fax: +56-2-330-3172; E-Mail: [Marcelo.Orellana@mail.doc.gov](mailto:Marcelo.Orellana@mail.doc.gov); web site: [www.buyusa.gov/chile/en](http://www.buyusa.gov/chile/en).

INN, Head of Standards Division is Ms. Leonor Ceruti. Phone: +56-2-445-8870; E-Mail: [leonor.ceruti@inn.cl](mailto:leonor.ceruti@inn.cl); website [www.inn.cl](http://www.inn.cl).

The Government of Chile's Contact Point for WTO Technical Barriers to Trade is Ms. Ana María Vallina, Jefe, Departamento de Comercio Exterior, Ministerio de Economía. Phone: +56-2-473-3400; Email: [amvallina@economia.cl](mailto:amvallina@economia.cl); web site [www.economia.cl](http://www.economia.cl).

## Trade Agreements

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Chile has 15 Free Trade Agreements, with Japan, China, EFTA, Panama, Central America (which counts as 5 FTAs - Honduras, El Salvador, Costa Rica, Guatemala, and Nicaragua), Canada, the United States, Mexico, South Korea, P4 (which counts as one FTA and encompasses New Zealand, Australia, Brunei, and Singapore), and the European Union.

Chile has numerous other trade agreements, known as “acuerdos de complementación económica” (ACE) or Complementary Economic Agreements. Chile has signed ACEs with Bolivia, Mercosur, Venezuela, Cuba, Colombia, Ecuador, and Peru.

In addition, Chile has concluded FTA negotiations with Colombia, even though the agreement has not been ratified at the writing of this report. India's agreement is not considered a “Free Trade Agreement” but a “partial” trade agreement. Chile is currently negotiating FTAs with Australia, Turkey, Vietnam, and Malaysia.

This network of trade agreements has significantly improved market access for Chilean products and exports. Chile sends roughly 30 percent of its exports to Asia, 25 percent to the European Union, 20 percent to NAFTA countries, and the rest to Latin American and other smaller markets. For more information on Chile's trade agreements, see [www.direcon.cl](http://www.direcon.cl).

## Web Resources

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|                                                     |                                                                                            |
|-----------------------------------------------------|--------------------------------------------------------------------------------------------|
| U.S. Government:                                    | <a href="http://www.export.gov">www.export.gov</a>                                         |
| U.S. Commercial Service Santiago:                   | <a href="http://www.buyusa.gov/chile/en">www.buyusa.gov/chile/en</a>                       |
| USDA Foreign Agricultural Service:                  | <a href="http://www.fas.usda.gov">www.fas.usda.gov</a>                                     |
| U.S. Embassy Santiago:                              | <a href="http://www.usembassy.cl">www.usembassy.cl</a>                                     |
| U.S. Government information on exports controls:    | <a href="http://www.export.gov/exportcontrols.html">www.export.gov/exportcontrols.html</a> |
| Government of Chile:                                | <a href="http://www.gobiernodechile.cl">www.gobiernodechile.cl</a>                         |
| Ministry of the Economy:                            | <a href="http://www.economia.cl">www.economia.cl</a>                                       |
| Standards Development Organization:                 | <a href="http://www.inn.cl">www.inn.cl</a>                                                 |
| Ministry of Foreign Affairs (Economic Directorate): | <a href="http://www.direcon.cl">www.direcon.cl</a>                                         |
| Customs Service:                                    | <a href="http://www.aduana.cl">www.aduana.cl</a>                                           |

Institute of Public Health:  
Agriculture and Livestock Service:

[www.ispch.cl](http://www.ispch.cl)  
[www.sag.cl](http://www.sag.cl)

#### Standards Issues:

The Standards Liaison at the U.S. Embassy in Santiago is Mr. Marcelo Orellana, Commercial Specialist. Phone: +56-2-330-3455; Fax: +56-2-330-3172; E-Mail: [Marcelo.Orellana@mail.doc.gov](mailto:Marcelo.Orellana@mail.doc.gov); web site: [www.buyusa.gov/chile/en](http://www.buyusa.gov/chile/en).

INN, Head of Standards Division is Ms. Leonor Ceruti. E-Mail: [leonor.ceruti@inn.cl](mailto:leonor.ceruti@inn.cl) and website [www.inn.cl](http://www.inn.cl).

The Government of Chile's Contact Point for WTO Technical Barriers to Trade is Ms. Ana María Vallina, Jefe, Departamento de Comercio Exterior, Ministerio de Economía. Phone: +56-2-473-3400 and web site [www.economia.cl](http://www.economia.cl)

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## Chapter 6: Investment Climate

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- [Transparency of Regulatory System](#)
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### **Openness to Foreign Investment**

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For the last three decades, Chile has made foreign direct investment (FDI) an essential part of its national development strategy. Chile's sound, market-oriented policies have created significant opportunities for foreign capital to participate in the country's steady economic growth. Chile's business climate is generally straightforward and transparent. Foreign investors receive national treatment in nearly all sectors. There are generally no special exemptions or incentives for FDI, as a matter of policy. A broad political consensus on the advantages of foreign investment means that Chile's policies towards FDI are unlikely to change.

Chile's openness and transparency for foreign direct investment is embodied in the country's 1974 foreign investment statute, known as DL (Decree Law) 600. DL 600 has been the main regulatory norm for foreign direct investment in Chile over the last 30 years. Under DL 600, a foreign investor may sign a contract with the Chilean State. The Foreign Investment Committee (FIC) of the Chilean Government, the entity responsible for administering DL 600, establishes the terms and conditions of the investment. Applications are typically approved within a matter of days and almost always within a month. The authority of the Foreign Investment Committee to reject a foreign investment is severely limited by the Chilean Constitution. The FIC's decision can be appealed if an investment is rejected.

The contract may not be modified unilaterally by the Chilean State or by the enactment of any legal regulations after it has been signed. Any foreign individual or foreign legal

entity, as well as Chilean individuals with residence abroad, can invest in Chile through DL 600.

The contract acknowledges as foreign investment:

- Freely convertible currency;
- Capital goods;
- Technology.

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. The investor can, under DL 600, increase the capital of the investment through both the capitalization of credits made under Chapter XIV of Central Bank regulations and the obligations derived from current imports and pending payments. DL 600 allows capital increases through the capitalization of transferable profits.

Foreign investors may request a maximum of three years to implement their investment. Investments of more than USD 50 million for industrial or non-mining extractive projects may request a time limit of up to eight years. In the case of mining projects, the time limit is eight years, but if exploration is required, the FIC can extend it to up to twelve years. In the event that more favorable regulations than those in the contract are subsequently enacted, the investor would have the right to request a relevant amendment.

The contract gives an investor the right to:

- Receive non-discriminatory treatment;
- Participate in any form of investment;
- Hold assets indefinitely;
- Remit or reinvest earnings immediately and to remit capital after one year (or immediately with authorization from the FIC);
- Acquire foreign currency at the inter-bank rate of exchange; and,
- Opt for either national tax treatment, under which local firms are currently taxed at a rate of 35 percent on fully distributed earnings, or for a guaranteed tax rate currently set at 42 percent.

In June 2003, the FIC raised the minimum investment under DL 600 to USD 5 million per investor, and increased it to USD 250,000 in the case of fixed assets, technology, debt capitalization, and profit reinvestments. Capital investments below the new minimum level can still be channeled through Chapter XIV of the Central Bank's Compendium of Foreign Exchange Regulations. Title I, Chapter XIV of the Chilean Central Bank's Compendium of Foreign Exchange Regulations is another mechanism provided for transferring foreign capital into Chile. Chapter XIV establishes regulations applicable to investors that govern foreign exchange operations related to credits, deposits, investments and capital contributions originating abroad. The procedure is applied to operations whenever the amount involved is greater than USD 10,000 or its equivalent in other foreign currencies.

In November 2002, the Chilean Government launched an Investment Platform initiative aimed at attracting international operations headquarters for the Latin American region to Chile. As part of this initiative:

- A company that is set up exclusively as a platform for investments abroad and is located in Chile is exempt from Chilean earnings tax on the profits that overseas shareholders derive from its investments outside Chile. These platform companies can be either publicly or privately held, but in the latter case must submit to the same regulation as public companies:

- Up to 15 percent of the platform company's shareholders may be resident in Chile; non-resident shareholders may not reside in tax havens;

- Shareholders in the platform company can contribute capital either in the form of shares or equity in other companies, as well as in foreign currency;

- If a platform company invests in Chilean assets, it must pay tax on profits derived from these investments. Similarly, the earnings of the platform company paid to Chilean shareholders are liable for the same tax (and have the same right to tax credits) as an investment abroad that repatriates profits to Chile;

- Platform companies that invest in Chile must distribute earnings in the order in which they were obtained, starting with the oldest. As a result, separate accounting is required for earnings from investments abroad and on assets in Chile;

- There are no restrictions on domestic borrowing by a platform company, but its overseas debt cannot exceed the value of the capital contributed by overseas shareholders;

- The platform company may not invest in tax havens;

- Platform companies are not entitled to bank secrecy (as defined under Chilean law).

By exempting platform companies from Chilean tax on overseas earnings, the initiative addresses the problem of three-way taxation and provides foreign investors with additional incentive to invest in Chile. This initiative is meant to foster regional joint ventures between foreign investors and Chilean partners. Also, in order to facilitate the entry of foreign capital into Chile, the initiative allows companies that are already established in the region to move their operation centers to Chile without incurring the transaction costs involved in selling and re-buying assets.

For most of the 1990s, the Chilean economy attracted large inflows of foreign capital, particularly direct investment, especially in the mining sector. According to the United Nations Conference on Trade and Development's 2006 World Investment Report, the stock of total FDI in Chile reached 64.6 percent of Gross National Product in 2005, up from just 30 percent in 1990. The average world figure for 2005 was 22.7 percent. Chile's total stock of foreign direct investment between 1974 and 2005 totaled USD 78.1 billion. By 2006, FDI worth USD 63.5 billion had been implemented through DL 600, representing 75.4 percent of total FDI in Chile.

Another USD 17 billion entered through Chapter XIV and USD 3.6 billion through Chapter XIX of Central Bank's Compendium of Foreign Exchange Regulations, totaling a stock of USD 84.1 billion by 2006. Since 1990, multinational companies have committed more than USD 55 billion to Chile, a significant amount in an economy whose GDP reached USD 146 billion in 2006. Today more than 3,000 companies from 60 countries have operations in Chile. These figures represent the largest stock of FDI per capita and the highest FDI to GDP ratio of the major economies in Latin America.

According to a report by the Government of Chile's (GOC) Foreign Investment Committee, FDI in Chile totaled \$759 million in the first eight months (January – August) of 2007, a 24 percent decrease over the same period of 2006. During the first eight months of 2007, 73 percent of total foreign investment – \$552 million – entered via the DL 600 regulatory norm. Investment in the mining sector accounted for 25 percent of DL 600 investment. Financial services accounted for 15 percent, while forestry accounted for 13 percent of total DL 600 investment.

Although Chile clearly encourages foreign investment, some barriers do exist. Foreigners may not invest in Chilean fishing companies or media unless their country has a relevant reciprocity arrangement with Chile. The European Union signed such an agreement in 2002 with regard to commercial fishing companies.

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. Certain types of investment projects require additional authorization beyond the FIC. For example, projects in the mining sector require the Chilean Copper Commission's authorization; for investments in the fishing sector, projects require the approval of the Undersecretariat 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 for activities in insurance and investment funds. Other 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 National Environmental Commission (CONAMA) and/or the Regional Environmental Commission (COREMA).

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 the investment chapters in Chile's FTAs with Mexico and Canada, U.S. bilateral investment treaties as well as customary international law. It incorporates innovations and improvements based on the experiences of both countries in implementing investment agreements and responds to new U.S. objectives set forth in the Trade Promotion Act (TPA) of 2002. 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, relative party investors;
- Freedom from performance requirements;
- Free transfer of investment funds;
- Expropriation only when done consistent with international law;
- A minimum standard of treatment in customary international law;
- The ability to hire key managerial and technical personnel without regard to nationality.



## **Conversion and Transfer Policies**

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In the late 1980s and early 1990s, the GOC imposed strict controls on short-term capital inflows. In May 2000, the one-year withholding period requirement for foreign capital entering Chile under Chapter XIV was eliminated. This type of investment capital may now be repatriated immediately without penalty.

A second major move in 2000 was the virtual removal of the "encaje" or lock-in, which required foreign investors to deposit 30 percent of foreign-sourced loan funds 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 in the future.

Additional reforms in 2001 and 2002 eliminated controls on flows of foreign capital into Chilean debt and equity markets and freed outflows associated with capital returns, dividends, and other investments from the need for Central Bank approval. In June 2003, the GOC sent to Congress a package of incentives for the development of local venture capital. This measure has not yet received Congressional approval.

Pursuant to recent changes in regulations governing foreign exchange, 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 investment 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 allows Chile to impose transfer restrictions for 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.

## **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 the due process of law.

The law requires the payment of compensation without delay at fair market value, in addition to any applicable interest. The 1973-1990 military regime and the four subsequent democratically elected governments have not nationalized any private firm, and nothing suggests that any form of expropriation is likely in the foreseeable future.

## **Dispute Settlement**

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Except for U.S. investment covered by Overseas Private Investment Corporation (OPIC) insurance, disputes involving U.S. investors have been typically settled in negotiations between the investor and the concerned government entity. Disputes have been referred to the local judiciary system, although the time required for resolution may make this an unattractive option for foreign investors. Accordingly, litigants often chose to settle out of court. Suit may also be brought under expedited procedures involving the abrogation of constitutional rights.

Chile has signed several bilateral investment protection agreements with other countries allowing for binding international arbitration. The different agreements contain varying procedures; some allow the investor to choose either the host country's legal system or international arbitration but not both, while others specify that disputes must pass through the host country's legal system before recourse to international arbitration. Chile joined the International Center for Settlement of Investment Disputes (ICSID) in 1991.

Although the U.S. and Chile do not have a bilateral investment treaty (BIT), many issues normally covered in a BIT are addressed in the FTA. Section C of the 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. Investment authorizations under DL 600 are not subject to this mechanism, and only agreements signed anytime after two years from the treaty's entry into force may make use of this dispute settlement mechanism. Under this section, the investor pursuing a claim may choose an arbitral forum - including the International Center for Settlement of Investment Disputes (ICSID), the Additional Facility of the Center - under the United Nations Commission on International Trade Law (UNCITRAL) arbitration rules, or any other mutually agreed upon arbitral institution. The rules chosen will govern the proceedings except to the extent modified by the FTA. An investor may initiate a proceeding up to six months after the event, which gave rise to the claim, and all claims must be brought within three years of the date when the claimant acquired knowledge of the breach and/or injury.

The chapter on investments encourages consultations or negotiations before recourse to dispute settlement mechanisms. If the parties fail to resolve the matter, the investor can submit a claim for arbitration. Arbitration must be by mutual consent. Provisions in Section C 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 section establishes clear and specific terms for making proceedings more efficient and avoiding frivolous claims. Domestic law is to be applied to all contracts. However, arbitral tribunals decide disputes in accordance with FTA obligations and applicable international law.

The judicial system in Chile is generally transparent and independent. The likelihood of government intervention in court cases is low, although in Chile's highly centralized presidential system the courts often look to the Presidency for policy direction. If a state-dependent firm is involved in the dispute, the Government of Chile may become directly involved through the State Defense Council (Consejo de Defensa del Estado). In cases where courts determine a firm is bankrupt, a receiver is named to distribute the debtor's remaining assets to the creditors.

## **Performance Requirements and Incentives**

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The Foreign Investment Committee does not apply performance requirements in its review of projects. The investment chapter in the FTA establishes the rules prohibiting performance requirements that apply to all investments, whether by third party or domestic investors.

The chapter also regulates the use of mandatory performance requirements as a condition for receiving incentives and explicitly states relevant exceptions. These include: government procurement, qualifications for export and foreign aid programs, and non-discriminatory health, safety and environmental requirements.

Chile does not subsidize foreign investment nor does it offer any special tax exemptions. There are, however, some regional 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 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's Development Promotion Agency (CORFO, [www.corfo.cl](http://www.corfo.cl)) has implemented the "Chile Invests" plan aimed at providing support and promoting FDI outside the Metropolitan Region (Santiago) in key sectors. An important objective of the plan is to encourage investments in areas of non-traditional high 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 resources. The plan also promotes investments 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.

## **Right to Private Ownership and Establishment**

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Except for the fisheries and media sectors noted above, Chile does not restrict the right to private ownership or establishment.

On January 8, 2007, the U.S. placed Chile on the Special 301 Priority Watch List (PWL) due to concerns about its commitment to the protection of intellectual property rights. Chile had been on the Special 301 Watch List since 1989 and was subject to an Out-of-Cycle Review during much of 2006, which ultimately resulted in the PWL designation. Protection of intellectual property rights in Chile is inadequate in several important respects.

Chile, as a member of the WTO, chose to qualify as a developing country for meeting its obligations as a TRIPS signatory. As a result, the final deadline for harmonizing national legislation to the multilateral organization's norms was January 1, 2000. Chile's Congress finally approved the Miscellaneous Law in November 2003 to bring the country into compliance with TRIPS copyright obligations and address some concerns about copyrights and authors rights. U.S. industry representatives have stated the view that the law continues to fall short of those obligations. Chile signed the World Intellectual Property Organization (WIPO) Treaties on Copyright and Performances and Phonograms in April 2001. Chile did not approve legislation to bring the country into compliance with TRIPS obligations related to industrial property until December 2004. The new law provides for, among other things, expedited court proceedings and the authority to seize illegal copies of patented products. To implement this new law, the GOC published regulations in November 2005.

In addition to deficiencies in IPR laws and regulations, there is a larger problem with overall inadequate IPR enforcement. The United States is concerned by an apparent lack of commitment to enforcement and prosecution of crimes and violations related directly to IPR.

There is evidence of growing interest among police and prosecutors in expanding active law enforcement efforts. That being said, current criminal penalties have proven inadequate in deterring growing piracy of computer software, music and video in Chile. The U.S. industry estimates losses related to video piracy alone at over USD 2 million annually. The trend is also leading to a significant drop in the value of the Chilean market for sound recordings – during the last five years, industry estimates that the market has shrunk by 62 percent. Millions of dollars are lost annually in tax revenue as well due to piracy.

The FTA seeks to have Chile strengthen its legal framework to provide copyrights and trademarks better protection. For example, the agreement increases the period of protection for copyrights and related rights to 70 years. The FTA also criminalizes end-user piracy and mandates both statutory and actual damages for IPR violations. Provisions of the agreement provide state-of-the-art protection for digital products and penalize tampering with anti-piracy technology. Chile enacted legislation to implement some of its FTA commitments on copyright protection in November 2003. Chile made two amendments to its copyrights law in 2003 -- to implement TRIPS obligations and its FTA obligations. Further draft legislation is pending in the Chilean Congress to fulfill remaining FTA obligations. The United States is committed to working with Chile to improve enforcement and ensure full implementation of the FTA.

In relation to internet domain names, the U.S. and Chile committed to making a system available for the resolution of disputes. 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.

Chile has begun to show the political will to address the deterioration of the protection of copyrights and trademarks that has occurred in recent years. Pending legislation dealing with these subjects before the Chilean Congress represents an important potential advance. The keys, however, to improving protection on a daily basis are the implementing regulations and, obviously, enforcement.

The most intractable area of IPR violation in Chile involves pharmaceutical products and related proprietary clinical test data. Chile lacks a clear and transparent system for protecting pharmaceutical patents and the proprietary clinical data related to innovative products.

The U.S.-Chile FTA seeks to strengthen significantly protection for valid patents and their accompanying clinical test data. For example, the FTA provides for the extension of the protection period for patents when there are unjustified delays in the patenting process. The Agreement also requires parties to protect confidential information provided to authorities in order to obtain marketing or health permits for pharmaceutical products and agricultural chemicals. In addition, the FTA establishes the obligation to undertake reasonable efforts to extend patent rights to qualifying plants.

The Institute of Public Health (ISP for Instituto de Salud Publica), Chile's general equivalent to the U.S. FDA, is the agency charged with granting marketing approval (sanitary approval in the wording of Chilean regulations) to new pharmaceutical products. The ISP has issued marketing/sanitary approval for unauthorized copies of patented products as well as of products whose patent application is still in the approval process. There have also been cases of the ISP allowing firms seeking to infringe valid patents to use proprietary clinical test data from the company whose product patent will then be violated.

U.S. firms have been obligated to defend their patent rights in costly court proceedings that take several years and have produced unproductive results, i.e. are unable to keep the pirated goods from entering the market. Chilean authorities have not established an effective link between actions of the ISP and the Ministry of Economy's Industrial Property Department, Chile's patent and trademark office, to prevent this undermining of effective patent protection.

In November 2005, the Ministry of Public Health (which oversees the ISP) published regulations establishing a mechanism to protect data related to pharmaceutical products and grant protection to pre-clinical pharmacological and toxicological studies. As of the end of 2006, the results of the new regulations have been mixed. The Ministry of Health is reportedly drafting additional regulations concerning the use of proprietary clinical test data in the marketing/sanitary approval process. This draft also apparently will deal with biotech products. As of December 2007, these new regulations had not been published.

Chile's trademark law is generally consistent with international standards, but contains some deficiencies addressed by the FTA. Some U.S. trademark holders have

complained of inadequate enforcement of trademark rights in Chile. The FTA requires government involvement in dispute resolution between trademarks and Internet domain names in order to prevent "cyber-squatting" of trademarked domain names. The FTA also applies the principle of "first in-time, first-in-right" to trademarks and geographical indicators (place-names).

Several U.S. nurseries have complained of violations of patented plant varieties in the fruit sector. They claim that in some cases, Chilean fruit produced from patented U.S. genetic stock has entered the U.S. market without paying the appropriate royalties. That being said, the agricultural sector is one area where Chile is clearly attempting to encourage the enforcement of stricter IPR protection. Chile's seed industry has spearheaded the enforcement of IPR among plant and seed exports. This program is largely unknown even in Chile but is the key to the success and growth of Chile's nascent seed industry (valued in 2007 at nearly USD 200 million in exports).

### **Transparency of Regulatory System**

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Chilean regulatory systems tend to be transparent, and government regulators generally have little discretion. While rulemaking processes do not generally include formal provisions for public hearing or comment, opening a business is normally easier in Chile than in many other developing countries. The FTA creates 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. In late 2000, the Chilean Congress approved legislation on public stock tenders that provides greater legal protection of minority shareholder rights.

In November 2001, the core measures in a far-reaching reform of Chile's capital markets came into force. Among other things, the reform created an agricultural commodities exchange. In another modification, rules governing Chile's private pension fund (AFP for Asociacion de Fondos Privados) industry now allow fund administrators to operate various funds with different risk-return profiles instead of the single fund.

Capital market reforms have leveled the playing field for foreign investors in the local market and those who invest through Chilean bonds abroad. This has slowly increased demand for local debt instruments among new foreign investors. The reforms also eliminated discrimination that affected commercial paper issues related to stamp taxes, and created a new tax exemption for cross-border bank lending that will allow foreign banks to compete on more equal terms.

The reforms increased incentives for personal savings through tax-deductible contributions to private pension funds administered by traditional AFPs and other

financial service companies. The package also eliminated capital gains taxes related to short selling of shares and offered a capital gains tax exemption on the sale of widely-traded equities purchased after April 19, 2001. The new law created an emerging markets stock grouping whereby investors can claim exemption from capital gains taxes for the first three years after a company's initial offering.

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. Chile also committed to phase in insurance branching rights and to modify its legislation to open cross-border supply of key insurance sectors such as marine, aviation and transport (MAT) 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. Chile allows U.S.-based firms to offer services to Chileans in areas such as financial information, data processing and financial advisory services, with limited exceptions. Chilean mutual funds will be permitted to use foreign-based portfolio managers.

The stock of Chilean financial instruments totals USD 287.8 billion. Broken down by main sectors, stocks make up USD 175.2 billion, bank deposits and loans USD 61.7 billion, mortgage loans USD 2.4 billion, corporate bonds USD 15.2 billion, securitized bonds USD 2.1 billion and central bank bonds USD 15.8 billion. These figures, from the Securities and Insurance Supervisor (Superintendencia de Valores y Seguros - SVS), were originally denominated in Chilean pesos. The conversion rate used here was 530.3 pesos to the dollar. (The exchange rate on January 2, 2008 was 496.6 pesos to the dollar.)

The main institutional investors and suppliers of capital to local companies are the pension fund administrators and insurance companies. They managed a total investment portfolio of USD 114,527 billion by December 2006, representing 78.5 percent of Chile's GDP. In 2006, pension fund administrators diversified their total portfolio investments as follows: 25.63 percent in the corporate sector, 14.62 percent in bonds with the Central Bank, 28.57 percent in the financial and banking sector, and 31.18 percent overseas.

The GOC has been consistently raising the percentage of pension funds that may be invested overseas. In 2007, a reform package on the pension system was in Congress to increase the threshold for pension fund administrators to invest abroad (from 30 to 80 percent of their funds). The reform package would also build a "solidarity pillar" to increase coverage among of lower income contributors and self-employed workers and expand social security assistance coverage. Reform also envisages increasing competition among administrators by allowing other financial entities to enter the market.

To build upon the capital market reforms made in 2001, the GOC sent a second capital market reform package to Congress in June 2003. This package proposes a set of legal initiatives and norms to encourage the development of a more robust venture capital industry, reduce transaction costs, improve corporate administration regimes and supervision mechanisms, and promote alternative voluntary pension plans (mirroring the

U.S. 401K option). As of the end of 2007, the full reform package had not been approved.

The Chilean banking system is sound and competitive, meeting Basel standards. There are currently 26 banks, of which 12 are foreign-owned. Foreign banks can compete on the same terms as their domestic rivals. There are also 31 representative offices of foreign banks and 5 local Loan and Saving Corporations. There is one state-owned bank, Banco Estado, which is the nation's third largest. Private banks manage most corporate business. During the 2006, the banking system registered profits of USD 1.67 billion, an 8.11 percent increase compared to the previous year. Total loans increased 15.41 percent, totaling about USD 99 billion, driven by consumer loans that increased 21.7 percent, commercial loans 13.18 percent and mortgage loans 14.56 percent. Only 8.5 percent of the deposits and 14.5 percent of the loans are in foreign exchange. The year 2006 was also positive in terms of improved efficiency and risk management. Operational expenses as a percentage of gross operational revenue improved from 52.41 percent in 2006 to 50.16 percent in 2007. Additionally, the ratio of past due loans to total loans dropped from 0.91 percent to 0.75 percent, and loan loss reserve decreased from 1.61 percent to 1.48 percent.

Three large, high-volume banks control roughly 61 percent of total loans. The Spanish-owned banks have traditionally dominated the private sector system. However, during 2006 Spanish-owned Santander and Chilean-owned Banco de Chile represented 40.3 percent in total. The U.S.-owned BankBoston was taken over by Brazilian bank Itau.

The banking system has become aggressively consumer-oriented, following a five-year "Bancarization Plan" designed and implemented by Chile's Association of Banks and Financial Institutions. The Plan calls for diversifying from basic and traditional functions in Chile such as home loans and big business credit into fund management, leasing, factoring, insurance brokerage, and credit cards. Chilean banks have also established a presence in regional markets, such as Argentina, Costa Rica, Peru and Venezuela. Some have opened offices in the United States as well as in Chile's Asian Pacific trading partners.

Banco de Chile, a leader in the Chilean financial market since 1893, reached a merger agreement with U.S.-owned Citibank operations in Chile on July 20, 2007. Under the agreement, Citigroup will own 32.94 percent of LQ Financial Investments Inc., which is the controller of Bank of Chile's operations. The closing date for the operation will be the first working day of April 2008. In late December 2007, the merger received approval from Chile's Fair Competition Tribunal and financial authorities.

The Chilean banking industry is characterized by the quality of its loan portfolio, due partly 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 collateral loans (fixed assets).



Summary of Chilean Banking System (2006):  
(USD millions)

|                      |         |
|----------------------|---------|
| Total Loans          | 98,764  |
| Deposits             | 79,156  |
| Net Income           | 1,674   |
| Total Assets         | 132,345 |
| Capital and Reserves | 8,995   |

Source: Chile's Superintendencia of Banks and Financial Institutions

In a bid to increase competition within the banking sector, the capital market reforms have also introduced some liberalizing changes in banking regulations regarding minimum capitalization requirements and controlling shareholders obligations, permitting local banks to participate in international loan syndicates.

The legislation on public stock tenders, known as the "OPA" law, regulates public offers and acquisitions of shares, and establishes a regime for corporate governance. According to the OPA law, any individual or group intending to take direct or indirect control of a corporation that has publicly listed shares must inform the general public prior to the action. Title XXV of the law indicates that a public offer for share acquisition must be made when the purchase stake would allow the buyer to take control of a corporation, or when the purchase target controls another corporation which represents 75 percent or more of the target's consolidated assets. With the exception of fishing companies or the media (as already mentioned above), there are no restrictions or prohibitions against foreign direct investment or control.

The foreign exchange market is quite deep for spot operations and short-term currency forwards (up to 360 days). Daily trading on these markets is estimated at around USD 800 million and USD 600 million, respectively.

#### General Information on the Financial Market (2006)

-- Banks and Financial Institutions: 26 participants. Total Loans: USD 98.7 billion, a 16 percent increase from 2005.

-- Pension Funds: 6 administrators. Funds under management: USD 109,5 billion corresponding to 7.9 million contributors as of September 2007.

-- Insurance Companies: 51 (21 general insurers, 30 life insurers). Financial investments: USD 25.5 billion.

## Political Violence

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Chile is considered a low threat country. Over the last ten years there have been relatively few incidents of politically motivated attacks on projects or installations. Anti-American sentiment, civil disorder, and terrorism are rare, and there have been no

incidents involving international terrorist groups. However, 2007 has seen over 40 small scale bombings targeting mostly local service providers but also banks, a police station and the U.K. Embassy. There were also violent incidents in forestry plantations in southern Chile. These incidents appear to be related to the land claims of indigenous people (the Mapuche Native American group) in the VIII and IX Regions.

## **Corruption**

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Corruption in Chile is generally limited, although a number of cases have occurred in recent years. The GOC responded with vigor in 2003 to a succession of uncharacteristic public and financial sector scandals related to corruption and influence peddling in the government's domestic development agency (CORFO), the Ministry of Public Works (MOP) and the Central Bank. In the wake of the scandals, the GOC, the courts and Congress enacted a number of legal and administrative reforms. These included rules to clarify and modernize public employee payments, new campaign finance legislation, a permanent budget commission to oversee government spending, simplified administrative procedures, and reforms to the MOP's procedure for awarding government contracts.

In late 2006, a major scandal erupted over the misuse of state funds by ChileDeportes (which organizes local-level sport activities) for political campaigns. The GOC was clearly embarrassed by the scandal and openly expressed concern about the impact on Chile's positive image overseas. In response to the ChileDeportes scandal and to strengthen its own institutional framework, the government introduced 30 anti-corruption measures.

Another case under investigation is tied to investments in the state-owned railroad company EFE. Between 2003 and 2005, the GOC budgeted USD 1.1 billion to modernize and improve the railroad system running from Santiago to southern Chile. As of December 2006, EFE had lost USD 1.4 billion, 7.54 times its total assets. All of EFE's senior executives are under investigation.

Chile has signed and ratified the Organization of American States (OAS) Convention against Corruption. Chile is also a signatory to the Organization for Economic Cooperation and Development (OECD) Convention on Combating Bribery. Chilean law has not yet been modified to make bribing a foreign official a criminal act, but a wide range of bribery acts are punishable as crimes under the penal code. The GOC's Inspector General conducts bribery investigations.

Transparency International has a chapter in Chile. Chile ranked 22<sup>nd</sup> on Transparency International's corruption perceptions index for 2007.

## **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 Chile's Foreign

Investment Committee, as of the end of 2005, Chile had signed 52 BITs, of which 38 are in force. There are agreements in force with Spain, Germany, Switzerland, Sweden, France, the United Kingdom, Australia, Austria, Belgium, Croatia, Denmark, Finland, France, Greece, Italy, Norway, Poland, Malaysia, China, Korea, Argentina, Brazil, Costa Rica, Ecuador, El Salvador, Guatemala Honduras, Nicaragua, Panama, Paraguay, Peru, Uruguay Cuba and Venezuela, among others. The Government of Chile has begun bilateral investment protection agreements negotiations with 15 others countries, including India, Morocco, Russia, Israel and Thailand.

## **OPIC and Other Investment Insurance Programs**

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A Bilateral Investment Agreement with 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).

## **Labor**

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Chile has enjoyed generally calm labor relations over the last decade, but 2007 saw a definite upswing in strike activity. Strikes and public protests have been concentrated in the mining, health, education, transportation, communication, and civil service sectors. Union membership is voluntary, and approximately 12 percent of the workforce is unionized. 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. Minimum wage, working hours, 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 12 weeks after childbirth. Layoffs are not permitted between conception and one year after the female employee has returned from maternity leave.

Chilean workers have a reputation for discipline, though their productivity and creativity also tend to be low. Top executive salaries are on a par with European countries, although well below those in the U.S. Chile allows companies to deduct set training costs (up to one percent of annual payroll) from corporate tax payments. A company can also use ten percent of the rebate to finance an analysis of its training needs, and 15 percent to run a training department.

On January 1, 2005, the maximum number of labor hours per week was reduced to 45 from 48 without any loss of salary to the employees.

A new subcontracting (outsourcing) law passed in 2006 and took effect in January 2007. It is causing some uncertainty in the labor market due to differing interpretations by the GOC's Labor Directorate and Chilean companies. The new law has also prompted new labor movements and related protests seeking better job conditions for outsourced workers. This has been particularly true in the mining sector. In Chile's copper industry, estimates are that permanent staff earn three times more than outsourced workers, who often times perform the same work. This was the core issue behind a six-week strike in

mid-2007 by the 30,000 outsourced workers of CODELCO, Chile's state-owned copper company.

In Chile, more than 50 percent of the companies are estimated to subcontract part of their production, while 20.7 percent subcontracted their main economic activity. Prior to the law, a full 35 percent of Chile's labor force was estimated not to have a direct contractual link with the main company.

The new 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. In relation to the definition of outside workers, the law limits this to "temporary" labor, defined as those employed for periods of up to 90 (or 180 days in some cases) for the duration of an "emergency." In addition, 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. The law also changed the secondary responsibility of companies using contractors regarding labor responsibilities, giving them primary responsibility.

## **Foreign-Trade Zones/Free Ports**

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Chile has two tax-free zones; one is in the northern port 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, VAT and customs duties. Goods can be re-exported without paying taxes, but products that are sold within Chile must pay VAT (19 percent) and import duties upon leaving the zone (except to immediate geographical areas in which a lower tax rate applies). The same exemptions also applied to manufacturers in the Chacalluta and Las Americas Industrial Park in Arica (in the XV Arica and Parinacota Region created in October 2007).

## **Foreign Direct Investment Statistics**

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Between 1990 and 2006, gross materialized foreign investment totaled USD 80.7 billion. During the 1990s, investment under DL 600 expanded at an average annual rate of 19.7 percent in nominal terms.

According to the 2007 World Investment Report, published by the United Nations Conference on Trade and Development (UNCTAD), the stock of FDI in Chile reached 55.4 percent of GDP in 2006, up from 30.0 percent in 1990. In 2006, the average world figure was 24.8 percent.

According to UNCTAD's report, FDI into Chile reached USD 7.9 billion in 2006. Relative to population size, FDI in Chile was the highest in the region at USD 493 per capita.

Foreign direct investment flows as a percentage of GDP reached a yearly average above six percent of GDP during the early 1990s, rising to 8.3 percent between 1995 and 2000. After reaching an annual record high of USD 9.9 billion in 1999, foreign investment flows began to drop, falling by 33 percent in 2002 and by an additional 35.5

percent in 2003. The GOC's Foreign Investment Committee maintained that this did not reflect a change in Chile's competitiveness, but rather a sharp downturn in international economic conditions. To some Chilean experts, this downward trend represented a return to reality, with more sustainable levels of FDI returning after the boom of the 1990s (following the end of 17 years of military rule).

For the January-August 2007 period, materialized FDI into Chile totals USD 759 million or a 62 percent drop compared to the same period in 2006 (USD 1.9 billion). That being said, much of the FDI recorded in 2006 was really a product of mergers and acquisitions. It would appear that very little of the FDI that flowed into Chile in 2006 went to new sectors or to industries that will create substantial numbers of new jobs. Another important caveat to keep in mind with FDI and Chile is that much of the FDI entering Chile tends to go to the gas, water, electricity and mining sectors. It could be argued that while Chile does fine in attracting FDI, it does not attract it to sectors that will create new sectors and/or substantial numbers of new jobs.

Between 1974 and 2006, the following sectors accounted for foreign investment materialized through DL 600:

|                                       |            |
|---------------------------------------|------------|
| Mining                                | 33 percent |
| Electricity, Gas & Water              | 20 percent |
| Manufacturing                         | 12 percent |
| Transportation/Communications         | 11 percent |
| Construction                          | 3 percent  |
| Engineering/Business Services         | 1 percent  |
| Agriculture, Forestry & Fishing       | 1 percent  |
| Sewage, Sanitation & Related Services | 1 percent  |

Within the services sector, the most important components were:

|                      |            |
|----------------------|------------|
| Financial Services   | 10 percent |
| Insurance            | 3 percent  |
| Wholesale and Retail | 3 percent  |
| Other Services       | 2 percent  |

The U.S. remains the single largest direct investor, accounting for 25 percent of inflows from 1974 – 2007. Since 1997, however, FDI from the European Union has surpassed that of the U.S., primarily due to Spanish acquisitions in the energy and telecommunications sectors. The following represent the inflows of FDI under DL 600 by country from 1974 – 2007 (through 08/31/2007):

|                 |              |
|-----------------|--------------|
| United States   | 25 percent   |
| Spain           | 21 percent   |
| Canada          | 16 percent   |
| United Kingdom  | 9 percent    |
| Australia       | 5 percent    |
| Japan           | 3 percent    |
| Italy           | 3 percent    |
| The Netherlands | 3 percent    |
| France          | 2 percent    |
| Switzerland     | 2 percent    |
| Others          | 10.3 percent |

According to Central Bank statistics, total flows of Chilean investment abroad, principally to Mercosur countries, have totaled more than USD 18 billion since 1995. According to UNCTAD figures, by the end of 2006, the total Chilean stock of FDI abroad was USD 26.8 billion. Most of Chile's own overseas investment has gone to hemispheric partners like the United States, Mexico and Canada.

#### Statistical Annexes

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Foreign Investment DL 600. Authorized and Materialized by Selected Country of Origin (USD millions nominal)

| Country    | 1974-2000 | 2005  | 2006    | 2007* | TOTAL    |
|------------|-----------|-------|---------|-------|----------|
| Argentina  | 504.8     | 3.8   | 74.9    | 24.2  | 498.3    |
| Australia  | 1,284.9   | 523.5 | 206.2   | 49.0  | 3,101.0  |
| Belgium    | 360.1     | 71.2  | 2.4     | 0     | 766.7    |
| Brazil     | 248.9     | 20.3  | 32.9    | 20.9  | 342.9    |
| Cayman Is. | 263.5     | 12.3  | 41.5    | 24.9  | 347.4    |
| Canada     | 6,721.7   | 80.9  | 1,832.7 | 170.4 | 10,575.0 |
| China      | 84.1      | 0     | 0       | 1.9   | 86.1     |
| Colombia   | 17.3      | 23.8  | 2.3     | 4.9   | 67.3     |
| France     | 1,226.9   | 4.7   | 21.4    | 12.0  | 1,385.8  |
| Germany    | 418.0     | 22.1  | 160.8   | 17.6  | 711.9    |
| Holland    | 1,322.4   | 6.4   | 1.1     | 81.2  | 1,609.7  |
| InterOrg   | 204.2     | 5.0   | 5.0     | 0     | 334.8    |
| Italy      | 549.9     | 27.5  | 123.1   | 0     | 1,657.1  |
| Japan      | 1,483.9   | 47.2  | 51.2    | 32.5  | 1,871.1  |
| Korea      | 25.6      | 0     | 0       | 0     | 40.4     |

|               |          |       |       |       |          |
|---------------|----------|-------|-------|-------|----------|
| Liechtenstein | 132.7    | 0     | 0     | 0     | 138.5    |
| Mexico        | 131.0    | 604.8 | 47.3  | 21.4  | 987.4    |
| Norway        | 183.5    | 1.5   | 7.7   | 13.4  | 341.9    |
| Panama        | 198.1    | 6.6   | 7.0   | 3.1   | 270.3    |
| Peru          |          |       |       |       |          |
| South Africa  | 419.1    | 0.466 | 2.2   | 1.4   | 402.9    |
| Spain         | 8,922.1  | 206.3 | 74.9  | 24.8  | 13,804.0 |
| Sweden        | 59.4     | 2.8   | 2.9   | 1.2   | 251.0    |
| Switzerland   | 1,252.3  | 10.0  | 4.6   | 0     | 1,282.9  |
| U.K.          | 3,046.7  | 255.4 | 93.5  | 6.8   | 5,658.1  |
| United States | 13,114.1 | -14.9 | 337.5 | 240.7 | 16,310.0 |
| Uruguay       | 107.5    | 0     | 0     | 0     | 109.1    |
| Venezuela     | 214.9    | 0     | 0     | 0     | 126.6    |

Source: Foreign Investment Committee:

\*2007 data corresponds to the period of January-August

Foreign Direct Investment (DL 600) By Year: 1974-2007\*  
(USD millions nominal)

| Period  | Authorized Investment | Actual Investment |
|---------|-----------------------|-------------------|
| 1974-89 | 14,078                | 5,111             |
| 1990    | 1,537                 | 1,280             |
| 1991    | 3,395                 | 982               |
| 1992    | 2,415                 | 993               |
| 1993    | 2,171                 | 1,736             |
| 1994    | 5,901                 | 2,522             |
| 1995    | 5,987                 | 3,031             |
| 1996    | 6,943                 | 4,838             |
| 1997    | 7,894                 | 5,225             |
| 1998    | 6,076                 | 6,039             |
| 1999    | 10,780                | 9,226             |
| 2000    | 7,194                 | 3,039             |
| 2001    | 8,018                 | 5,020             |
| 2002    | 3,789                 | 3,381             |
| 2003    | 3,821                 | 1,286             |
| 2004    | 3,835                 | 4,635             |
| 2005    | 1,700                 | 1,919             |
| 2006    | 4,816                 | 3,185             |
| 2007*   |                       | 758.6             |

Source: Foreign Investment Committee

\*2007 data corresponds to the period of January-August

Materialized Foreign Investment by Sector Under DL 600:  
(USD millions nominal)

| Sector                          | 2000    | 2002      | 2004      | 2006      |
|---------------------------------|---------|-----------|-----------|-----------|
| Agriculture                     | 23,303  | 1,744     | 277       | 3,107     |
| Forestry                        | 4,253   | 1,012     | 150       | 217,330   |
| Fishing                         | 92,470  | 0         | 2         | 0         |
| Mining                          | 233,736 | 2,003,037 | 349,636   | 1,159,211 |
| Food<br>Manufacturing           | 44,262  | 29,394    | 54,869    | 65,282    |
| Wood / Paper                    | 17,386  | 40,076    | 82,303    | 4,070     |
| Chemical Industry               | 93,572  | 31,960    | 270,946   | 0         |
| Other Industries                | 85,660  | 107,119   | 19,525    | 20,850    |
| Electricity, Water &<br>Gas     | 859,772 | 473,087   | 2,193,400 | 1,205,461 |
| Construction                    | 28,578  | 138,245   | 119,109   | 14,694    |
| Wholesale & Retail              | 142,386 | 81,826    | 17,135    | 19,055    |
| Transportation &<br>Warehousing | 15,036  | 5,079     | 24,111    | 165,731   |
| Communications                  | 855,121 | 330,622   | 1,772,642 | 65,076    |
| Financial Services              | 262,944 | 60,061    | 11,618    | 140,115   |
| Insurances                      | 90,428  | 20,057    | 49,409    | 22,525    |

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## Chapter 7: Trade and Project Financing

- [How Do I Get Paid \(Methods of Payment\)](#)
- [How Does the Banking System Operate](#)
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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 low-cost method of securing payment is through the Export Credit Insurance Program, available from the U.S. Export Import Bank (EXIM). It is becoming a popular financing option for the purchase of U.S. goods in Chile. For more information, contact Mr. Marcelo Orellana, Exim's Liaison for Chile at [Marcelo.Orellana@mail.doc.gov](mailto:Marcelo.Orellana@mail.doc.gov) or visit the EXIM web site at [www.exim.gov](http://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.sbif.cl](http://www.sbif.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.

Some Chilean banks with direct presence in the United States are Banco Santander-Santiago, Banco de Crédito e Inversiones (also known as BCI), 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

Edwards-Citi and HSBC Chile are active in retail banking as well. There are a few business development offices of U.S. commercial banks in Chile' offering U.S. Export Import Bank (EXIM) export insurance programs. Many representation offices are in the market as well.

## Foreign-Exchange Controls

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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).

Chile has no restrictions on incoming and outgoing foreign capital reserve requirements for external capital. 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 foreign exchange transactions in the open market.

## U.S. Banks and Local Correspondent Banks

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| U.S. Banks in Chile         | Phone (56-2) | Fax (56-2) | Website                                                          |
|-----------------------------|--------------|------------|------------------------------------------------------------------|
| JP Morgan Chase Bank        | 425-5102     | 425-5367   | <a href="http://www.jpmorganchase.com">www.jpmorganchase.com</a> |
| Citi-Edwards                | 338-8000     | 338-8391   | <a href="http://www.citibank.cl">www.citibank.cl</a>             |
| HSBC Bank Chile             | 299-7200     | 299-7393   | <a href="http://www.hsbc.com">www.hsbc.com</a>                   |
| Wachovia N.A. (Rep. Office) | 365-9733     | 365-9709   | <a href="http://www.wachovia.com">www.wachovia.com</a>           |

| Financial Institutions offering U.S. Export Financing and Insurance in Chile | Phone            | Fax           | Website                                                                        |
|------------------------------------------------------------------------------|------------------|---------------|--------------------------------------------------------------------------------|
| PNC Bank N.A. (*)                                                            | 54-11- 4590-2223 | n.a.          | <a href="http://www.pncbank.com/tradefinance">www.pncbank.com/tradefinance</a> |
| Meridian Finance Group                                                       | 310-360-2130     | 310-360-2140  | <a href="http://www.meridianfinance.com">www.meridianfinance.com</a>           |
| UPS Capital Business Credit (*)                                              | 56-2-247-1221    | 56-2-243-8724 | <a href="http://www.capital.ups.com">www.capital.ups.com</a>                   |
| National City Bank (*)                                                       | 56-2-446-8866    | 56-2-433-2226 | <a href="http://www.nationalcity.com">www.nationalcity.com</a>                 |
| TD Financial Group                                                           | 416-983-1216     | 416-982-7838  | <a href="http://www.td.com">www.td.com</a>                                     |

(\*) Local offices are business development representatives.

| Banks operating in Chile                                  | Phone (56-2) | Fax (56-2) | Website                                                                  |
|-----------------------------------------------------------|--------------|------------|--------------------------------------------------------------------------|
| Banco BICE                                                | 692-2000     | 696-5324   | <a href="http://www.bice.cl">www.bice.cl</a>                             |
| Corp Banca                                                | 687-8000     | 672-6729   | <a href="http://www.corpbanca.cl">www.corpbanca.cl</a>                   |
| Banco de Crédito e Inversiones (BCI)                      | 692-7000     | 695-3775   | <a href="http://www.bci.cl">www.bci.cl</a>                               |
| Banco de Chile                                            | 653-1111     | 637-3434   | <a href="http://www.bancochile.cl">www.bancochile.cl</a>                 |
| Banco del Desarrollo                                      | 674-5000     | 671-5547   | <a href="http://www.bdd.cl">www.bdd.cl</a>                               |
| Banco Internacional                                       | 369-7000     | 369-7367   | <a href="http://www.bancointernacional.cl">www.bancointernacional.cl</a> |
| Banco Security                                            | 584-4000     |            | <a href="http://www.security.cl">www.security.cl</a>                     |
| Scotia Bank Sudamericano                                  | 692-6000     | 698-6008   | <a href="http://www.scotiabank.cl">www.scotiabank.cl</a>                 |
| Banco Estado                                              | 670-7000     | 670-5478   | <a href="http://www.bancoestado.cl">www.bancoestado.cl</a>               |
| Banco Itaú Chile                                          | 686-0000     | 686-0210   | <a href="http://www.itaú.cl">www.itaú.cl</a>                             |
| Rabobank Chile                                            | 449-8000     | 449-8050   | <a href="http://www.rabobank.cl">www.rabobank.cl</a>                     |
| Banco Falabella                                           | 385-9000     | 385-9050   | <a href="http://www.bancofalabella.cl">www.bancofalabella.cl</a>         |
| Banco Ripley                                              | 351-6000     | 351-6050   | <a href="http://www.bancoripley.cl">www.bancoripley.cl</a>               |
| Banco Paris                                               | 437-6605     | 437-6868   | <a href="http://www.bancoparis.cl">www.bancoparis.cl</a>                 |
| Banco Penta                                               | 873-3000     | 837-3405   | <a href="http://www.bancopenta.cl">www.bancopenta.cl</a>                 |
| ABN Ambro Bank                                            | 396-5000     | 396-5666   | <a href="http://www.abnamro.cl">www.abnamro.cl</a>                       |
| Banco Santander Santiago                                  | 320-2000     | 672-3166   | <a href="http://www.santandersantiago.cl">www.santandersantiago.cl</a>   |
| Banco de la Nación Argentina                              | 696-6935     | 672-9078   | <a href="http://www.bnach.cl">www.bnach.cl</a>                           |
| Banco Do Brasil                                           | 336-3001     | 336-3005   | <a href="http://www.bb.com.br">www.bb.com.br</a>                         |
| ING Bank N.V.                                             | 452-2700     | 452-2745   | <a href="http://www.ing.com">www.ing.com</a>                             |
| The Bank of Tokyo-Mitsubishi UFJ Ltd.                     | 345-1000     | 333-3032   | -----                                                                    |
| BBVA                                                      | 679-1000     | 679-1350   | <a href="http://www.bbva.cl">www.bbva.cl</a>                             |
| Deutsche Bank                                             | 337-7700     | 337-7701   | -----                                                                    |
| Banco de la Provincia de Buenos Aires (Rep.Office)        | 696-4308     | 695-3810   | <a href="http://www.bpba.com.ar">www.bpba.com.ar</a>                     |
| BNP Paribas (Rep. Office)                                 | 787-3333     | 787-3300   | <a href="http://www.bnpparibas.com">www.bnpparibas.com</a>               |
| Calyon America Services, Inc. (Chile) Ltda. (Rep. Office) | 207-3454     | 207-3898   | -----                                                                    |
| Credit Industriel et Comercial S.A., CIC (Rep. Office)    | 203-6790     | 203-4156   | <a href="http://www.cic.fr">www.cic.fr</a>                               |
| Credit Suisse Consultas y Asesorías Ltda. (Rep. Office)   | 232-3366     | 203-3155   | <a href="http://www.credit-suisse.com">www.credit-suisse.com</a>         |
| Dresdner Bank A.G. (Rep.Office)                           | 230-2900     |            | <a href="http://www.dresdner-bank.com">www.dresdner-bank.com</a>         |
| ING Bank N.V. (Rep. Office)                               | 452-2700     |            | <a href="http://www.ing.com">www.ing.com</a>                             |

| Banks operating in Chile       | Phone (56-2) | Fax (56-2) | Website                                                      |
|--------------------------------|--------------|------------|--------------------------------------------------------------|
| Société Générale (Rep. Office) | 658 32 40    | 658 32 43  | <a href="http://www.socgen.com">www.socgen.com</a>           |
| San Paolo IMI (Rep. Office)    | 381-3434     | 381-3439   | <a href="http://www.sanpauloimi.com">www.sanpauloimi.com</a> |
| UBS A.G. (Rep. Office)         | 385-5555     | 385-5554   | <a href="http://www.ubs.com">www.ubs.com</a>                 |
| Westlb AG (Rep. Office)        | 334-0434     | 334-0825   | <a href="http://www.westlb.de">www.westlb.de</a>             |

## Project Financing

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

The Overseas Private Investment Corporation (OPIC) is a business development agency 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 OPIC liaison for Chile, Mr. Marcelo Orellana [Marcelo.Orellana@mail.doc.gov](mailto:Marcelo.Orellana@mail.doc.gov) or visit [www.opic.gov](http://www.opic.gov)

The Inter-American Development Bank (IADB) and World Bank loan programs are also available for certain projects in Chile. See [www.iadb.org](http://www.iadb.org).

Private companies can also take advantage of 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](http://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](http://www.exim.gov/tools/country/country_limits.html)  
OPIC: <http://www.opic.gov>  
U.S. 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/ccs/default.htm>  
U.S. Agency for International Development: <http://www.usaid.gov>  
U.S. Commercial Service Santiago: <http://www.buyusa.gov/chile/en>  
U.S. Export-Import Bank of the U.S.: <http://www.exim.gov>  
Inter American Development Bank: <http://www.iadb.org/>  
The World Bank: <http://www.worldbank.org>  
International Finance Corporation: <http://www.ifc.org>

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## Chapter 8: Business Travel

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### **Business Customs**

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U.S. business people 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 business people are well-educated professionals who travel internationally and speak English. However, not all speak English, and foreign business people 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 in a 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](http://www.travel.state.gov/travel/cis_pa_tw/cis/cis_1088.html).

## Visa Requirements

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U.S. citizens traveling to Chile for tourism or business are allowed to enter Chile without a visa for a period of 90 days renewable in Chile. Upon arrival in Chile, U.S. visitors must pay a \$131.00 entry fee, called a “reciprocity fee”, which must be paid in cash in U.S. dollars. The fee is paid once and remains valid until the expiration of the passport. For more information, see [www.chile-usa.org/visas.htm](http://www.chile-usa.org/visas.htm).

U.S. Companies that require travel of foreign businesspersons to the United States should allow sufficient time for visa issuance if required. Visa applicants should go to the following links.

State Department Visa Website: [www.travel.state.gov/visa/index.html](http://www.travel.state.gov/visa/index.html)

United States Visas: [www.unitedstatesvisas.gov/](http://www.unitedstatesvisas.gov/)

U.S. Embassy Santiago: [www.usembassy.cl/](http://www.usembassy.cl/)

## 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 Telefónica. Visitors can rent cell phones in Chile or are advised to check with their own U.S.-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.

WiFi “hot spots” are becoming 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 and direct service to Los Angeles via Lima, Peru. The primary point of entry is the Santiago International Airport (see [www.aeropuertosantiago.cl/ingles/](http://www.aeropuertosantiago.cl/ingles/)).

Domestic air service is well developed. Flights between Santiago and most cities in Chile are fairly frequent. The train system is less developed, but there is a good central train line that runs between Santiago and Temuco. See [www.efe.cl/](http://www.efe.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 consular information sheet:

[www.travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1088.html](http://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. business people 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.buyusa.gov/chile/en/76.html](http://www.buyusa.gov/chile/en/76.html).

## 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](http://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 and. 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.

The following are Chile's main holidays for 2008. Dates may vary year to year.

| Holiday                                | Date      |
|----------------------------------------|-----------|
| New Year's Day                         | January 1 |
| Good Friday                            | March 21  |
| Holy Saturday                          | March 22  |
| Easter Sunday                          | March 23  |
| Labor Day                              | May 1     |
| Commemoration of the Battle of Iquique | May 21    |
| Corpus Christi                         | June 4    |
| Saint Peter and Saint Paul             | July 2    |
| Carmen's Virgin Solemnity Day          | July 16   |

|                       |                |
|-----------------------|----------------|
| Assumption Day        | August 15      |
| Independence Day      | September 18   |
| Day of the Army       | September 19   |
| All Saints' Day       | November 1     |
| Immaculate Conception | December 8     |
| Christmas Day         | December 24/25 |

## 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. Temporary duty-free admission of goods intended for display or demonstration and commercial samples is allowed. For temporary entry of food samples, see the Foreign Agricultural Service's Food and Agricultural Import Regulations report at [www.fas.usda.gov/scripts/attacherep/default.asp](http://www.fas.usda.gov/scripts/attacherep/default.asp).

## Web Resources

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List of Service Providers/Hotels/Transport in Chile:

[www.buyusa.gov/chile/en/business\\_service\\_providers.html](http://www.buyusa.gov/chile/en/business_service_providers.html)

State Department Consular Information Sheet:

[www.travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1088.html](http://www.travel.state.gov/travel/cis_pa_tw/cis/cis_1088.html)

Tourism Service of Chile: [www.sernatur.cl](http://www.sernatur.cl)

U.S. Embassy Santiago (American Citizen Services): [www.usembassy.cl](http://www.usembassy.cl)

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## Chapter 9: Contacts, Market Research, and Trade Events

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### Contacts

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U.S. Commercial Service Santiago: [www.buyusa.gov/chile/en](http://www.buyusa.gov/chile/en)

USDA Foreign Agricultural Service: [www.fas.usda.gov](http://www.fas.usda.gov)

U.S. Embassy Santiago: [www.usembassy.cl](http://www.usembassy.cl)

U.S. Chamber of Commerce: [www.uschamber.com](http://www.uschamber.com)

Chilean-American Chamber of Commerce (Amcham): [www.amchamchile.cl](http://www.amchamchile.cl)

Chilean Embassy Washington: [www.chile-usa.org](http://www.chile-usa.org)

Government of Chile (links to Ministries): [www.gobiernodechile.cl](http://www.gobiernodechile.cl)

Chile's National Chamber of Commerce: [www.cnc.cl](http://www.cnc.cl)

Santiago Chamber of Commerce: [www.ccs.cl](http://www.ccs.cl)

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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/marketresearch.html> 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, but free of charge.

To view market research reports on food, fish, forestry and agricultural products produced by the U.S. Foreign Agricultural Service, please go to the following website: <http://www.usembassy.cl> and click on "Food & Agriculture," then click on "Documents".

### Trade Events

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

<http://www.export.gov/tradeevents.html>

Please click on the link below to go to trade events section of the local buyusa.gov website

[http://www.buyusa.gov/chile/en/trade\\_events.html](http://www.buyusa.gov/chile/en/trade_events.html)

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## Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. 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

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the link below.

[http://www.buyusa.gov/chile/en/products\\_and\\_svices.html](http://www.buyusa.gov/chile/en/products_and_svices.html)

The USDA Foreign Agricultural Service (FAS) performs a similar function for U.S. companies seeking to export food, fish, forestry and agricultural products. FAS can help you to:

- Formulate an export strategy
- Obtain market research to evaluate international demand and develop competitive pricing strategies
- Find out about import procedures and any potential impediments to trade
- Pinpoint potential buyers, sales and promotional opportunities abroad

For more information on the services the U.S. Foreign Agricultural Service offers U.S. businesses, please click on the link below.

<http://www.fas.usda.gov> or <http://www.usembassy.cl> and click on food & agriculture.

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U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: <http://www.export.gov>

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.