



## Doing Business in Chile: 2009

### 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 fifth year, commercial trade, both in products and services, has been a resounding success. In the five years the U.S.-Chile FTA has been in effect, U.S. exports to Chile have more than quadrupled. The goods highlighted in this report are among the top U.S. exports to Chile in 2007. Not coincidentally, many of these goods became duty-free immediately under the FTA.

As of January 1, 2004, 90% of U.S. exports to Chile entered duty free, with all remaining tariffs to be phased out by 2015. In 2008, bilateral trade between the United States and Chile reached \$20.3 billion, a 216% increase over bilateral trade levels before the U.S.-Chile Free Trade Agreement (FTA) took effect. Even more impressively, U.S. exports to Chile grew 345%. Trade in 2008 represented a 17% increase over the \$17.3 billion in bilateral trade in 2007, a 24% increase over the \$16.4 billion in bilateral trade in 2006, a 70.6% increase over the 11.9 billion in bilateral trade in 2005, and a 143% increase over the \$8.3 billion in bilateral trade in 2004.

Chile remains one of the most stable and prosperous developing nations and it continues to lead in several key economic and political areas. It ranks high in terms of political stability, economic freedom, low perception of corruption and comparatively low poverty rates in Latin America. It also fares very well in terms of democratic development, gross domestic product per capita, freedom of the press, and was the highest ranked country in terms of competitiveness in Latin America, according to the World Economic Forum's Global Competitiveness Report 2008-2009.

While inflation was higher than expected in 2008, the Central Bank is likely to meet the forecast inflation target of about 4% in 2009. Chile's financial system remains in a relatively strong position compared with most other countries in the region, thanks to sound public finances and international reserves. Tumbling copper prices will narrow Chile's current fiscal surplus. The most optimistic experts forecast between 1% and 2% economic growth in 2009, and a slight increase in 2010. Much of this is due to falling commodity prices, lower demand globally for Chilean exports, and the impact of the global financial crisis.

Successive Chilean administrations have remained steadfast in their commitment to deepen integration with the global economy through trade agreements and the government has diplomatic relations with most countries. Chile is a member of the

Rio Group, an associate member of Mercosur, a full member of APEC, and a founding member of UNASUR. The OECD has invited Chile to be among four countries to open discussions to accede as an official member.

The current administration represents a center-left coalition (Concertacion) that has been in power since Chile returned to democracy in 1990. It is likely to face stiff competition during the upcoming Presidential elections, being held late 2009. The center-right opposition (Alianza) is currently ahead in polling to run the 2010-2014 period, having recorded some significant gains during the October 2008 municipal elections. Regardless of which party wins the next presidential election, there will be a smooth transition of power in 2010. Both political camps are committed to continue integrating Chile into the world economy, while each supports the same macroeconomic policies and wishes to strengthen Chilean education and health care systems. Most policy differences between the two major coalitions are a matter of degree, rather than substance. The economic policy agenda is likely to continue with a liberal market economy and prudent fiscal and monetary policies.

Chile continues to pursue market-oriented strategies, expand global commercial ties, and actively participate in international issues and hemispheric free trade. It boasts the region's largest number of bilateral free-trade agreements; with partners ranging from traditional markets such as the United States and the European Union to new Asian counterparts including China, India, South Korea, and Japan. This offers a unique opportunity for U.S. exporters interested in expanding their businesses in arguably the most open, stable and attractive market in Latin America.

Reflecting the growing trade relationship, Chile's ranking as a top U.S. export market rose to 25<sup>th</sup> in 2008, from 35<sup>th</sup> place in 2003. The United States was the number two destination for Chilean exports and remained Chile's top source of imports in 2008. In January 2009, the U.S. once again became the number one market for Chilean exports, displacing China.

The FTA is helping U.S. exporters win back market share that was lost to the European Union, Mexico, and Canada, all of which negotiated free trade agreements with Chile before the United States. U.S. exporters gained market share in Chile for the fifth year in a row in 2008. While U.S. exports to Chile made up 25 % of Chilean imports in 1995, that share dropped in the following years, reaching a low of 14.5 % in 2003. By 2008, U.S. exports to Chile have rebounded and claimed a 19% share of the Chilean market.

Chile has also benefited tremendously from the FTA; U.S. imports from Chile grew from \$3.71 billion in 2003 to \$8.19 billion in 2008, an increase of 121%.

The United States remains the single largest direct investor in Chile, representing 25% of all net foreign direct investment, from 1974 to 2007. Spain follows closely with 21%, and Canada falls third at 16%.

Chile's economy grew approximately 4 % in 2008 and the Central Bank projects a maximum GDP growth rate of 2 % for 2009, due to expected reduced international trade activities. By 2011, Chile is likely to experience mild economic growth, after the global economy recovers.

Macroeconomic stability and growing integration with international capital markets has meant that Chile's credit rating has been the same as that of an investment grade "A" country for the past twenty five years, an unmatched record in Latin America.

## Market Challenges

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Perhaps the greatest challenges to a U.S. firm seeking to export to Chile are the high degree of competition and a relatively small market. Even though Chile is a relatively small market (16 million in population), it is 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 with more than 60 trade partners. Chile continues to pursue new trade agreements worldwide. Many U.S. companies consider Chile an excellent platform for doing business in the region.

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

For companies in particular 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 Chilean economy will continue to generate new opportunities for foreign investors and suppliers. With more than 60 existing trade agreements with countries around the globe, Chile plans to continue commercial negotiations with additional countries while nurturing export diversification strategies.

The slowdown that follows the international financial and economic woes of 2008 and 2009 will affect some industrial activities more than others. U.S. construction equipment exports to Chile rose 332% in 2008 compared with 2003, increasing from \$234.6 million to \$1 billion. By mid- 2008, the construction sector in general, and the housing market in particular, suffered a downturn, reflecting the decline in demand and a credit crunch. Given relatively high inflation, low consumer confidence, and negligible expected GDP growth, the prevailing prudent fiscal posture is likely to affect purchasing decisions. Contraction of the construction sector is expected to continue throughout 2009.

Medical equipment exports grew from \$68.5 million to \$139.5 million (104% increase), agricultural equipment exports increased from \$13.3 million to \$44 million (232% increase), paper exports rose from \$48.1 million to \$162.9 million (238% increase), and steel exports increased from \$10 million to \$79 million (689%) when comparing January-December 2003 trade to the same period in 2008. While the United States experienced

a trade surplus in 2008, commercial activity is likely to contract in both export and import volumes during 2009. A return to a positive export growth is expected soon thereafter.

Many industry sectors in Chile are expected to remain attractive to U.S. businesses. It is estimated that private investment in the mining and energy sectors will concentrate most of the major projects planned for 2009. Wal-Mart placed a big bet on Chile in late 2008, becoming the major shareholder in one of the country's largest retail chains, D&S. Investments like this and others tend to inspire even more confidence in the Chilean economy. Chile is expected to grow - albeit modestly- and U.S. firms can continue benefitting from the export opportunities created by the United States-Chile FTA.

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

## **Market Entry Strategy**

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Establishing a local subsidiary or branch office in Chile is 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%, 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\$1,800 and this takes about one month. 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 currently no tax treaty between Chile and the United States. See [Chapter 6: Investment Climate](#).

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The Chilean franchising sector has maintained its sales over 2007 figures of approximately \$280 million, despite the financial crisis. According to recent 2008 estimates, there are over 124 franchises operating in Chile, of which approximately 65 % are represented by the fast-food and services sector. The sector has provided an estimated 25,000 jobs, and continues to demonstrate an important presence in the marketplace.

Franchise companies operating in Chile are subject to regular trade laws and have benefited greatly from the US-Chile FTA. Companies operating in Chile are subject to local trade laws, as there is no specific legislation for this industry. Royalties and fees have a withholding tax that ranges from 15% to 35%. 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 further information concerning other franchises, contact Chile's Franchise Chamber, [www.camaradefranquicias.cl](http://www.camaradefranquicias.cl).

For more information at the U.S. Commercial Service in Santiago, Chile, contact Marcela Cintron 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. In 2007, there were 5.8 million issued banking credit cards and 7.4 million non-banking (retail stores) credit cards.

## **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 in Spanish, and winning bids published, including the name of the supplier and the value of the contract. FTA provisions cover procurements by over twenty Chilean central government entities for non-construction purchases. It also covers local government non-construction procurements. The Agreement 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 Aprovisionamiento del Estado" (Bureau of Government Procurement Supplies). They must also post a bank and/or guarantee bond, usually equivalent to ten % 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.

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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% of exports and 59% 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.

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The 2008 Digital Economy Study of the Santiago Chamber of Commerce (CCS) reported the total value of transactions exceeded US\$14.5 billion for all types of e-commerce related activities, with a 20% increase compared to 2007. Although the e-commerce market is growing at a steady pace, it is still not comparable to the growth rate experienced by some of Chile's neighboring countries (i.e., Brazil and Argentina.) The B2B – B2G segments represent 97.4% of the sales, while the B2C segment gets the remaining 2.6%. B2C sales in 2008 amounted US\$ 380 million, a 27% increase compared to 2007. This growth is due in part to an increase of internet users, the entrance of new entrepreneurs operating vertical niche markets, and the strength of the local offer headed by the retail, tourism, and entertainment industries. Additionally, the internet payment method is also increasingly popular.

Following is a list of some e-commerce sites in Chile:

**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)

Chilean lumber producer: [www.arauco.cl](http://www.arauco.cl)

Telecommunication provider: [www.ctc.cl](http://www.ctc.cl)

Certification laboratory: [www.cesmec.cl](http://www.cesmec.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)

National Civil Registry: [www.registrocivil.cl](http://www.registrocivil.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)

[www.jumbo.cl](http://www.jumbo.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 % of all spending on advertising, followed by newspapers (29.2%), radio (7.5%), billboards/posters (8.8%), magazines (3.1%), cable TV (1.7%), the Internet (1.4%) and films (0.3%). See [www.achap.cl](http://www.achap.cl).

## TV / Cable TV

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Chile has six national broadcast television networks. All of them are self-supporting, including state-owned, but autonomous National Television (TVN). TV broadcasting stations in Santiago are Channel 4 (La Red), Channel 5 (Universidad Católica)

Valparaíso-UCV), Channel 7 (Televisión Nacional), Channel 9 (Mega); Channel 11 (Chilevisión), and Channel 13 (Corporación de Televisión de la Universidad Católica). Programming depends heavily on foreign series and movies. Dubbed U.S. product predominates, but Mexican, Venezuelan, Brazilian, Argentine, and Japanese material is also common. Locally produced news, magazine shows, variety shows, and soap operas are high quality and draw large prime time audiences.

Cable television is a growing and important medium that reaches about 25% of households nationwide. Two major cable systems (Telefónica and VTR Globalcom) operate in 95% of the country. Both rebroadcast all local stations and a host of international channels. U.S. offerings include CNN International, CNN Español, HBO Ole, MTV, NT, Worldnet, ESPN, Cartoon Network, and MSTV. Direct satellite television initiated service in Chile in 1997.

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Radio is the country's most extensive mass medium. Nearly all stations operate commercially, and six have network affiliates. There are over 800 AM and FM broadcast stations nationwide. The National Radio Association (ARCHI) reports that there are 179 AM and 614 FM stations in the country, with 24 AM and 32 FM stations in Santiago alone. An estimated 93% of Chile's population listens to radio. The figure for Santiago is 97%. ARCHI's statistics state that there are 17 million radio sets in Chile.

Radio is a prime source of current news to millions of Chileans, and the national networks devote large budgets to maintaining professional news staff to meet the public's considerable news appetite. The most important national networks are Radio Cooperativa (93.3), Radio Duna, (89.7), Radio Bio Bio (99.7), Radio AND (91.7), and Radio Agricultura (92.1).

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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 21 regional dailies affiliated throughout Chile and two national radio networks; 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 (average)	Saturday	*Sunday
El Mercurio	151,931	191,972	263,079
La Tercera	92,137	195,405	217,415
Las Últimas Noticias	120,464	161,253	182,921
La Cuarta	132,325	142.352	166,765
La Nación	9,432	---	17,925
La Segunda (Evening Mo-Fri)	29,571	---	----
Free Daily Publimetro	110.933	194.667	
Free Daily La Hora	99,030		
Total:	506,400	548,967	848,105

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

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The major Santiago current affairs magazines published for nationwide readership include the weekly Qué Pasa (approximately 172,000, circulated with the Friday edition of La Tercera), and biweeklies El Periodista, of independent leftist orientation (circulation 8,000), and independent conservative Ercilla, with an approximate circulation of 10,000.

Three business-oriented publications – the biweekly Capital (13,800), and monthly AméricaEconomía (9,500), and Gestión – focus on business and professional audiences. Two biweeklies with Life-magazine style formats -- Cosas (30,500) and Caras (25,000) – 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	<a href="http://www.emol.cl">www.emol.cl</a>
Consortio Periodístico de Chile (COPESA)	<a href="http://www.copesa.cl">www.copesa.cl</a> or <a href="http://www.latercera.cl">www.latercera.cl</a>
Economic and financial daily Estrategia	<a href="http://www.estrategia.cl">www.estrategia.cl</a>
Economic and financial daily DiarioFinanciero:	<a href="http://www.df.cl">www.df.cl</a>

Useful web links for major Television stations

National Televisión (TVN):	<a href="http://www.tvn.cl">www.tvn.cl</a>
Catholic University of Chile TV (TVUC):	<a href="http://www.canal13.cl">www.canal13.cl</a>

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% or more for direct sales to consumers, or 20 to 30% each for the importer/distributor and the retailer when a distribution chain is in place. The final price for mass-market items should be competitive with imports from Asia and/or Brazil. Higher-priced items must identify niche market segments to prosper. More specialized products are sold by stocking distributors or by commissioned agents who generally earn margins of 5 to 10% on their sales.

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

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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 law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on 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)
- Instituto Nacional de Propiedad Industrial (INAPI) [www.inapi.cl](http://www.inapi.cl)

## **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, that 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.
    - For an in-depth examination of IPR requirements in specific markets, toolkits are currently available in the following countries/territories: Brazil, Brunei, China, Egypt, European Union, India, Italy, Malaysia, Mexico, Paraguay, Peru, Russia, Taiwan, Thailand, and Vietnam.
    - For assistance in developing a strategy for evaluating, protecting, and enforcing IPR, use the free **Online IPR Training Module on [www.stopfakes.gov](http://www.stopfakes.gov)**
    - 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) the officer in Brazil for Latin America.

### **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). The Patent Cooperation treaty was approved in Congress, however its implementation is expected by mid 2009.
- 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 % 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 resources 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 Instituto de Propiedad Industrial," Tel: (56-2) 687 – 4605, or on the web at [www.inapi.cl](http://www.inapi.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)

## Web Resources

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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>
National Chamber of Commerce	<a href="http://www.cnc.cl">www.cnc.cl</a>
Santiago Chamber of Commerce:	<a href="http://www.ccs.cl">www.ccs.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

### **Commercial Sectors**

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

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

### Overview

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	2007	2008	2009 (estimated)
Total Market Size	1,038	2,243	2,258
Total Local Production	250	240	245
Total Exports	Negligible	Negligible	Negligible
Total Imports	788	2,003	2,013
Imports from the U.S.	194	260	273

(In millions of U.S. Dollars. Source: Legal Publishing)

Chile's market for computers and peripherals has been showing positive growth over the last three years, however it is expected that the worldwide economic crisis will affect this industry. The sustained 13% growth of the last few years will probably decrease to 5%, in 2009.

Chile's information technology industry continues to present hardware demand for residential use; sustained notebook sales with brand preferences in the following order: Hewlett Packard, Dell, Packard Bell, Acer, Sony, and Lenovo; modernization of information technology infrastructure; and increase of data center services.

The "Digital Strategy, 2007 – 2012", implemented by the Chilean government to further the country's information technology development and to foster Chile's overall progress includes: a) increasing connectivity and access, which represents a geographic breach between distant regions and the central part of the country; b) electronic government, to provide innovative solutions for an integrated and transparent management and administration; c) adoption of IT in the private sector and clusters, to foster SMEs in IT use and decrease the gap between large companies and small ones; d) education and training, to expand infrastructure and IT use in the country's public school system and among the adult population, as well as IT training to improve the education level of the most disadvantaged; e) off shoring, as a strategic niche for the country's development; and f) improvement of environmental conditions, applicable to all previous steps.

### Best Prospects/Services

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Hardware: Hard drives: more memory capacity with every model; some models with as much as 250GP, for fast and optimal performance; laptops including CD/DVC copying capabilities; cards for wireless internet access; etc.

Software: Antivirus with pro-active protection: software that monitors computer processes by detecting threats and eliminating viruses.

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 information technology 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 in Santiago at [Veronica.Pinto@mail.doc.gov](mailto:Veronica.Pinto@mail.doc.gov).

## **Construction (ACE/CON/BLD)**

### **Overview**

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The slowdown that followed the international financial and economic woes of 2008 will affect the construction industry in Chile as a whole. Chile's construction sector will probably grow little more than 1%, if it grows at all. This will be a sharp contrast with the 10% growth experienced annually for at least the last five years. Public sector funds will support most of the growth anticipated for 2009, as the Chilean private sector faces a severe contraction, reflecting the decline in demand and a credit crunch.

Private industry will develop public construction plans funded through special government funding initiatives. Industry experts forecast a reduction of 14.9% in sector growth, while the government plans to increase public spending by 64.8%. The U.S. will continue to be the largest single supplier to the Chilean construction industry, mostly in high tech building materials and capital equipment.

As the world's economy recovers in the months to come, the Chilean economy will recover accordingly and particularly the construction industry, which relies so heavily on the financial conditions prevailing in the world financial markets.

<b>Construction machinery</b>	2007	2008	2009 (estimated)
Total Market Size	1,178	1,303	1,300
Total Local Production	590	649	650
Total Exports	150	165	150
Total Imports	738	819	800
Imports from the U.S.	224	245	225

(In U.S. million of dollars. Source: Chilean Customs Data, industry experts and own elaboration)

The construction industry lost 12% of its jobs in 2008. However, industry analysts forecast that sectoral unemployment will go up to 15% through the course of 2009. The estimated labor force in the housing segment of the construction industry is around 0.6 million workers.

Based upon the most recent sectoral forecasts, the construction industry as a whole will invest around US\$22 billion in 2009, representing a meager 0.8% growth as compared to 2008. However, this growth has a quite unequal distribution, as is shown in the following chart:

	<b>2009 Investment US\$ billion</b>	<b>Growth 2008 (%)</b>	<b>Growth 2009 (%)</b>
<b>Housing</b>	<b>5.5</b>	<b>1.7</b>	<b>-14.9</b>
Public	0.9	41.6	-11.7
Private	4.6	-3.3	-15.5
<b>Infrastructure</b>	<b>16</b>	<b>17.2</b>	<b>7.7</b>
Public	15.7	8.0	-2.9
Private	0.3	21.2	11.7
<b>TOTAL INVESTMENT</b>	<b>22.2</b>	<b>12.0</b>	<b>0.8</b>

It is noticeable that the Chilean government for the most part makes available funding for private companies to develop the government's construction projects, without getting directly involved in construction, rather defining the requirements and providing the funds.

## **Best Prospects/Services**

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Chile manufactures limited types of construction equipment. Therefore, the majority of such equipment is imported. Even where domestic producers exist, imported construction machinery and supplies are often preferred for their quality and advanced technology. U.S.-made products are highly regarded by Chilean buyers, accounting for almost one-third of the Chilean market.

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

Main areas of business:

- Housing (all income levels, but with special emphasis on public works projects);
- Retail industry (the arrival of Wal-Mart to Chile should induce additional competition among existing retailers and construction of more supermarkets and more technologically sophisticated facilities along the country)
- Commerce, especially shopping malls;
- Educational and healthcare hospital construction
- Recreational complexes for tourism, cultural, and ecological purposes
- Industrial installations

## Opportunities

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- Low cost homes (it is highly recommended to partner with a Chilean counterpart)
- Public Works (BOT projects: highways, airports, ports, hospitals)
- Mining & general industry construction
- Private buildings (offices, hotels, first & second homes)
- Malls (Wal-Mart has announced the development of 60 new stores in Chile)
- Hotels (5 & 4 Star, mountain, lake and beach resorts)

During 2009, private investment in construction (housing and infrastructure) should be on the order of US\$ 5 billion. The Chilean Ministry of Public Works announced investments of several billion dollars, which will be realized under the existing private-public partnership and very successful 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 collection of toll-fees. These projects range from inter-regional and rural highways, to hospitals and jails. There are also projects that would include ports and the construction of new (and expansion of existing) airports.

Spanish, Italian, German and Chilean investors dominate the public highways concessioned to private investors. Public airports concessioned to private investors have the widest variety of investors, including Spanish, U.S., Canadian, Swiss, and Colombian, where Spanish investors 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. As a whole, the public-private partnership program started in 1996 by the Chilean government has allocated over US\$ 17 billion.

Private construction: During 2008, the private sector realized investments exceeding \$16 billion dollars, mostly related to construction and the development of commercial infrastructure, i.e., malls and strip malls, and industrial infrastructure (i.e., mining, forestry, energy, sanitary services). Based upon all the projected investment, private construction should resume this fast-paced growth in the years to come, after the current financial crisis is over.

Because of the U.S.-Chile FTA, the export of U.S. machinery for the construction industry has experienced a rapidly growing rate, capturing a 30% share of the market, thus representing the single largest supplier to the Chilean construction industry.

[www.cchc.cl](http://www.cchc.cl) : Chilean Chamber of Construction  
[www.mop.cl](http://www.mop.cl) : Ministry of Public Works  
[www.minvu.cl](http://www.minvu.cl) : Ministry of Housing and Urbanism  
[www.ingenieros.cl](http://www.ingenieros.cl): Chilean Association of Professional Engineers  
[www.colegioconstructores.cl](http://www.colegioconstructores.cl): Chilean Association of professional Construction Engineers  
[www.aoa.cl](http://www.aoa.cl): Chilean Association of Architectural Bureaus  
[www.colegioarquitectos.com](http://www.colegioarquitectos.com): Chilean Association of Professional Architects

## **Electric Power Equipment (ELP)**

The continued growth of electricity demand in Chile (5.3% average for the last decade) has generated a series of difficult years, due to the lack of enough energy sources and to the limited investment in generation and transmission. However, during 2008, Chile experienced negative growth of 1.2%, for the first time in 22 years. This reduction in growth, reflected in reduced demand, will allow the country to come to overcome the shortages forecasted in earlier years.

Fortunately, the energy shortages announced by sectoral authorities for 2008 did not materialize because the country managed to control usage. This due to the concurrence of two factors, the reduction in demand driven by the end of the year financial conditions and an unexpected response of consumers (residential, commercial and industrial) that managed to decrease energy consumption by almost 2% for the first time since 1982. However, the threats of energy shortages are not to be solved completely until the new investments come on stream after 2012 and beyond.

Chile is a net importer of oil and gas and as such has been severely hurt by recent international price hikes. In a previously untaken decision, the Chilean Government opened the possibility to foreign companies to participate in gas exploration, which made possible that U.S. companies bid and were granted exploration rights on a number of exploration tracks in the southernmost region of Chile.

During 2008, traditional power generation companies and a few new electricity suppliers began to invest in non-traditional renewable energy sources, namely wind power, solar, small hydro generation (up to 20 MW) and, most promising of all, geothermal energy. According to industry experts, Chile appears to be sitting on a large reserve of geothermal energy, but this needs to be properly assessed to realize its full potential. In this regard, there are two U.S. companies, one Canadian, one Italian, the Chilean state owned oil & gas company ENAP, and a large Chilean mining company actively involved in different degrees of investing to develop geothermal exploration. However, traditional sources of thermal generation, such as coal-fired plants, will have the largest share (87% or 1,064 MW) of all the new investment, to come, while hydro (13 MW) and non-traditional renewable energy sources will supply the balance (172 MW).



As in 2008, the electricity industry will see between 2009 and 2012 a strong push from the largest Chilean customers, i.e., electric distribution companies and mining companies, for new and larger supplies of electric power. This would represent business opportunities for tens of billions of dollars in new power generation and transmission investment projects, where Italian, Spanish and Australian investors seem to continue to have the lead.

<b>Electric Power Equipment</b>	2007	2008	2009 (estimated)
Total Market Size	380	734	625
Total Local Production	160	175	160
Total Exports	30	45	35
Total Imports	250	604	500
Imports from the U.S.	48	69	55

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

## **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 (the government recently announced the tightening of coal emissions)
- Combined-cycle gas fired plants (by the end of 2009 the first of two LNG regassification plants come on-stream)
- Dual gas/diesel fired plants
- Geothermal plants
- Wind generation plants
  - >0.3 MW - 10 MW, horizontal, variable speed, pitch reg., >50 mt. mast turbine
- Solar panels for water heating (the GOC launched a subsidy program for new low cost houses that incorporate this technology and induce saving in natural gas)

### **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, fume treatment technology and equipment.

## Distribution

- Electric control instruments
- High efficiency transformers
- Signal conditioners

## Opportunities

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Export opportunities in the area of electric power equipment are a consequence of a surge in power generation and transmission investment that will require direct investment and supplies, exceeding \$15 billion between 2009 and 2015.

## Web Resources

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

## Food Processing/Packaging Equipment (FPP)

### Overview

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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% of the country's GDP. During 2008, Chile exported approximately \$11 billion worth of agro-industrial products, ranked as number 17 among the world's food suppliers. Chile projects being among the top ten countries 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 with strict government sanitary policy, it is 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. The salmon growers have been facing hard times due to an outbreak of the ISA virus at salmon farms, which in turn opens opportunities for U.S. companies that export the newest veterinary and like products. 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.

	2007	2008	2009 (estimated)
Total Market Size	259	258	247
Total Local Production	7	7	5
Total Exports	Negligible	12	8
Total Imports	252	263	250
Imports from the U.S.	29	31	35

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

### 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 in R&D, technology, and to 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. Despite the present global economic crisis, Chile's processed food production sector and exports will continue to grow, and continue to develop its excellent potential.

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, has a program to attract foreign investors. CORFO funds lodging and transportation (local and regional) and participation in a weeklong program including site visits and meetings with the objective of gathering information leading to potential investment in the country. There are several contacts within Corfo, depending on the industry sub-sector involved, in relation to the foreign investment potential.

[http://www.corfo.cl/acerca\\_de\\_corfo/inversion\\_y\\_desarrollo/mision](http://www.corfo.cl/acerca_de_corfo/inversion_y_desarrollo/mision)

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))

- Trade One (Food packaging & logistics)  
November 3-6, 2009 – Espacio Riesco, Santiago, Chile ([www.trade-one.cl](http://www.trade-one.cl))  
This year, the U.S. will be the special guest with a special trade show: ExpoUSA

- AquaSur 2010 (Aquaculture Show)  
March, 2010 – Puerto Montt, Chile. (<http://www.aqua-sur.cl/>)

For additional information 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.com](http://www.chileoliva.com)  
Chilean Association of Poultry Producers: [www.apa.cl](http://www.apa.cl)  
Chilean Association of Pork Producers: [www.asprocer.cl](http://www.asprocer.cl)

For additional 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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	2007	2008	2009 (estimated)
Total Market Size	186.4	187.6	195.3
Total Local Production	22	22	21
Total Exports	5.4	5.5	5.3
Total Imports	169.8	171.1	179.6
Imports from the U.S.	60.2	62.1	65.1

(In millions of U.S. Dollars. Source: Legal Publishing)

According to the Ministry of Finance, Chile's 2009 budget assigned an 8.7% increase to the Ministry of Health in order to continue with healthcare expansion projects outlined by the current administration. During 2009, the total investment in the public healthcare sector will amount to US\$300 million and will include the construction of new hospitals and medical attention units, and the expansion and refurbishing of several medical centers throughout the country. Private hospitals are also expanding existing facilities or planning the construction of new ones.

In Chile, approximately 70% of the population is covered by public healthcare systems, while the remaining 30% is covered by eight private health insurance companies (ISAPRES).

The “Universal Access with Explicit Guarantees” or “Plan AUGE”, continues to be a priority for the current administration. This project, which started in 2005, ensures government-funded healthcare coverage for individuals regardless of age, class, and ability to pay. Currently, “Plan AUGE” covers 56 diseases in a wide variety of specialties, including mental illnesses. “Plan AUGE” is expected to expand to 80 diseases by 2010.

Two groundbreaking concession projects in the healthcare sector will be the construction of the Maipu and La Florida hospitals. According to the Ministry of Health, both projects will be awarded in April of 2009, begin construction during the second semester of 2009, and will be opened to the public by 2011. A third concession hospital – Colina Hospital - is currently in the pre-feasibility stage; however, according to the Ministry of Health, a final decision for this project should not be expected before the first two concession hospitals are up and running.

### **Best Prospects/Services**

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Since the implementation of the Free Trade Agreement between the United States and Chile, in 2004, most U.S.-made medical equipment enters Chile duty-free. Medical imports, like all foreign and domestic products, are subject to Chile’s 19% IVA (value added tax).

The United States has long been Chile’s most important supplier of medical equipment and devices, accounting for 30% of all imports. Many medical professionals study or receive training in the United States and prefer U.S.-made equipment. The U.S. industry is mainly facing competition from Germany (15% market share; i.e., Siemens and Karl Storz) and Japan (7% market share; i.e., Olympus and Shimadzu) in high technology products.

### **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 high quality equipment and infrastructure over 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 in Santiago at [veronica.pinto@mail.doc.gov](mailto:veronica.pinto@mail.doc.gov).

## Mining Equipment (MIN)

### Overview

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Mining production and exports represented 6.6% of national GDP in 2008 and copper mining production alone supported the bulk of the mining industry in Chile, with a 77% market share for the same year. After a number of boom years, driven by a frantic increase in copper prices (from US\$ 0.70/lb in 1997 to US\$4.3/lb in 2008), the Chilean mining industry will see a sharp slowdown in investment pace, mostly driven by the plunge of the international copper price (US\$1.40 per pound 01/29/09). Commodity price reductions combined with a strong decline in demand from traditional clients will cause Chile's income generated by the mining industry to shrink. In addition to copper, Chile is also a major world supplier of iodine, lithium, molybdenum, sodium and potassium nitrate, among many other non-metallic minerals.

Over recent years, the mining industry was investing not only in mining development and expansions, but in developing its own sources of energy, as each MW of energy unavailable represents large daily losses in lost production. Therefore, until the end of 2008, all large mining companies (all copper) developed investment projects that allowed them to secure much-needed energy along with minerals production.

Several planned investment projects were announced to come on-stream within the next 5-6 years, exceeding 18 billion dollars, to cover new mines, the expansion of existing ones and drastic changes in mining technology in some others. However, due to the decline in commodity prices (particularly copper prices), a fraction of these investments are being revised. Consequently, marginal mines presenting high production costs will not be developed or will be delayed until the industry goes through a cost rationalization process, the elimination of unprofitable units and a sharp reduction of costs. However, despite this not so "rosy" panorama, there are still important export opportunities in this industry, particularly for those offering technologies and products bringing cost reduction, improved productivity and more productive processes.

The Chilean mining industry's key players continue to be Canadian, Australian and some European companies in this vital industry for Chile. There is almost no U.S. presence in mining exploitation, but the U.S. continues to be the single largest mining equipment supplier.

	2007	2008	2009 (estimated)
Total Market Size	1,207	1,411	1,415
Total Local Production	485	500	500
Total Exports	35	42	35
Total Imports	757	953	950
Imports from the U.S.	300	348	340

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

## 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
- Any production process

## Opportunities

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Between 2009 and 2014, there will be investments on the order of \$18 billion. U.S. exporters will continue to have opportunities to supply Chilean importers, as the exchange rate continues to be favorable.

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

- EXPONOR: Exponor is a CS Certified Trade Show. The U.S. Pavilion held over 100 exhibitors during 2007. This trade show takes place in odd years in the city of Antofagasta. Exponor 2009 is scheduled for June 15-19, 2009: [www.exponor.cl](http://www.exponor.cl)
- EXPOMIN: Expomin is a CS Certified Trade Show. This is the world's largest mining trade show outside of the U.S. It has global attendance, gathering over 2,500 exhibitors. The official U.S. Pavilion usually takes half of the entire exhibit floor, with some 200 exhibitors. This show takes place in even years in Santiago, and Expomin is scheduled for late April, 2010, in the city of Santiago: [www.expomin.cl](http://www.expomin.cl)

## Pollution Control Equipment (POL,WRE)

### Overview

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	2007	2008	2009 (estimated)
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 US Dollars. Source: Unofficial estimates based on information from local industry sources.)

During the past 15 years, Chile has worked very hard to identify the many environmental problems in the country. It has conducted studies and implemented monitoring systems in order to dictate regulations and standards and define strategies for prevention, decontamination and clean production.

Today, Chile has a leading role in the region, due to its environmental laws and a stable economy. 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.

In the water/sanitary sector, regulations in place are key to generating a larger demand for pollution control equipment, specifically in water and wastewater treatment equipment and technologies, waste management and engineering, and consulting services. By 2010, Chile expects to reach 100% coverage in terms of potable water, sanitation, sewage, and 98% of water treated.

However, the area where Chile has made extraordinary progress is in waste management. Since 2005, Chile has put in place a Management Policy for Solid Waste. During recent years, Chile has approved several norms in this area, including a Regulation for Hazardous Waste. Currently, almost 60 % of total residential waste is disposed in landfills that have sanitary and environmental certification. Recycling of domestic solid waste has become a growing business. As of 2004, about 9% of solid waste from Santiago was recycled annually. The goal for 2010 is 20%.

### Best Prospects/Services

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- Water and Waste Water Treatment:
  - Project design and construction of water treatment plants;
  - Preventive maintenance techniques in water treatment plants, such as vibration, laser alignment, oil dialysis and others;
  - Models for the study of hydrodynamic behavior within certain processes;
  - Biological biosolid evaporation processes and the latest generation biosolid evaporation systems.
- Domestic or municipal solid waste:



Recollection, transport, and building of landfills, especially outside of Santiago;  
Solid and hazardous waste management and disposal.

- Industrial hazardous solid waste:  
Plastic/rubber liners for disposal sites;  
Hazardous/hermetic storage containers and drums;  
Recollection and disposal of construction and mining waste.
- Hospital waste:  
Container compressor systems or other financially viable systems;  
Safe waste-handling implements;  
Autoclave machines, vapor sterilization and related services.
- Consulting and engineering services.
- Environmental impact assessment.

## Opportunities

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The water and waste management sectors are the sub-sectors that offer the best market potential for U.S. companies as suppliers of environmental equipment, products and technologies.

In wastewater treatment plants, an investment of more than \$2 billion dollars is estimated 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% of the total cost of new water treatment plants.

The Santiago Metropolitan Region generates approximately seven million tons of waste per year, 50% of which is domestic waste. Nearly 60% of domestic waste is disposed of in landfills with environmental and sanitary guarantees.

By law, each municipality is responsible for the cleanliness and maintenance of its community. The municipalities are also in charge of calling for bids on solid waste projects.

## Resources

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National Environmental Commission: [www.conama.cl](http://www.conama.cl)

Association of Environmental Companies and Professionals: [www.aepa.cl](http://www.aepa.cl)

Environmental Commission of the Manufacturers Association: [www.sofofa.cl](http://www.sofofa.cl)

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

Superintendence of Sanitary Services: [www.siss.cl](http://www.siss.cl)

Asociación Chilena de Municipalidades: [www.munitel.cl](http://www.munitel.cl)

## Safety and Security Equipment (SEC)

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	2006	2007	2008
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

(Figures are in millions of U.S. dollars. Source: Chilean Customs Service)

Chile's market for safety and security equipment has been growing at a steady rate. The U.S. continues to maintain the highest market share. Last year alone, the U.S. held an estimated 20% of the market, followed by China with 17% and France with 16%.

Trade opportunities for U.S. suppliers of security equipment have been extensive in the commercial and industrial sectors. The local market has incorporated new technologies in order to guarantee a safer environment for companies and industries.

The market for products for residential security has also increased, largely due to the increase in violent crime over recent years. Important indicators of this increase in trade opportunities can be seen through the implementation of national strategies for public security by the Chilean government's Ministry of Interior. The government's strategy for this implementation includes strengthening the police force, providing a unified public information system, prevention control and rehabilitation, and victim assistance.

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Personal safety and security products, with an emphasis on access control, fire detection, home automation, CCTV and outdoor photoelectric beam detectors for perimeter protection, are among the best prospects. Other excellent prospects include integrated systems, sprinkler systems, signage and lighting, as well as guard services for residential neighborhoods, institutions and industrial parks.

In the years 2004 and 2006, respectively, government prioritization concerning public safety and security took shape. Since then, numerous construction projects in the health, industrial, banking, and educational sectors have been setting the pace for the future integration of state of the art security equipment.

In addition, what is planned for 2009 involves legislation regulating private security, which today represents an annual growth rate of 8%. This encompasses 2,300 companies. This sub-sector is where the demand for the import of security technology and equipment lies. Interest in any future projects can be reviewed via the government web-site: Ministry of Interior: [www.interior.cl](http://www.interior.cl)

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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, Commercial Specialist, U.S. Commercial Service, U.S. Embassy in Chile: [Marcela.Cintron@mail.doc.gov](mailto:Marcela.Cintron@mail.doc.gov).

## Telecommunications Equipment (TEL)

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	2007	2008	2009 (estimated)
Total Market Size	967	1,309	1,210
Total Local Production	Negligible	Negligible	Negligible
Total Exports	Negligible	Negligible	Negligible
Total Imports	967	1,309	1,210
Imports from the U.S.	141	161	185

(In Millions of US Dollars. Source: Unofficial estimates based on info from industry sector sources.)

The telecommunications equipment sector has grown at an annual rate of 14 % over recent years. Currently, more than 90% of Chileans own a cell phone. The mobile telephony market is expecting to achieve 100% penetration by 2010 with 17.5 million subscribers and nearly 105 % by 2011. By 2011, internet market penetration is expected to be 40%. Chile's fixed-line market will decline below three million in 2011, with penetration of just over 17%.

Chile's government continues to implement policy so as to continue its IT leadership position in Latin America. In January 2008, the Chilean government launched an official digital strategy, which lays out guidelines for IT development and economic growth. The sector has improved efficiency significantly in recent years, but mostly for the private sector. Efforts to increase telecom's influence in the public sector are in the beginning stages. The newest initiative is with the Chilean Health Informatics Association (ACHISA), which was formed to improve servicing productivity through better IT services.

### Best Prospects/Services

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Due to the high rate of internet penetration and the competitive internet service provider market, the country has the ability to rapidly absorb new technologies, such as equipment for 3G WiMax, WiFi and other state-of-the-art technologies.

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

Telecom companies in Chile are highly competitive in their efforts to attract more customers. The operators are interested in providing their customers with new and attractive value-added services, such as cellular messaging, hot lines, home security services and others to compete with other operators.

## Opportunities

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Chile's telecom regulator, Subtel, has presented a US\$ 4.5 million plan for installing modern telecommunications infrastructure in isolated areas of the Aysén region in the south of Chile.

Chile is improving its public health electronic recording systems. The specific need is for solutions that will permit submission of clinical data supplied by medical doctors. The Health Ministry plans to have an annual budget for network and IT systems of US\$ 9.5 million, starting in 2009.

Chile's Supreme Court recently ruled that the maximum block for each mobile operator could not exceed a total of 60MHz. This opens opportunities for new players, which will focus specifically on 3G.

## Resources

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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)

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

## Travel and Tourism Services (TRA)

### Overview

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	2007	2008	2009 (estimated)
Total Outbound Travelers	2,414,383	2,427,529	2,800,000
Total Travelers to Latin American countries	1,707,762	1,693,423	2,050,00
Total Travelers to the United States	294,172	322,496	360,000

(Statistics provided are amount of travelers. Source: Junta de Aeronáutica Civil, [www.jac-chile.cl](http://www.jac-chile.cl))

The United States remains Chileans' preferred overseas destination for travel. The United States attracts Chileans because of its excellent tourism infrastructure, amusement parks, family entertainment, in addition to shopping and other recreational activities. Chileans travel to the United States for vacation, business, school, and to visit relatives.

Brazil and Argentina are Chileans' preferred destinations in Latin America. Many Chilean travelers often select these countries because of their close proximity and the absence of visa and passport requirements. Also, many Chilean companies have subsidiaries and do business in other Latin American countries.

The peak travel season for Chileans, which every year represents approximately one third of total year traveling, are the summer months of January and February. The spring school break in September and winter school break in mid-July are also busy travel times. During summer months, Chileans like to go to the beach for vacations with their families. The Caribbean is a preferred beach destination because of their white-sand beaches, calm waters and "all-inclusive" resorts.

It should be noted that the economic downturn in the U.S. could greatly affect travel plans of Chileans to the U.S. in 2009.

### **Best Prospects/Services**

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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.
- 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, Wet 'n Wild, Bush Garden and others.
- Studying English as a second-language has an increased demand in high school and with college students and young business people.
- Conventions and trade shows.
- Shopping packages which include airline ticket, hotel, and transportation to shopping outlets.
- Cultural activities, concerts and other related events.

### **Opportunities**

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There are many programs and services available for U.S. suppliers of travel and tourism services to increase their sales in the Chilean market, such as:

- Become member of the Visit USA Committee ([www.visitusa.cl](http://www.visitusa.cl))
- Use U.S. Commercial Service services, such as conducting a Single Company Promotion ([www.buyusa.gov/chile](http://www.buyusa.gov/chile))
- Participate in the Visit USA Show, the most important event held in Chile to promote exclusively U.S. destinations, services and products.
- Organize fam trips for journalists and tour operators.
- Publicize in local travel and tourism magazines.

Training seminars for travel agents are held monthly at the U.S. Embassy. These seminars provide specific information on key destinations. The travel agents consider these seminars extremely helpful to increase their sales, especially for non-traditional destinations.

The largest and most important annual event is the "Visit USA Show" which takes place in Santiago, Chile. Exhibitors include local tour operators, airlines, car rentals, cruise lines and others. From the United States, exhibitors include offices of tourism and convention bureaus, hotels, attractions, shopping malls, parks and many others.

The next Visit USA Show will take place from April 20-21, 2009, at the InterContinental Hotel, Santiago, Chile. Participation fee is US\$ 450. U.S. companies interested in participating, please contact: [Isabel.valenzuela@mail.doc.gov](mailto:Isabel.valenzuela@mail.doc.gov).

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- Visit USA Committee: [www.visitusa.cl](http://www.visitusa.cl)
- Revista del Domingo de El Mercurio: [http://diario.elmercurio.com/2009/01/30/revista\\_del\\_domingo/\\_portada/index.htm](http://diario.elmercurio.com/2009/01/30/revista_del_domingo/_portada/index.htm)
- Revista Travel Time: [www.revistatraveltime.com](http://www.revistatraveltime.com)
- Revista En Viaje de La Tercera: <http://docs.latercera.cl/especiales/2006/vacaciones2006/index.htm>
- Revista La Agencia de Viajes, Ladevi: [http://www.ladevi.com.ar/web/products/ladevi\\_col\\_eng.php](http://www.ladevi.com.ar/web/products/ladevi_col_eng.php)

## 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 26% of Chile's GDP in 2007 with sales of U.S. \$35.3 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 1% 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 799. 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**

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The institutional food service market reported sales of US\$900 million for 2007, and the top three companies (Sodexo Chile S.A., Central del Restaurantes, Compass Catering S.A.) control 64% 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% 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-October 2008, the following U.S. processed food products showed promising growth in exports to Chile: poultry meat (550%), wine and beer (383%), processed fruits and vegetables (260%), nursery products and cut flowers (240%), fresh fruits (140%), dairy products (109%), breakfast cereals and pancake mix (72%), snack foods (55%), eggs and products (55%), red meats fresh/chilled/frozen (47%) and tree nuts (40%).

#### 2008 Agricultural, Forestry & Fish Imports by Chile

Total (from world)	4,129
From the U.S.	458
U.S. Share	11.1 %
Chilean Surplus with U.S.	2,695

(In millions of U.S. dollars)

#### 2008 Principal U.S. Agricultural Exports to Chile

Wheat	132
Animal Feed	73
Coarse Grains	51
Other Intermediate Products	35
Dairy Products	28
Forest products	26
Planting Seeds	18
Cotton	12
Processed Fruits and Vegetables	12
Tree nuts	8
Snack Foods	7
Pet Food	3
Live Animals	2

(In millions of U.S. dollars; Source: U.S. Bureau of the Census Trade Data)

#### 2008 Principal U.S. Agricultural Imports from Chile

Fresh Fruit	1,081.9
Fish Products	819.4
Forest Products	552.8
Wine & Beer	179.7
Planting Seeds	165.0
Processed Fruits & Vegetables	156.6
Fruit & Vegetables Juices	86.2
Fresh Vegetables	9.1
Spices	4.7

Snack Foods	3.3
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(In millions of U.S. dollars; Source: U.S. 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% of U.S. exports to Chile were eliminated immediately. As of January 2007, 97% of all U.S. exports to Chile are duty free. The remaining 3 % 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% duty.

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

## Trade Barriers

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Chile 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.

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 % per year of use, up to a 70% 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 a country that has made a notable effort to develop standards in accordance to its increasing needs for them, as it has become an important economy in the region. Its growing export industrial base has proven to be the reason the general policy for defining technical regulation has expanded to comply with international standards under the guidelines of the World Trade Organization (WTO) Committee on Technical Barriers to Trade. In situations where required standards do not exist, the general policy is to turn to Chile's largest trading partners, including the European Union and the United States, to see what are the generally accepted norms that are being implemented.

The “Instituto Nacional de Normalización” or National Standards Institute (INN) is the institution that is responsible for overseeing and developing the use of technical regulations in standardization and accreditation in Chile. In most cases, all high profile standards are handled by Chile’s central government offices and certification is done through accredited institutions. The accrediting institutions may have private, public, national and even international origin. An example of this, is how the INN has accredited the U.S.-based Underwriters Laboratories (UL) to issue product certification.

Other interesting factors influencing local policy in standardization are included in the recently enacted U.S.-Chile FTA. The FTA addresses technical barriers to trade and calls on both countries to intensify their joint work in the field of standards, technical regulations, and conformity assessment procedures. This facilitates access to each other’s markets as well.

The countries agree 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).

## 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/>

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

- |   |       |
|---|-------|
| 1) Testing laboratories                   | (200) |
| 2) System Quality Auditors                | (80)  |
| 3) Inspection organizations               | (55)  |
| 4) Product certification                  | (40)  |
| 5) Calibration laboratories               | (40)  |
| 6) Quality Management Systems (QMS)       | (8)   |
| 7) Environmental Management Systems (EMS) | (2)   |

A few of the locally accredited organizations are:

Name	Address in Chile	Telephone
SGS ICS (Switzerland) / ISO9000 <a href="http://www.sgs.com">www.sgs.com</a>	Ignacio Valdivieso 2409 San Joaquín, Santiago	(56 2) 555-8478
Underwriters Laboratories UL (U.S.) <a href="http://www.ul.com">www.ul.com</a>	Málaga 115 Of. 703 Las Condes, Santiago	(56 2) 378-0990
ICONTEC (Colombia) / ISO9000 <a href="http://www.icontec.org.co">www.icontec.org.co</a>	Augusto Leguía Norte 100 Of. 306 Las Condes, Santiago	(56 2) 657-8907
IRAM (Argentina), Certificación de Sistemas / ISO9000 <a href="http://www.iram.org.ar">www.iram.org.ar</a>	Av. 11 de Septiembre 1881, Of. 1714 Santiago	(56 2) 233-5409
AENOR (Spain) División de Certificación de Sistemas / ISO9000	Andrés Bello 2711, Of. 2402 Las Condes, Santiago	(56 2) 499-9200
CESMEC Ltda. (Chile), División Certificación / ISO9000 <a href="http://www.cesmec.cl">www.cesmec.cl</a>	Av. Marathon 2595 Macúl, Santiago	(56 2) 350-2100
DICTUC S.A., (Chile) <a href="http://www.dictuc.cl">www.dictuc.cl</a>	Av. Vicuña Mackenna 4860 Macúl, Santiago	(56 2) 354-4886
Fundación Chile (Chile) <a href="http://www.fundacionchile.cl">www.fundacionchile.cl</a>	Av. Parque Antonio Rabat Sur 6165 Vitacura, Santiago	(56 2) 240-0300
Bureau Veritas S. A. (France) <a href="http://www.bureauveritas.cl">www.bureauveritas.cl</a>	Av. Isidora Goyenechea 3250, Piso 7 Las Condes, Santiago	(56 2) 485-9000
ISP (Instituto de Salud Pública de Chile) <a href="http://www.ispch.cl">www.ispch.cl</a>	Av. Marathon 1000 Nuñoa, Santiago	(56 2) 350-7477
IDIC (Instituto de Investigaciones y Control) (Chile)	Avda. Pedro Montt 2050 Santiago Centro, Santiago	(56 2) 520-7700
SAG (Servicio Agrícola y Ganadero) (Chile) <a href="http://www.sag.cl">www.sag.cl</a>	Av. Bulnes 140, Piso 8 Santiago Centro, Santiago	(56 2) 345-1104



Salimax (Chile) <a href="http://www.salimax.cl">www.salimax.cl</a>	Málaga 115 Of. 703 Las Condes, Santiago	(56 2) 799-0748
Corthorn Quality (Chile) <a href="http://www.corthorn.cl">www.corthorn.cl</a>	Palacio Riesco 4549 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 U.S.-Chile FTA includes an agreement on red meat grading standards, which now allows U.S. boneless red meat products to be sold in the Chilean market according to U.S. standards.

### 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 government bulletin is the “Diario Oficial”. Once regulations are approved by the INN, and officially accepted by Chile’s central government, they are published in the “Diario Oficial” and only those approved are published. Proposed regulations are never published in the “Diario Oficial”.

Regulations currently under discussion, a schedule of upcoming standards development committee meetings and a forum for public comment are available on the INN web page at [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 most procedures. Moreover, well, institutions and company representatives can be active participants or observers in the committee that is created when defining a certain standard. U.S. company representatives have, in fact, participated in such study discussions. The application request is available on-line.

### Labeling Requirements

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As described previously in this section, Chile has fairly common labeling requirements for imported products. Among the most important requirements for U.S. exporters is that labeling must be in Spanish and measurements must be metric. In addition, consumer products must display the country of origin before being sold in Chile. Packaged goods

must be marked to show the quality, purity, ingredients or mixtures, and the net weight or measure of the contents.

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

Canned or packaged foodstuffs imported into Chile must bear labels in Spanish for all ingredients, including additives, manufacturing and expiration dates of the products, and the name of the producer or importer. All sizes and weights of the net contents also must be converted to the metric system. Goods not complying with these requirements may be imported but not sold to consumers until the conversion is made. Thus, foodstuffs labeled in English have to be re-labeled in Chile before they can be sold. For information on Chile's labeling requirements for food, see the Foreign Agricultural Service's Food and Agricultural Import Regulations at [www.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 Ms. Marcela Cintron, Phone: +56-2-330-3402; Fax: +56-2-330-3172; E-Mail: [Marcela.Cintron@mail.doc.gov](mailto:Marcela.Cintron@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 54 Trade Agreements and the government of Chile is continually negotiating agreements with many other countries. 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 Perú.

This network of trade agreements has significantly improved market access for Chilean products and exports. Chile sends roughly 30% of its exports to Asia, 25% to the European Union, 20% 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).

U.S. Government: [www.export.gov](http://www.export.gov)  
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. Government information on exports controls: [www.export.gov/exportcontrols.html](http://www.export.gov/exportcontrols.html)

Government of Chile: [www.gobiernodechile.cl](http://www.gobiernodechile.cl)  
Ministry of the Economy: [www.economia.cl](http://www.economia.cl)  
Standards Development Organization: [www.inn.cl](http://www.inn.cl)  
Ministry of Foreign Affairs (Economic Directorate): [www.direcon.cl](http://www.direcon.cl)  
Customs Service: [www.aduana.cl](http://www.aduana.cl)  
Institute of Public Health: [www.ispch.cl](http://www.ispch.cl)  
Agriculture and Livestock Service: [www.sag.cl](http://www.sag.cl)

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## Chapter 6: Investment Climate

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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 to FDI 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;
- to participate in any form of investment;
- to hold assets indefinitely;
- to remit or reinvest earnings immediately and to remit capital after one year (or immediately with authorization from the FIC);
- to acquire foreign currency at the inter-bank rate of exchange; and,
- to opt for either national tax treatment, under which local firms are currently taxed at a rate of 35% on fully distributed earnings, or for a guaranteed tax rate currently set at 42%.

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 of those 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% 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 incentives 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 FDI, especially in the mining sector. According to the United Nations Conference on Trade and Development's 2008 World Investment Report, the stock of total FDI in Chile reached 64.4 % of Gross National Product in 2007, up from 48.1 % in 1990. The average world figure for 2007 was 27.9 %. Chile's total stock of foreign direct investment between 1974 and 2007 totaled USD 91.5 billion.

During 2007, FDI worth USD 7.3 billion was implemented through DL 600, representing a 23.8% increase on the previous year and representing 70.7% of total FDI gross inflows.

Another USD 5.6 billion entered through Chapter XIV of the Central Bank's Compendium of Foreign Exchange Regulations(CFER), totaling a stock of USD 7.3 billion in 2007. A third mechanism of the CFER played an important role between 1985 and 1991, totaling USD 3.6 billion. However this mechanism is no longer in operation.

Since 1990, multinational companies have committed more than USD 55 billion to Chile, a significant amount in an economy whose GDP reached USD 162.5 billion in 2007. 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 \$10.5 billion for the January to mid-December period of 2008, a 44% increase over the same period of 2007. The trend of 2008 FDI shows an interesting level of diversification. According the FIC, while the mining sector (43.8%) continues to be the largest recipient of FDI, non-mining projects such as electricity, gas, water, general services, and transportation and communications accounted for 56.2% of investment.

Although Chile clearly encourages foreign investment, some restrictions 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% 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 under the so-called II Capital Market Reform Bill. Some of these measures were approved on June 2007 under Law 20.190 that introduced tax incentives to promote the venture capital industry. The law encourages financial resources availability for small and medium-size companies (SMEs). The regulation provides tax benefits applicable to public as well as private funds. The law also provides benefits to investors that invest in venture capital companies with annual sales below 200 thousand UF (about US\$7 million) as well as investment funds that invest in larger companies with annual sales below 400 thousand UF (about US\$14 million). (Note: UF - Creation of an indexation system for the economy, based upon the existence of the Unidad de Fomento (UF), which in essence is a way of adjusting the value of any asset or liability for inflation, so that it maintains its value over time, in real terms. This value is adjusted daily by the Chilean Central Bank. As of January 14, 2009 1UF= CHP 21,396.29 and 1USD= CHP614.85)

The law authorized CORFO (Chile's Development Promotion Agency, [www.corfo.cl](http://www.corfo.cl)) to take an equity position of up to 40% in specialized venture capital funds. It also allows banks to invest up to the equivalent of 1% of their asset base in venture capital, through investment fund administrators and subsidiaries.

Pursuant to 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 5% of sales. The same restriction applies to payments for the use of patents that exceed 5% 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 5% of sales from being counted as expenses for domestic tax purpose.

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, a claim for arbitration can be submitted by the investor. 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. 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.

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. An example of an investment made under the plan is a proposed investment in a solar energy project worth USD 1.4 billion by a South Korean company in the northern desert of Chile during 2008. 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.

### **Protection of Property Rights**

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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. Chile remained on the priority watch list for 2008.

There are substantive deficiencies in Chile's IPR laws and regulations, as well as overall inadequate IPR enforcement. The main concerns involve patent and test data protection in the pharmaceutical sector and copyright piracy of movies, music and software.

Chile, as a member of the WTO, chose to qualify as a developing country for meeting its obligations as a TRIPS signatory. Chile's Congress 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. In 2007, Chilean Investigative Policy inaugurated a new unit focused on combating violations of IPR. However in some cases, 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%. 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 which has occurred in recent years. The most significant step was the introduction of draft legislation in May 2007 on trademarks and copyrights. This bill remains under consideration in Congress. During 2008, Chile approved the Patent Cooperation Treaty, part of Chile's Free Trade Agreement obligations to the U.S.

After seven years of discussion in Congress, the Chilean government passed the law that creates the National Institute of Industrial Property (INAPI) replacing the existing Department of Industrial property. INAPI is a technical and legal agency in charge of all the administrative actions related to industrial property registration and protection. INAPI will have regulatory and enforcement authority and will be overseen by the President of the republic, through the Ministry of Economy.

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 on 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 former Industrial Property Department, Chile's patent and trademark office, to prevent this from undermining 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. By mid-2008, the Ministry of Health placed on its website for public discussion draft regulations which would be a partial step forward in the area of protecting clinical data. However, these regulations are still in draft form and have yet to be published and/or implemented.

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 (Chile, CL)

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).

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 Administradora de Fondos de Pensiones) industry now allow fund administrators to operate five funds with different risk-return profiles instead of the single fund. This reform to the pension funds also promoted alternative voluntary pension plans (mirroring the U.S. 401K option).

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 (a tax charge to all credit operations both to individuals and companies), 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 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.

In June 2007 a second capital market reform came into force, which aims to promote the development of the venture capital industry, strengthening the stock and exchange market and deepen the Chilean financial markets. Currently, the GOC and the private financial sector are working on the drafting of a third capital market reform aimed at providing better levels and quality of credit to SMEs and internationalizing the Chilean capital market.

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 Santiago Stock Exchange, as of December 2008, was one of the least impacted by the international financial crisis in the region. The IPSA dropped by 24.5% in 2008, vis-à-vis a 36.4% in the equivalent Dow Jones Industrial Average, 40% by Brazil's equivalent BOVESPA, and 50.8% by Argentina's equivalent Merval. The Chilean sovereign spread (EMBI) reached 353 basis points, in contrast to the 739 basis point average for Latin American, 619 basis point average for Asia and 707 basis point average for Europe.

The main institutional investors and suppliers of capital to local companies are the pension fund administrators. They managed a total investment portfolio of USD 111 billion as of December 2007, representing about 78% of Chile's GDP.

In 2007, pension fund administrators diversified their total portfolio investments as follows: 26.2% in the corporate sector, 7.8% in bonds with the Central Bank, 30.4% in the financial and banking sector, and 35.6% overseas. The majority of foreign investment was concentrated in emerging economies (56.5% of the total), with 41.8% carried out in developed economies.

The GOC has been consistently raising the percentage of pension funds that can invest overseas. In 2008, a reform package of the pension system was approved by Congress increasing the threshold for pension fund administrators to invest abroad (from 30 to 80% of their funds). The reform package also set the foundation on which to build a "solidarity pillar" to increase coverage among lower income contributors and self-employed workers and expand social security assistance coverage.

The Chilean banking system is sound and competitive, meeting Basel standards. There are currently 24 banks, and 12 are foreign-owned representational branches. Out of the 24 banks operating in Chile only two of them are totally owned by Chilean economic groups, (BCI and Corpbanca) the rest have some levels of incorporation with foreign institutions. Foreign banks can compete on the same terms as their domestic rivals. There are also 5 local Loan and Saving Corporations and there is one state-owned bank, Banco Estado, which is the nation's third largest. Private banks manage most corporate business.

During 2007, the banking system registered profits of USD 1.84 billion, a 9% increase compared to the previous year. Total loans grew at only 12.84% compared to the 2006 average of 15.41%. Even though banking activity continued growing during 2007, there was a general deceleration on lending capacity especially in consumer loans.

Company/business loans increased 12.77%; again lower than the same period the previous year (14.53%). This is explained by a slowdown in the growth of international trade loans that increased only by 5.06% compared to the 29.86% growth in 2006. Commercial loans grew by 14.56%, a 9% increase compared to the previous year (13.18%). Commercial loans represented 86.33% of total loans. Loans to individuals showed an annual increase of only 12.96%, due to a sustained decrease in the growth of consumer loans (only 7.78%), while in 2006, it increased by 21.65%. Mortgage loans increased 16.22% in 2007.

As of December 2007, Chilean banking system return on capital and reserves was 16.23%, a bit lower than the 18.61% figure recorded in 2006.

Three large, high-volume banks control roughly 62% of total loans: Santander-Santiago (12.84%), Banco de Chile (18.50%) and Banco Estado (12.18%).

Chilean banks posted a net profit of US\$1.3 billion in the first 10 months of 2008. Banco Santander-Santiago, Chile's largest bank and a unit of Spain's Santander saw profits of US\$420.1 million for the January-October period, while the number two bank, Banco de Chile earned US\$363.3 million for the same period.

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. Chilean banks have 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 Chile's Asian Pacific trading partners, mainly in China.

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% of LQ Financial Investments Inc., which is the controller of Bank of Chile's operations. The closing date for the operation was 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 5% of the capital and reserves of a bank for collateral-free loans and at 25% for collateralized loans (fixed assets).

Summary of Chilean Banking System (2007):  
(In millions of U.S. dollars)

Total Loans - 128,545  
Deposits - 100,577  
Net Income - 1,955  
Total Assets - 173,967  
Capital and Reserves - 12,048

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 % 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 (2007)

- Banks and Financial Institutions: 24 participants. Total Loans: USD 129 billion, a 31 % increase from 2006 (98.7 billion).
- Pension Funds: 6 administrators. Funds under management: USD 111 billion corresponding to 8.3 million contributors as of September 2008.
- Insurance Companies: 51 (21 general insurers, 30 life insurers).
- Financial investments: USD 25.5 billion.

According to the Global Competitiveness Forum Report 2008-2009, Chile is the most competitive country of South America and the third most competitive of the Americas after the U.S. and Canada. Chile is ranked 28<sup>th</sup> in the world.

#### **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 saw 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 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. In response to this scandal and to strengthen its own institutional framework, the government introduced 30 anti-corruption measures. This Transparency and Accountability Agenda seeks to increase access to public information, reduce administrative irregularities and violations of accountability standards and improve hiring mechanisms and system controls.

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 the 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 were under investigation. As of mid-2008, the Chilean courts have indicted most senior executives at the EFE, accused of fraud and mismanagement of fiscal resources. The same has occurred in the case of ChileDeportes, but investigations continue in Congress in order to reform the Chilean sport promotion programs and avoid misuse of government resources.

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. Bribery investigations are conducted by the GOC's General Comptroller's Office.

In 2007 a new law came into force that provides protection for public employees who denounce irregularities or violations in accountability standards and at the same time, Chile ratified the United Nations Convention against Corruption.

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

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 2006, 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% 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 % of annual payroll) from corporate tax payments. A company can also use 10% of the rebate to finance an analysis of its training needs, and 15 % 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 caused 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 and forestry sectors.

In Chile, more than 50% of the companies are estimated to subcontract part of their production, while 20.7% subcontracted their main economic activity. Prior to the law, a full 35% 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 %) 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 1974 and 2007, gross materialized foreign investment totaled USD 82 billion. During the 1990s, investment represented an annual average of 6.4% of Chile's GDP, rising to an annual average of 8% between 1995 and 2000. After this period, FDI inflows to Chile dropped significantly until 2006 when it reached 55.4% of GDP. In 2006, the average world figure was 24.8%.

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.

However, during 2007-2008 Chile managed to change the downturn in FDI inflows and materialized FDI into Chile totaled USD 7.3 billion and authorized FDI amounted to 10.5 billion respectively. The stock of FDI reached 64.4%, while the world average in 2007 was 27.9% and in developing economies was 29.8%. That being said, much of the FDI

recorded in 2007 was really a product of mergers and acquisitions across different sectors of the economy.

The service sector attracted 44.8% of FDI, followed by mining (22.9%), electricity, gas and water (12.3%) and forestry plantations (7.9%).

Between 1974 and 2007, the following sectors accounted for foreign investment materialized through DL 600:

- Mining - 33%
- Engineering/ Business Services - 1%
- Electricity, Gas and Water - 20%
- Manufacturing - 12%
- Transportation/Communication - 11%
- Construction - 3%
- Agriculture, Forestry and Fishing - 1% each
- Sewage, Sanitation and related Services - 1%

Within the services sector, the most important components were:

- Financial Services - 10%
- Insurance - 3%
- Wholesale and Retail - 3%
- Other Services - 2%

The U.S. remains the single largest direct investor, accounting for 25% of inflows from 1974 – 2007, totaling USD 16.3 billion. Fruits and Forestry sectors represent about 57% of US FDI to Chile, followed by the food industry (38%), the Chemical industry (34%), agriculture (33%) and transportation and warehousing (29%). 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%
- Spain - 21%
- Canada - 16%
- United Kingdom - 9%
- Australia - 5%
- Japan - 3%
- Italy - 3%
- The Netherlands - 3%
- France - 2.0%
- Switzerland - 2%
- Others - 10.3%

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

Foreign investment (1974-2007)

Mechanism	1974-2002	2003	2004	2005	2006	2007
DL 600	52.4	1.3	4.6	1.8	3.2	1.2
- Equity	39.2	1.1	4.0	1.6	2.1	1.3
- Other capital	13.3	177	612	153	1.1	67
Chapter XIV	8.9	1.4	2.1	2.0	2.7	6.0
- Equity	6.7	1.2	1.1	1.5	2.5	5.7
- Other Capital	2.2	203	978	499	294	284
Total FDI	61.3	2.7	6.8	3.8	5.9	7.3
Remittances						
DL 600	12.1	954	4.9	2.6	3.2	883
- Repatriation						
Of Capital	5.1	248	3.2	2.0	1.9	588
- Repayments	7.1	706	1.7	582	1.3	295
Chapter XIV	1.9	781	1.0	913	1.4	901
- Repatriation						
of Capital	890	16	462	294	94	758
- Repayments	1.1	765	558	619	1.3	143
Total Remittances	14.1	1.7	5.9	3.4	4.7	1.8

(In billions of U.S. dollars; Source: Foreign investment Committee)

Foreign Investment DL 600. Authorized and Materialized by Selected Country of Origin

Country	1974-2000	2005	2006	2007	TOTAL
Argentina	504.8	3.8	74.9	24.2	498.3
Australia	1284.9	523.5	206.2	49.0	3,101
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	6721.7	80.9	1,832.7	170.4	10,575
China	84.1	0	0	1.9	86.1
Colombia	17.3	23.8	2.3	4.9	67.3
France	1226.9	4.7	21.4	12.0	1,385.8
Germany	418.0	22.1	160.8	17.6	711.9
Holland	1322.4	6.4	1.1	81.2	1,609.7
Inter Org	204.2	5.0	5.0	0	334.8
Italy	549.9	27.5	123.1	0	1,657.1
Japan	1486.9	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	25708	0	0	0	23.6
South Africa	419.1	0.466	2.2	1.4	402.9
Spain	8922.1	206.3	74.9	24.8	13,804
Sweden	59.4	2.8	2.9	1.2	251.0
Switzerland	1252.3	10.0	4.6	0	1,282.9
U.K.	3046.7	255.4	93.5	6.8	5,658.1
United States	337.5	240.7	16,310	240.7	16,310
Uruguay	107.5	0	0	0	109.1
Venezuela	124.9	0	0	0	126.6

(U.S. million dollars nominal; Source: Foreign Investment Committee)

Foreign Direct Investment (DL 600) By Year: 1974-2008\*  
Period Authorized Investment/ Implemented 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	7,340	
2008*	10,487	

(In U.S. million dollars nominal; Source: Foreign Investment Committee  
2008 Data from January until mid-December)

Authorized and Materialized Foreign Investment by Sector Under DL 600:

SECTOR	2007		1974 - 2007	
	Authorized	Materialized	Authorized	Materialized
	(Autorizada)	(Materializada)	(Autorizada)	(Materializada)
Agriculture	460	734	499,235	267,977

Forestry	135,120	107,690	562,761	373,478
Fishing and aquaculture	12,920	11,483	470,873	308,228
Mining	1,071,893	314,417	40,101,219	21,174,652
Food, beverages and tobacco	27,500	20,226	3,314,030	2,313,188
Wood and paper products	26,630	23,369	1,743,263	1,198,070
Chemicals	20,200	7,157	4,070,100	2,928,190
Other manufacturing industries	47,340	18,705	2,019,101	1,510,689
Electricity, gas & water	536,000	168,640	18,458,863	12,964,395
Construction	13,875	1,543	1,928,122	1,424,838
Wholesale and retail trade	385,050	262,638	2,290,587	1,583,888
Transport and storage	41,561	15,741	1,983,523	733,358
Communication	95,000	67,094	8,924,190	6,607,753
Financial services (1)	407,360	249,601	10,389,565	6,615,155
Insurance	8,200	10,268	2,696,565	2,104,016
Engineering and business services	84,750	71,472	1,140,118	733,111
Sewage, sanitation & similar services	0	0	884,376	522,644
Other Services (2)	44,701	20,301	2,106,588	1,336,901
TOTAL	2,958,560	1,371,079	103,583,079	64,700,531

((In nominal U.S. thousand dollars; Source: Foreign Investment Committee))

Sector	2007	1974-2007
Agriculture	23303	1744
Forestry	4253	1012
Fishing		92470
Mining		233736 2003037 349636 1159211
Food Manuf		44262 29394 54869 65,282
Wood/Paper		17386 40076 82303 4,070
Chemical Ind	93572 31960 270946 0	
Other Ind		85660 107119 19525 20,850
Electricity, Water and Gas	859772 473087 2193400 1,205,461	
Construction	28578 138245 119109 14,694	
Wholesale, Retail and Transport		142386 81826 17135 19,055
Warehousing		15036 5079 24111 165,731
Communications	855121 330622 1772642 65,076	



Fin services	262944 60061 11618 140,115	
Insurance		90428 20057 49409 22,525
Engineering		
And Bus serv	66174 38535 14371 53640	
Sewage,		
Sanitation and		
similar serv	1595 959 134 -0	
Other serv		122275 18720 24539 229,067
Total		3038951 3381533 5004176 3,185,214

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## Chapter 7: Trade and Project Financing

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- [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, visit the EXIM Bank 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.sbf.cl](http://www.sbf.cl)), an agency under the Ministry of Finance, regulates the financial sector. Chile's Central Bank, which is autonomous from the government in conducting monetary policy and regulating foreign capital movements, also regulates bank operations.

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 (Rep. Office) are in the market as well.

### Foreign-Exchange Controls

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

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

### U.S. Banks and Local Correspondent Banks

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U.S. Banks in Chile	Phone (56-2)	Fax (56-2)	Website
JP Morgan Chase Bank	425-5100	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. Exports 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.

<b>Banks operating in Chile</b>	<b>Phone (56-2)</b>	<b>Fax (56-2)</b>	<b>Website</b>
Banco BICE	692-2000	787-2230	<a href="http://www.bice.cl">www.bice.cl</a>
Corp Banca	687-8000	660-2366	<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	584-4001	<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	970-7000	970-5711	<a href="http://www.bancoestado.cl">www.bancoestado.cl</a>
Banco Itaú Chile	686-0000	686-0760	<a href="http://www.itaú.cl">www.itaú.cl</a>
Rabobank Chile	449-8000	449-8595	<a href="http://www.rabobank.cl">www.rabobank.cl</a>
Banco Falabella	385-9000	385-9009	<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	837-3499	<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-Chile	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)	233-4791	233-0835	<a href="http://www.bpba.com.ar">www.bpba.com.ar</a>
Banco Intesa SanPaolo S.P.A. ( Rep. Office)	432-1940	432-1945	<a href="http://www.intesasanpaolo.com">www.intesasanpaolo.com</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	<a href="http://www.calyon.com">www.calyon.com</a>
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	334-2848	<a href="http://www.credit-suisse.com">www.credit-suisse.com</a>
Dresdner Bank A.G. (Rep.Office)	657-1630	657-1730	<a href="http://www.dresdner-bank.com">www.dresdner-bank.com</a>
ING Bank N.V. (Rep. Office)	659-2700	659-2745	<a href="http://www.ing.com">www.ing.com</a>

<b>Banks operating in Chile</b>	<b>Phone (56-2)</b>	<b>Fax (56-2)</b>	<b>Website</b>
Société Générale (Rep. Office)	233-8125	658 32 43	<a href="http://www.socgen.com">www.socgen.com</a>
UBS A.G. (Rep. Office)	234-5555	234-5554	<a href="http://www.ubs.com">www.ubs.com</a>

Westlb AG (Rep. Office)	519-0200	334-0825	<a href="http://www.westlb.de">www.westlb.de</a>
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## Project Financing

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

The Overseas Private Investment Corporation (OPIC) is a business development 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)

Private companies can also take advantage of different programs like the World Bank's International Finance Corporation (IFC), which provides financing to private sector companies involved in certain types of infrastructure projects. The IFC is particularly interested in non-traditional industries, cross-border operations and asset securitization. See [www.ifc.org](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>  
Trade and Development Agency - <http://www.tda.gov/>  
SBA's Office of International Trade - <http://www.sba.gov/oit/>  
USDA Commodity Credit Corporation - <http://www.fsa.usda.gov/cc/default.htm>  
U.S. Agency for International Development - <http://www.usaid.gov>  
U.S. Commercial Service Santiago - [www.buyusa.gov/chile/en](http://www.buyusa.gov/chile/en)  
Inter American Development Bank - [www.iadb.org/](http://www.iadb.org/)  
The World Bank - [www.worldbank.org](http://www.worldbank.org)  
International Finance Corporation - [www.ifc.org](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 be advised that security options are handled via an interagency process. 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 United States-carrier to see if their phone is able to make international calls from Chile. Cell phones can be rented at kiosks in Santiago’s international airport.

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

## Transportation

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

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. 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 2009. Dates may vary year to year.

Holiday	Date
New Year's Day	January 1
Good Friday	April 10
Labor Day	May 1
Commemoration of the Battle of Iquique	May 21



Saint Peter and Saint Paul	July 29
Carmen's Virgen Solemnity Day	July 16
Assumption Day	August 15
Independence Day	September 18
Columbus Day	October 12
All Saints' Day	November 1
Immaculate Conception	December 8
Christmas Day	December 25

The following Chilean holidays fall on weekends and have not been included in the above list:

Holy Saturday	April 11
Easter Sunday	April 12
Assumption Day	August 15
Army Day	September 19
National Day, Evangelical & Protestant Churches	October 31
All Saints Day	November 1

## Temporary Entry of Materials and Personal Belongings

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

Chile is the first Latin American country to accept carnets  
<http://www.atacarnet.com/ATACarnetCountryAdvisories/ChileisRegionsFirsttoAcceptCarnets.aspx>

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

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

Chile will accept carnets for all three categories of goods:

- Exhibitions and Fairs
- Professional Equipment
- Commercial Samples

For temporary entry of food samples, see the Foreign Agricultural Service's

Food and Agricultural Import Regulations report at  
[www.fas.usda.gov/scriptsw/attacherep/default.asp](http://www.fas.usda.gov/scriptsw/attacherep/default.asp).

**Web Resources**

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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):

[http://www.embajadaeeuu.cl/OpenDocs/asp/pagDefault.asp?boton=Doc52&argInstanciaId=52&argCarpetalId=&argTreeNodosAbiertos=\(\)&argTreeNodoSel=&argTreeNodoActual=#anchorInicioPagina](http://www.embajadaeeuu.cl/OpenDocs/asp/pagDefault.asp?boton=Doc52&argInstanciaId=52&argCarpetalId=&argTreeNodosAbiertos=()&argTreeNodoSel=&argTreeNodoActual=#anchorInicioPagina)

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

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

### Contacts

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U.S. Commercial Service Santiago: [www.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)

### Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/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.

### Trade Events

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

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

<http://www.buyusa.gov/chile/en/160.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/76.html>

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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.