



Doing Business in Chile:

2010 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 sixth year, commercial trade, both in products and services, continues to be a resounding success. 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 2009, bilateral trade between the United States and Chile reached US\$ 15.4 billion, a 141% increase over bilateral trade levels before the U.S.-Chile FTA took effect. Even more impressively, U.S. exports to Chile in 2009 showed a 248% increase over pre-FTA levels. In 2009, the United States imported US\$ 6 billion from Chile while exporting US\$ 9.4 billion, experiencing a trade surplus for the second consecutive year since 2000.

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 amongst the lower poverty rate 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 2009-2010.

Since 2007, inflation has been decreasing as a result of the global financial crisis, which translated into the contraction of overall demand. The Central Bank is likely to meet the forecast inflation target of about 4% in 2010. 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. The copper price helped to improve Chile's macroeconomic indexes, contributing to further expand Chile's current fiscal surplus. The most optimistic experts forecast between 4.5% and 5.5% economic growth in 2010. Much of this will depend on the expected increase of commodity and industrial exports, and the recovery of the mining and construction industry sectors.

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. In January 2010, Chile became the 31st member

of the OECD. Chile is the first country in South America to win the honor to be accepted to the OECD's club of developed countries, and is only the second country to join in Latin America, after Mexico.

Since 1990, Chile has enjoyed five democratic elections for President and Congress. After twenty years of the center-left coalition (Concertacion) holding power, the center-right (Alianza) will be in charge of the country for four years. Starting March 2010, President Sebastian Piñera is expected to continue integrating Chile into the world economy. The economic policy agenda is likely to continue with a liberal market economy and prudent fiscal and monetary policies. Chilean education, the health care system and making the public sector more efficient are some of the priorities of the new administration.

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. By signing trade pacts with almost 60 countries, it has given its almost 17 million citizens access to more than 3 billion customers worldwide. 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.

Embracing markets has made it one of the most open economies in the world, ranking third on Cato's 2009 Index of Economic Freedom, just behind Hong Kong and Singapore. Other reforms such as pension privatization, tax cuts, respect for property rights and reducing red tape have helped the country grow richer and more democratic. The World Bank report on Governance Indicators, released mid-2008, ratified Chile's status as one of the world's most transparent countries, ahead of Japan and Italy.

Chile's economic growth has been accompanied by a growing trade relationship. Chile ranked 26th among top U.S. export markets in 2009, while the market share of U.S. imports to Chile reached 18.9%. The United States remains the single largest direct investor in Chile, representing 24.2% of all net foreign direct investment, from 1974 to 2008. Spain follows closely with 20.8%, and Canada falls third at 18.5%.

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 over 25 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 the relative market size. Even though Chile is a relatively small market (16.8 million 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 approximately 60 active 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 a plethora of existing trade agreements with countries around the globe, Chile plans to continue commercial negotiations with additional countries while it is nurturing export diversification strategies.

The slowdown that followed the international financial and economic woes of 2008-2009 affected some industrial activities more than others. The construction sector in general, and the housing market in particular, suffered a severe downturn, reflected in a decline in demand and a credit crunch. Medical equipment exports decreased from US\$62.1 to US\$57.8 million (6.9% decrease), and steel exports increased from US\$10 to \$8 million (20% decrease) when comparing January-December 2003 trade to the same period in 2009. While the United States experienced a trade surplus with Chile, two-way commercial activity contracted in both export and import volumes during 2009. A return to a positive export growth is expected to resume in 2010.

Many industry sectors in Chile are expected to remain attractive to U.S. businesses. In addition, during early 2010, the United States and Chile concluded the negotiations of a bilateral tax treaty.

It is estimated that private investment in the mining and energy sectors will concentrate most of the major projects planned for 2010. 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 that is convinced sales volume will be large and/or local service support or localized inventory are keys to success. Any corporation legally constituted abroad may form, under its own name, an authorized branch (agencia) in Chile.

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

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Chapter 2: Political and Economic Environment

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

<http://www.state.gov/r/pa/ei/bgn/1981.htm>

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Using an Agent or Distributor

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

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

Establishing an Office

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Incorporating in Chile is not expensive and takes about one month. The direct costs are approximately US\$1,500 for legal fees and US\$ 450 for expenses such as notary public, commerce registry and publication in the official gazette. Chile has no minimum local participation requirement, and the inclusion of local partners is guided only by commercial considerations.

The first step for a U.S. citizen, corporation or entity wishing to establish a business in Chile is to present a declaration of intent to invest in Chile to a Chilean Consulate, stating the nature of the business and the capital to be invested, 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. A bilateral tax treaty between Chile and the U.S. was signed in January 2010, but has not yet been formally ratified by the U.S. of Chile. See [Chapter 6: Investment Climate](#).

Franchising

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Franchising has become an important model for global commercialization. It is a form of business that has grown worldwide in most markets and in Chile especially, in the last few years. The growth that Chile has seen in this sector has led to its consolidation as a way of doing business. This is evident because Chile has become a platform for expansion within the region. Although Chile finds itself today within a privileged business climate, it is important to note that the country still lags behind Argentina and Brazil as notable markets for franchising.

According to 2008 estimates, there were over 124 franchises operating in Chile from different countries. To date, nearly 150 franchise companies reflect the recent growth in this sector. The prospects are positive as there are many industries that have used this platform as a means for growth. The majority of the franchises are in the area of quick service restaurants, which account for 35 % of the total industry. The other 65% include services in the car rental business, laundry, pharmacies, hotel chains, and apparel industries.

U.S. franchises operating in Chile amounted to just over 40 companies in 2009, and they included Alamo Rent a Car, Applebee's, Avis, Blockbuster, Benihana, Best Western, Dunkin Donuts, McDonald's, Domino's Pizza, Pizza Hut, Burger King, Curves, H2O plus, Holiday Inn Express, Ruby Tuesday, Manpower, Berlitz, Taco Bell, Fridays, Subway, Mr. Pretzel, Rockford, Tony Romas, and Xerox Equipment, just to name a few.

Franchise companies operating in Chile are subject to local trade laws and also benefit from the U.S. – Chile FTA. There is no specific legislation for the franchise industry operating in Chile, which is why the local franchise chamber was created in 2005. Its objective is to provide a more predictable business climate for franchising where business can flourish. There is limited information as far as statistics from one year to the next, due to several attempts to organize a franchise entity over the past several years.

In general, 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 before or upon entering the market.

For further information concerning other franchises, contact Chile's Franchise Chamber, www.camaradefranquicias.cl. Other web-sites include www.tormo.com, and www.franquicias.com for important news and information on what is occurring in this sector. At the U.S. Commercial Service in Santiago, contact Marcela Cintron at Marcela.Cintron@mail.doc.gov.

Direct Marketing

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

The more traditional Chilean consumer generally prefers to browse in shops rather than to purchase through catalogs. This consumer type will diminish over time. Customers do want to know there is a store that can provide after sales service or address any problem that might arise.

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

Joint Ventures/Licensing

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

Selling to the Government

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

A Government of Chile procurement website (www.chilecompra.cl) was established in March 2000 to increase transparency, enhance opportunities and reduce government procurement costs. The site serves as a central source for all Chilean government procurement, including the armed forces. Foreign and local bidders on government

tenders must register with the Chilean “Dirección de Aprovisionamiento del Estado” (Bureau of Government Procurement Supplies). They must also post a bank and/or guarantee bond, usually equivalent to ten percent of the total bid, to ensure compliance with specifications and delivery dates. Bidding is best done through a local agent who is registered, well connected, and familiar with Chilean government bidding procedures.

Distribution and Sales Channels

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Establishing a local subsidiary or branch office in Chile offers would-be exporters the best guarantee of efficient service and appropriate product promotion. Corporations legally constituted abroad may form, under their own name, an authorized branch (agencia) in Chile. This method of market penetration involves an additional investment, but is justified if sales are large in volume or when local service support and/or inventory are 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 capital. However, Chile’s distances are great, so larger representatives often have branch offices in different regions as well.

Seaports are the most important points of entry for merchandise entering Chile. Approximately 97 percent of exports and 59 percent of imports go through seaports, of which the most important are San Antonio and Valparaíso. Remaining trade exits/enters the country via airports and by surface transportation (mainly to/from Argentina, Brazil, and Bolivia). From point of entry, merchandise is distributed to final destinations mostly by surface transportation. Chile’s 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.

Selling Factors/Techniques

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

Where dependability becomes more important, (i.e., products such as advanced electronics or heavy machinery); Chilean customers often prefer more expensive U.S. or European products. While price remains a factor in purchasing decisions, considerations of quality, durability, technology, customer support and availability of service will also influence the purchasing decision, with the order of importance depending on the industry, the customer and the application.

All sales materials should be in Spanish.

Electronic Commerce

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According to the 2009 Digital Economy Study of the Santiago Chamber of Commerce (CCS), e-commerce transactions exceeded US\$ 23.5 billion, a 15% increase compared to 2008. This expansion was driven, among others, by the dynamism of e-commerce and cellular phone expansion, which was impressive compared to other sectors of the economy, which had an average growth below 4% in 2008.

Based on the methodology used by the CCS, the digital economy is composed of three layers: infrastructure, software and services, telecommunications, and e-commerce. Of these, e-commerce had the highest amount of transactions reaching USD 14.5 billion, 20% above the 2007 figure. The B2B and B2G segments had the highest number of transactions, while the B2C transactions amounted to approximately USD 380 million.

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

B2G:

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

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

National Civil Registry: www.registrocivil.cl

B2B:

Santiago Chamber of Commerce: www.ccs.cl

Sonda systems integrator: www.sonda.cl

Chilean lumber producer: www.arauco.cl

Telecommunications provider: www.entel.cl

B2C – Retailers:

www.falabella.cl

www.paris.cl

www.ripley.cl

www.sodimac.cl

www.lan.cl

www.jumbo.cl

Trade Promotion and Advertising

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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 \$967 million was spent on advertising in Chile in 2008. Non-cable television accounted for 48.4 percent of all spending on advertising, followed by newspapers (28.7 percent), billboards/posters (8.7 percent), radio (7.2 percent), magazines (2.9 percent), cable TV (1.7 percent), the Internet (2.3 percent) and films (0.2 percent). See www.achap.cl.

TV / Cable TV

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Chile has five national broadcast television networks. All of them are self-supporting through advertising.

TV stations in Santiago are: Telecanal (Channel 2); Red TV (Channel 4); Universidad Católica Valparaíso (UCV – Channel 5); Televisión Nacional (TVN – Channel 7); Mega TV (Channel 9); Chilevisión (Channel 11); and Corporación de Televisión de la Universidad Católica (UCTV – Channel 13).

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 percent of households nationwide. Two major cable systems (Telefónica and VTRGlobalcom) operate in 95 percent of the country. Both rebroadcast all local stations and a host of international channels. U.S. offerings include CNN International, CNN Español, CNN-Chile, HBO Ole, MTV, NT, Worldnet, ESPN, Cartoon Network, and MSTV. Direct satellite television initiated service in Chile in 1997.

Radio

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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).

Newspapers

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Chile has approximately 50 newspapers, ranging from nationally distributed dailies to small-town tabloids. Distribution ranges from as many as 248,832 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 752,961. The circulation of local dailies in the regions is approximately 220,000.

Two major established media companies operate in Chile: the El Mercurio chain, owned by the Edwards family, with three national newspapers and 17 regional dailies affiliated throughout Chile, and 2 national newspapers including highest circulation tabloid Las Ultimas Noticias and a chain of 34 regional radio stations digitally interconnected devoted only to musica and news programs; 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 several 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 Últimas Noticias (El Mercurio-owned), La Cuarta, and afternoon daily La Segunda (El Mercurio-owned), and free tabloids Publometro and La Hora.

Circulation for Santiago's major newspapers:

Dailies:	Monday-Friday	Saturday	*Sunday
El Mercurio	142,249	188,995	248,832
La Tercera	82,680	179,687	206,981
Las Últimas Noticias	126,349	145,862	164,804
La Cuarta	134,664	143,685	170,581
La Nación	10,521	---	18,363
La Segunda (Evening Mo-Fri)	29,078	---	----
Free Daily Publometro (Mo-Fri)	137,290	----	-----
Free Daily La Hora (Mo-Fri)	90,130	-----	-----
Total:	752,961	658,229	809,561

*Circulation figures are from the study for the Circulation and Readership Verification System for the January-June 2009 period, carried out by KPMG.

Magazines

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

Useful web links for major Chilean publications:

El Mercurio chain website

www.emol.com

Consortio Periodístico de Chile (COPESA)

www.copesa.cl or www.latercera.cl

Economic and financial daily Estrategia

www.estrategia.cl

Economic and financial daily El Diario:

www.df.cl/

Useful web links for major television stations:

National Televisión (TVN):

www.tvn.cl

Catholic University of Chile TV (TVUC):

www.canal13.cl

Mega TV:
Chilevisión TV (CHV):

www.megavision.cl
www.chilevision.cl

Useful web links for major Chilean radio networks:

Radio Cooperativa: 93.3 FM

www.cooperativa.cl

Radio Agricultura: 92.1 FM

www.radioagricultura.cl

Radio BioBio: 99.7 FM

www.biobio.cl

Pricing

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

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

Sales Service/Customer Support

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

Protecting Your Intellectual Property

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

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

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

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

IPR Resources

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

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at www.StopFakes.gov.
- For more information about registering trademarks and patents (both in the United States 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 more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.stopfakes.gov.
- For US small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP 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**
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: **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 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 IP.
- 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

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.

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

Web Resources

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U.S. Commercial Service Santiago: www.buyusa.gov/chile/en
 And for a list of local service providers/hotels/transport: www.buyusa.gov/chile/en/business_service_providers.html.
 USDA Foreign Agricultural Service: www.fas.usda.gov
 U.S. Embassy Santiago: www.usembassy.cl

Chilean-American Chamber of Commerce (Amcham):
Chilean Embassy in Washington:
National Chamber of Commerce
Santiago Chamber of Commerce:
Chilean Government Procurement website:

www.amchamchile.cl
www.chile-usa.org
www.cnc.cl
www.ccs.cl
www.chilecompra.cl

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

Commercial Sectors

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Electric Power Equipment (ELP)

Overview

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	2008	2009	2010 (estimated)
Total Market Size	734	625	1,580
Total Local Production	175	160	160
Total Exports	45	35	50
Total Imports	604	500	1,470
Imports from the U.S.	69	137	150

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

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. This trend changed during 2008, when Chile experienced negative growth of -1.2%, for the first time in 22 years. As of August 2009, the demand had shrunk by an additional 0.5 percent points. This reduction in growth is explained by the adoption of energy efficiency measures, as well as by reduced economic-industrial activity.

Renewable energy will remain a significant portion of Chile's total energy matrix for the foreseeable future, where projects in hydropower, biomass, biogas, wind, and solar energy are receiving increased government and private-sector support.

Electric Power Source (MW)	Existing Distribution Grids				
	SIC (1)	SING (2)	Magallanes	Aisen	Total
Hydraulic >20MW	4,781	0	0	0	4,781
Fossil Fuels	4,292	3,589	99	28	8,007
Total Conventional Sources	9,073	3,589	99	28	12,788
Hydraulic < 20 MW	129	13	0	21	162
Biomass	166	0	0	0	166
Wind	18	0	0	2	20
Total Non-Conventional Renewable Energies	313	13	0	23	349
Total Chile	9,386	3,602	99	50	13,137
Share of Non-Conventional Renewable Energies	3.3%	0.4%	0.0%	45%	2.7%

SIC: Central Interconnected System

SING: Northern Interconnected System

Source: Chilean Energy Commission

Currently, there are over 18,000 MW in projects that are either under construction, already approved or going through the required environmental approval process. Different projections indicate that the Interconnected Central System (SIC) requires a growth of an average of 500/600 MW per year to cope with demand. These estimates also indicate that the additional installed power should grow by 1,000 MW/year by 2016.

During 2009, traditional power generation companies and new electricity suppliers continued to invest in Non-Traditional Renewable Energy sources, namely wind power, solar, small hydro generation (up to 20 MW), geothermal energy, biomass and biofuels. According to industry experts, Chile seems to be sitting on a large reserve of geothermal energy, but this needs to be properly assessed to realize its full potential. There are foreign companies (U.S.A., Canada, and Italy) and also others from Chile, with different degrees of involvement in geothermal exploration.

Nevertheless, traditional sources of generation, like thermal coal fired plants and large hydropower plants, will have the largest share (3,350 MW from coal and 2,765 MW from hydro) of all the new large investment to come (\$8.2 billion).

Chile has specific legislation that made mandatory use of Non-Traditional Renewable Energy sources, a minimum of 5% of all the energy injected in existing grids, by 2014, and up to 10% in the year 2024. This regulation has jump-started a number of projects involving wind, geothermal, solar, biomass, biofuels and other sources of energy, now in different stages of development. As not all the proposed projects will be carried out, there are no clear investment figures to confirm at this time.

As of 2009, the electric industry expects that between 2010 and 2015 there will be 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 of tens of billions of dollars in new power generation and transmission investment projects, where Italian, Spanish and Australian investors continue to have the lead.

Chile: Power Generation Traditional Energy Projects 2010-2015

Project	Owner Company	Fuel	MW	US\$ billion
Farellones	Codelco	Coal	800	1.1
Los Robles	AES Gener	Coal	750	1.3
RC Generacion	Rio Claro (Southern Cross)	Coal	700	1.1
Baker 1	HidroAysen (Endesa & Colbun)	Hydro (1)	660	0.7(2)
Angamos	AES Gener	Coal	600	1.0
Alto Cachapoal	Pacific Hydro	Hydro (3)	555	0.6
Trayenko	Trayenko	Hydro (3)	546	0.7
Punta Barracones	Suez Energy	Coal	540	0.7
Alto Maipo	AES Gener	Hydro (3)	531	0.6
Neltume	Endesa	Hydro (1)	473	0.4
Total			6,155	8.2

(1) Hydro dam-type project

(2) Total Baker project is 2,750 MW and US\$2.8 billion and includes several dams

(3) Hydro run-of-river type of project

Source: Chilean Energy Commission, press reports 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 and support systems (By the end of 2009 came on stream the first of two LNG regassification plants)
- Dual gas/diesel fired plants
- Geothermal plants
- Wind generation plants: >0.3 MW - 10 MW, horizontal, variable speed, pitch reg., >50 mt. mast turbine
- Solar panels for water heating (The GOC launched a subsidy program for new low cost houses that includes 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, fumes 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 \$10 billion between 2010 and 2015.

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

For more information, please contact Carlos Capurro or Marcelo Orellana of the U.S. Commercial Service Santiago at carlos.capurro@mail.doc.gov or marcelo.orellana@mail.doc.gov.

Construction (ACE/CON/BLD)

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	2008	2009	2010 (estimated)
Total Market Size	1,178	1,093	1,120
Total Local Production	590	620	630
Total Exports	150	165	180
Total Imports	738	638	670
Imports from the U.S.	224	270	300

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

The slowdown that followed the international financial and economic woes of 2008 affected the construction industry in Chile as a whole by reducing its GDP share from 7.5% in 2008 to 7.2% 2009 (first three quarters). Chile's construction sector is expected to close the year 2009 with a -5.7% rate of growth. However, industry experts foresee a strong recovery for 2010, anticipating that construction industry growth could exceed 7.7% (with a variance between 6.5% and 10%). Most of this new growth will be fueled by some \$40 billion, estimated to be invested only in the northern regions of Chile, i.e., in the mining and electric power industries. Given the sector's signals, it appears as if the financial recession has reached its lowest point and now we will see the recovery of the construction industry. Public sector funds will continue supporting growth in the area of public infrastructure, mostly through the proven and successful Public-Private Partnership program, and traditional social housing programs. With the advent of a new federal government, it is expected that some public investment policies will see changes, but before the new government takes office (March 2010), it is difficult to anticipate the emphasis and direction of these changes.

It is expected that the U.S. will continue to be the largest single supplier to the Chilean construction industry, mostly with high-tech building materials and capital equipment.

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

U.S. exports for the construction industry have a total share of 42.2% of the Chilean market, thus the U.S. represents the single largest supplier to the Chilean construction industry.

The construction industry lost many jobs during 2009 (-8.9% at the national level, with a maximum of -18.4% in the Metropolitan Region of Santiago). For 2010, industry experts anticipate a 15% average level of unemployment. The estimated labor force in the housing segment of the construction industry is around 0.6 million workers.

Based upon the most recent sectorial forecasts, the construction industry as a whole will invest around US\$26 billion in 2010, representing 8% growth as compared to 2009, but only 1.5% to 2008.

	2008 Investment US\$ billion	2009 (E) Investment US\$ billion	2010 (P) Investment US\$ billion
Housing	7.7	6.4	7.0
- Public	1.2	1.5	1.4
- Private	6.6	5.0	5.6
Infrastructure	17.4	17.3	18.6
- Public	5.1	5.7	6.0
- Productive	12.4	11.6	12.6
TOTAL INVESTMENT	25.1	23.7	25.5

Source: Chilean Chamber of Construction

Note that the Chilean government makes funding available for private companies to develop the government's construction projects, without getting directly involved in construction, but 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 ease 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 social 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 throughout the country)
- Commerce, especially shopping malls;
- Educational and health 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 box-stores in Chile)
- Hotels (5 & 4 Stars, mountain, lake and beach resorts)

During 2010, private investment in construction (housing and infrastructure) should be on the order of US\$ 18 billion. The Chilean Ministry of Public Works has 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 tolls. 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 the expansion of existing airports.

Spanish, Italian, German and Chilean investors dominate the concessioned public highways in Chile. 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 2009, regardless of the recession, the private sector realized investments exceeding \$17 billion dollars, mostly related to construction and 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.

Resources

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Chilean Chamber of Construction: www.cchc.cl

Ministry of Public Works: www.mop.cl

Ministry of Housing and Urbanism: www.minvu.cl

Chilean Association of Professional Engineers: www.ingenieros.cl

Chilean Association of professional Construction Engineers:
www.colegioconstructores.cl

Chilean Association of Architectural Bureaus: www.aoa.cl

Chilean Association of Professional Architects: www.colegioarquitectos.com

Green Building Council Chile: www.chilegbc.cl

For more information, please contact Carlos Capurro or Marcelo Orellana of the U.S. Commercial Service Santiago at carlos.capurro@mail.doc.gov or marcelo.orellana@mail.doc.gov.

Mining Equipment (MIN)

Overview

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	2008	2009	2010 (estimated)
Total Market Size	1,411	1,415	1,223
Total Local Production	500	500	470
Total Exports	42	35	50
Total Imports	953	950	803
Imports from the U.S.	348	340	325

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

Mining production and exports represented 6.6% of national GDP in 2009 (first three quarters of the year) and copper mining production alone supported the bulk of the mining industry in Chile, with an 83% market share for the same year. After a number of booming years, driven by a frantic increase in copper prices (from US\$ 0.7/lb in 1997 to US\$4.3/lb in 2008), the Chilean mining industry experienced a sharp, but short, slowdown in its investment pace, mostly driven by the plunge of the international copper price (US\$1.4 per pound on 01/29/09). However, as commodity prices have recovered, their demand has bounced back, therefore bringing scheduled (and later suspended) investments back on track. General commodities price reductions struck the Chilean economy hard, but much less than many other countries from the developed world. This was partly due to the sound fiscal policies followed by the GOC. 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.

A new line of investment attention and future developments and regulations would come from the fact that Chile currently holds the largest proven reserves of lithium under exploitation, which combined with the demand pressure coming from the automotive industry, will make this resource the focus of economic and political authorities, as well as that of international investors and developers.

Over recent years, the mining industry was investing not only in mining development and expansions, but in developing their own sources of energy. Companies such as GE, Westinghouse and others from the U.S., France, Russia and Canada, are pushing for the consideration of nuclear energy to guarantee the ongoing energy supply of the mining industry, as well as to help reduce the carbon footprint.

Although several planned investment projects were announced and then delayed, these are back again on the planning board and the next 5-7 years will see a surge in mining investments. All in all, there are important export opportunities in this industry, particularly for those offering technologies and products that bring cost reduction, improved productivity and more efficient and cleaner processes.

The mining industry key players operators continue to be the Canadians, Australians and some European companies in this vital industry for Chile. There is almost no U.S. presence in mining exploitation, but the U.S. remains the single largest mining equipment supplier.

Best Prospects/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
 - Water desalination
 - Air pollution abatement
 - Mine closure
 - Carbon footprint reduction
- Underground mining technology services
- Wear-resistant materials

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Between 2010 and 2014, there have been announced investments that would exceed \$20 billion, and U.S. exporters will continue to supply to Chilean importers, both private and public.

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

- 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 2010 will take place from 12-16 April, 2010, in the city of Santiago: www.expomin.cl
- EXPONOR: Exponor is a CS Certified Trade Show. The U.S. Pavilion featured over 100 exhibitors during 2009. This trade show takes place in odd years in the city of Antofagasta. Exponor 2011 is scheduled for June 2011: www.exponor.cl

For more information, please contact Carlos Capurro or Marcelo Orellana of the U.S. Commercial Service Santiago at carlos.capurro@mail.doc.gov or marcelo.orellana@mail.doc.gov.

Financial Services (FNS)

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	2008	2009	2010 (estimated)
Capital Market (See note)	2,691,000	3,207,000	3,400,000
Private Pension Funds Asset (1)	74,300	118,000	125,000
Mutual Funds Total Net Assets (2)	17,900	34,860	43,750
Factoring Turnover (Volume of Docs. Acquired) (3)	23,000	28,500	35,000
Insurance Premiums (4)	6,700	6,150	6,500

(In U.S. millions of dollars)

*Expected value

Sources:

(1) Chilean Pension Fund Superintendency.

(2) Chilean Mutual Fund Association.

(3) Chilean Factoring Association.

(4) Chilean Insurers Association.

December average exchange rate: 2009: 1 USD = CLP 501;

2008: 1 USD = CLP 649

Note: Capital market entry values include volume of end-of-year monthly transactions of variable and fixed assets including stocks, investment fund quotas, monetary instruments and financial intermediation.

Chile is forecasted to grow by 4.1% in 2010 and 5% in 2011, following a 1.8% contraction in 2009. Chile's 2009 GDP reached approximately \$200 billion. It is one of the most open economies in the world, ranking third on Cato's index, just behind Hong Kong and Singapore.

During the first ten months of 2009, the United States was the principal country of origin of materialized foreign direct investment, representing 55.8% of the total, i.e., a dollar value of \$2.26 billion.

S&P reiterated Chile's A+/A-1 foreign-currency and AA/A-1+ local-currency sovereign credit ratings, the highest of any Latin American sovereign nation and the outlook remains stable.

On December 15, 2009, the Organization for Economic Cooperation and Development (OECD) officially invited Chile to become a full member.

Chronological Background

In the mid 1970s, the first generation of capital market reforms in Chile freed up interest rates and credit controls. From then on and through the early eighties, the Chilean financial system grew significantly, thanks to a liberalization process that ended 30 years of financial restrictions.

In the 1980s, Chile embarked on a second generation of capital market reforms, significantly increasing the powers of supervision and control of the Superintendence of Banks and Financial Institutions (SBFI) and introducing an improved regulatory platform. These reforms have allowed the Chilean capital market to grow remarkably in size, depth, and liquidity, transforming it into the most developed in Latin America.

In 2007, the Capital Market Reform II, or MKII, came into force. The reform introduced tax and institutional modifications to foster the development of the local venture capital industry and further increased the modernization of the local capital market.

In 2009, a new capital market reform entered into analysis. This is known as MK III. Its purpose is to eliminate restrictions imposed in the MK II reform (eliminate certain restrictions still present in the capital gains tax for SMEs). It will also further develop the derivatives market, introduce modifications to the local capital market to improve access for over 130,000 SMEs, and open a new export market for financial services.

In March 2009, Moody's raised its rating on Chile's debt, the first such increase of the year. The cost of insuring Chilean Government bonds against default, using credit-default swaps, is comparable to Austria or Japan and cheaper than Spain.

Chile's total domestic capital market includes approximately \$ 400 billion in assets. Chile's privatized social security system represents the largest institutional investor, with approximately \$ 118 billion in assets under management.

The mutual funds industry, with Nov. 2009 assets of \$ 34.86 billion, will likely grow at pre-crisis rates in 2010, i.e., approximately 25%.

The factoring sector, while decreasing its rate of growth seen in previous years, will continue to grow in 2010, primarily due to the increased credit restrictions imposed by the local banking sector. This is as a result of financial crisis aftershocks.

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Mutual Funds Sector

In Chile, 19 banking and non-banking mutual fund administrators invest in approximately 1,500 international and national mutual funds. Investment companies from around the world, primarily the United States, followed by Europe and Japan, manage these funds.

The primary users, in dollar volume, of mutual funds are institutional investors, i.e., insurance companies and the Private Pension Fund Administrators (Administradoras de Fondos de Pensiones – AFP).

In 2009, the growth of the mutual fund sector was 34.5% above growth that for 2008. In 2010, the expected growth rate will be in the range of 23-25%.

Factoring Sector

The total factoring turnover for 2008 was \$23.0 billion and for 2009 and 2010 is expected to be \$28.5 billion and \$35.0 billion, respectively. In local currency, the unofficial growth for 2009 was 20%.

There are currently 19 registered companies with the Chilean Association of Factoring. Of these, five companies associated with banks account for over 50% of the market.

The factoring industry in Chile is a twenty year old industry. It is designed as a tool to provide funding to small and medium-sized enterprises (SME), by swapping their accounts receivable for cash. No new special regulation was enacted; factoring transactions must comply with credit assignment and transfer regulations included in Chilean law.

This new industry fulfilled the demands of SMEs that did not have a specialized department for collecting overdue payments from their clients and needed cash in advance from their sales.

Opportunities

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Mutual Funds

The multiple fund system for AFP has five available social security pension investment funds. These are termed Fund A through E with fund E, composed of 100% fixed income, whereas Fund A is 100% variable income. Also, AFPs invest close to 45% of their AUMs in international instruments. The upper limit authorized is 80%. However, reaching this upper limit is done only via gradual authorized steps.

Factoring

The Chilean factoring sector will continue to grow. The current credit contraction experienced by the local financial system will only increase the need for this type of financial instrument.

Chile's participation rate is still moderate compared to more advanced economies such as Italy or the United Kingdom. These show volumes of factoring operations that surpass 12% of their respective GDP, while Chile reached over 9% in 2008.

The stock of accounts receivable acquired by the factoring industry represents less than 5 percent of outstanding loans in the financial system. Currently, fewer than 16,000 Chilean SME's use factoring, which is under 17% of the approximately 130,000 potential companies.

Another important factor for the development of this industry is the government project that gave legally binding status to the invoice. This way, invoices have the same legal

validity or liability as a check, thus facilitating domestic factoring transactions as well as making their operation safer and more formal.

The growing needs of Chilean SMEs for liquidity, outsourcing of collection, credit risk information and credit risk reduction, should motivate the further development of factoring in Chile.

Resources

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Chilean Central Bank: www.bcentral.cl
Chilean Securities and Exchange Commission: www.svs.cl
Chilean Pension Fund Superintendency: www.safp.cl
Banks and Financial Institutions Superintendency: www.sbif.cl
Chilean Insurers Association: www.aach.cl
Chilean Mutual Funds Association: www.aafm.cl
Chilean Association of Pension Fund Administrators: www.afp-ag.cl
Chilean Factoring Association: www.achef.cl

For more information, please contact Mr. Marcelo H. Orellana of the U.S. Commercial Service Santiago at Marcelo.Orellana@mail.doc.gov

Healthcare/Medical Equipment (HCS/MED)

Overview

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	2008	2009	2010 (estimated)
Total Market Size	260.8	213.1	234.2
Total Local Production	23.9	24.2	26.2
Total Exports	9.57	9.71	10.4
Total Imports	246.5	198.6	218.4
Imports from the U.S.	48.61	41.85	46

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

The healthcare portion of Chile's 2010 budget had an 8.7% increase compared to 2009, which considers investments of USD 345 million in infrastructure and hospital equipment for the network of public attention; i.e. hospitals and primary outpatient care.

Health insurance in Chile is covered in the public sector by Fonasa and in the private sector, by Isapres. Approximately 75% of the population is covered by Fonasa and the remaining 25% is covered by the Isapres. Currently, there are seven Isapres; i.e. Consalud, Banmédica, Cruz Blanca, Colmena, Masvida, Vida Tres, and Ferrosalud.

The "Universal Access with Explicit Guarantees" or "Plan AUGE", continues to expand the number of diseases it covers. This plan – that started in 2005 – ensures government-funded healthcare coverage for individuals regardless of age, class, and ability to pay. Currently, the number of diseases covered by the plan is 66.

The Ministry of Health is currently working on the construction of new hospitals and refurbishing others. In the private sector, investments for expansion projects are already in progress at Clinica Las Condes, Clínica Indisa, Clinica Davila, Clinica Las Lilas, Clinica Cordillera, Clinica Avansalud, and Megaslaud, to mention a few.

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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 now enters Chile duty-free. Medical imports, like all foreign and domestic products, are subject to Chile's 19 percent VAT (Value Added Tax).

The United States has long been Chile's most important supplier of medical equipment 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 faces competition from Germany and Japan 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 for the next five years. Investment includes the construction and remodeling of 35 hospitals, 11 of which will be new. Concessions will only be applied to the construction and repair of the hospitals and to the non-clinical areas of the hospitals, such as parking, security and catering. There will be good opportunities for U.S. companies to supply the necessary equipment for these projects.

Resources

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Ministry of Health: www.minsal.cl

ISAPRE Association: www.isapre.cl

Medical Professional Association: www.colegiomedico.cl

Institute of Public Health: www.ispch.cl

For more information, please contact Veronica Pinto of the U.S. Commercial Service Santiago at veronica.pinto@mail.doc.gov.

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

Overview

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	2008	2009	2010 (estimated)
Total Market Size	948.5	823.6	890.3
Total Local Production	14	10	10
Total Exports	Negligible	Negligible	Negligible
Total Imports	934.5	813.6	880.3
Imports from the U.S.	214	127.3	137.7

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

Chile's market for computers and peripherals had a decline during 2009, due to the negative impact of the world economic crisis. Statistical data shows an import decrease compared to 2008; however, for 2010, this tendency should be reversed, with an 8% import increase.

The demand for notebooks and netbooks in this market continues not only for home use, but for the small office segment, and at the corporate level as well. This demand is based on the functionality, light weight, attractive prices and wide variety of brands present in the Chilean market; i.e. HP, Samsung, Lenovo, Packard Bell, Asus, and Acer.

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, is expected to continue with the new Piñera administration (taking office in March 2010). It 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 ITC in the private sector and clusters, to foster SMEs in ITC use and decrease the gap between large companies and small ones; d) education and training, to further infrastructure and ITC use in the country's public school system and among the adult population, IT training to improve the education level of the most disadvantaged; e) offshoring, as a strategic niche for the country's development; and f) improvement of environmental conditions, applicable to all previous steps.

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Hardware: hard drives with enhanced memory capacity 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.

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.

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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.

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

Chilean Software Distribution Association: www.ads.cl

Santiago Chamber of Commerce: www.ccs.cl

For more information, please contact Veronica Pinto of the U.S. Commercial Service Santiago at Veronica.Pinto@mail.doc.gov.

Food Processing/Packaging Equipment (FPP)

Overview

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	2008	2009 *	2010 (estimated)
Total Market Size	268	218	260
Total Local Production	5	5	5
Total Exports	Negligible	Negligible	Negligible
Total Imports	263	213	250
Imports from the U.S.	31.8	27	30

(In millions of U.S. Dollars. Sources: Chilean Customs, Indap www.indap.cl, SNA www.sna.cl, private sector figures. (*) Projected based on information for 11 months: January through November).

Chile's food industry has the potential to continue growing, and 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. During 2009, imports of machinery and equipment decreased mainly due to the international economic crisis, in addition to the lower exchange rate for the US\$, which negatively impacts Chilean growers and exporters. However, the country's agro-industry should continue to grow based on the excellent natural conditions and good local management of private businesses. Chile exports 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. Projections place Chile among the top ten countries in food exports by 2015, with exports ranging between \$15 and \$17 billion.

Chile has excellent natural conditions to continue developing its agro-industrial and food industries. 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), which together with a strict government policy, maintains Chile as a free country of most pests and diseases. 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 products as well as other environment-related equipment and supplies. 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.

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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 negligible. Now that the global economic crisis has given way to improved economic conditions, Chile's processed food production and exports should continue to grow, and to develop its excellent potential.

Import statistics for 2009 indicate the U.S. accounts for 12.6% of imports of food processing machinery and equipment, ranking second after Italy, which accounts for 14.0%. Other important suppliers include Spain, Germany, Denmark, Argentina, Brazil, the U.K. and most recently China. 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.

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The Chilean Economic Development Agency, CORFO (www.corfo.cl), 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 (www.investchile.cl).

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

- AquaSur 2010 (Biannual Aquaculture Trade Show)
March 24-27, 2010 – Puerto Montt, Chile

- PescaSur 2011 (Biannual Commercial Fishing Trade Show)
March 2011 – Talcahuano, Chile (www.pesca-sur.cl)

- Trade One (Food packaging & logistics)

November 3-6, 2011 – Espacio Riesco, Santiago, Chile (www.trade-one.cl)

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Association of Chilean Food Producers: www.chilealimentos.cl

Salmon Industry Association: www.salmonchile.cl

Chilean Winery Association: www.vinasdechile.cl

Chilean Olive Oil Producers Association: www.chileoliva.com

Chilean Association of Poultry Producers: www.apa.cl

Chilean Association of Pork Producers: www.asprocer.cl

For more information, please contact Mary Lou Lathrop of the U.S. Commercial Service Santiago at Mary.Lou.Lathrop@mail.doc.gov.

Telecommunications Sector (TEL/TES)

Overview

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	2008	2009	2010 (estimated)
Total Market Size	1,309	1,220	1,400
Total Local Production	Negligible	Negligible	Negligible
Total Exports	Negligible	Negligible	Negligible
Total Imports	1,309	1,220	1,400
Imports from the U.S.	161	258	280

(In U.S. million dollars. Source Unofficial estimates based on info from industry sector sources.)

Chile's Undersecretariat of Telecommunications (Subtel, www.subtel.cl), is the governmental organization in charge of coordinating and supporting the telecommunications industry in Chile and oversees the implementation of all new technologies.

Chilean telecommunication companies have turned very early to the Internet, corporate data communications, and wireless applications for new businesses with higher margins and faster growth. Chile's wireless telecommunications market is the most advanced in Latin America, characterized by high penetration rates and strong competition.

Meanwhile, mobile operators continue to experience rapid growth as they introduce enhanced services and new technologies. Mobile telephony still represents a solid 40% of the total investment in telecom. The mobile telecommunications market is an already mature market.

Chile has 16.68 million mobile phone users, making it the 3rd country in Latin America after Argentina and Venezuela to reach a 100% penetration rate. This number has been growing by more than 10% per year for the last five years, and is still expected to grow in the near term to approximately 105 percent by 2011. Chile's fixed-line market will decline below three million in 2011, with penetration of just over 17 percent.

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

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

The mobile phone business is clearly dominated in Chile by the three main telephone operators: Telefónica Móviles (www.movistar.cl – a subsidiary of the Spanish group Telefónica), the relatively new player, Claro Chile (www.clarochile.cl – a subsidiary of the Mexican multinational América Móvil), and Entel PCS (www.entelpcs.cl -- the only Chilean-owned group of the three). Altogether, they account for 70% of Chile's total mobile phone turnover.

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According to estimates, the Chilean telecommunications market should grow at an annual rate of 6.6% over the next five years to a total of USD 6.4 billion in 2014, mainly due to the increasing penetration of mobile services and the adoption of mobile Internet services, including data cards and mobile browsing.

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

Mobile data revenue should represent nearly 35% of total mobile revenue by 2014, from 12% in 2008, as a result of the increasing adoption of mobile broadband connectivity solutions such as data cards and browsing services and the higher usage of infotainment services which include services such as ringtones, games, music, and video. Unlike in the U.S., there are not as many niche markets to pursue in Chile.

Resources

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Chilean Undersecretariat of Telecommunications: www.subtel.cl

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

Santiago Chamber of Commerce: www.ccs.cl

For more information, please contact Isabel Margarita Valenzuela of the U.S. Commercial Service Santiago at isabel.valenzuela@mail.doc.gov.

Pollution Control Equipment (POL)

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	2008	2009	2010 (estimated)
Total Market Size	457	460	960
Total Local Production	n/a	n/a	n/a
Total Exports	n/a	n/a	n/a
Total Imports	457	460	960
Imports from the U.S.	107	110	240

(In millions of U.S. dollars. Source: Industry experts and unofficial estimates.)

Chile's economic development and population growth has led the Chilean government and its people to have a greater concern for a healthy environment. In mid-2008, the President of Chile submitted to the Chilean Congress a law proposing the creation of the Environmental Ministry. On January 12, 2010, the President of Chile announced that through Law No. 20,417, the new Environmental Ministry had been formally established, which will have the responsibility of defining all environmental policies and strategies. The Ministry will have an Under Secretariat with six different divisions to undertake various environmental matters. Along with the new Ministry, the law also established the Environmental Impact Evaluation Service (EIES), which will be in charge of environmental authorizations and permits.

The establishment of the new Environmental Ministry will most probably force companies to invest more in environmental technologies in the coming years. Within the three main sub-sectors for environmental technologies (air pollution, waste management and water resources), it is estimated that this last one will make the largest investments in new technologies.

In the water/sanitary sector, the regulations in place are key to generating a larger demand for pollution control equipment, specifically in water and wastewater treatment equipment and technologies, engineering, and consulting services.

More importantly, the water shortage in northern Chile impacts industrial, commercial, agricultural, and individual consumers alike. In a country with extensive arid zones and a long coastline like Chile, desalinizing sea water is receiving a great deal of attention.

Water has become a critical factor in the mining industry in Chile's northern regions. The growing limitations surrounding the use of aquifers and the scarcity of surface water in the three main mining regions in the north has turned attention to the ocean as a source, even though it is usually far from the mines themselves. Desalinization is a good solution even at a relatively high cost. Chile already has plants in operation and Arica-Parinacota, Chile's Region XV, and expects to meet 100% of demand by 2014.

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According to the “Dirección General de Aguas”, or “DGA” (www.dga.cl), the branch of the Ministry of Public Works dedicated to water administration, the private sector has investment plans in the desalination business in northern Chile estimated at USD 4 to 5 billion, which should be complemented by additional investment as a result of government incentives to boost industry. At least 30 mining projects are evaluating water desalination plants.

According to industry experts, the greater potential in environmental technologies will be oriented to the water sector during the upcoming years. Below is a list of best prospects:

- Water and waste water treatment equipment and technologies.
- Project design and construction of water treatment plants.
- Preventive maintenance techniques in water treatment plants, such as vibration, laser alignment, oil dialysis and others.
- Reutilization of wastewater for agricultural irrigation.
- Project design and construction of desalinization plants.
- Biological biosolid evaporation processes and latest generation biosolid evaporation systems.

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Between 2010 and 2014, there have been investments announced that will exceed \$20 billion, and U.S. exporters will continue to supply to Chilean importers, both private and public.

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- Ambiental, the environmental trade show, takes place in Chile every two years. The next version of Ambiental will take place in October 2011.
- Expomin is a CS Certified Trade Show and it gathers over 2,500 exhibitors. The U.S. Pavilion has approximately 200 exhibitors. Expomin 2010 will take place from 12-16 April, 2010, in the city of Santiago: www.expomin.cl
- AquaSur 2010 (Aquaculture Trade Show) March 24-27, 2010 – Puerto Montt, Chile

Ministry of Public Works: www.mop.cl

Chilean Association of Professional Engineers: www.ingenieros.cl

Green Building Council Chile: www.chilegbc.cl

Environmental Association: www.aepa.cl

National Environmental Commission: www.conama.cl

AMBIENTAL Trade Show organizers: www.fisa.cl:

Superintendence of Sanitary Services: www.siss.cl

Consultancy Engineering Association: www.aic.cl :

Water General Directorate: www.dga.cl

For more information, please contact Isabel Valenzuela of the U.S. Commercial Service Santiago at isabel.valenzuela@mail.doc.gov.

Travel and Tourism Services (TRA)

Overview

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	2008	2009 (Jan-Nov)	2010 (estimated)
Total Outbound Travelers	2,427,529	2,086,348	2,400,000
Total Travelers to Latin American Countries	1,693,423	1,473,283	1,600,000
Total Travelers to the United States	322,496	23,120	320,000

(Source: Junta de Aeronáutica Civil, www.jac-chile.cl, Visit USA Committee Chile, www.visitusa.cl, and industry experts)

For the travel and tourism sector, 2009 was a difficult year due to the international economic crisis. Even though the United States remains a quite attractive destination for Chileans traveling overseas, during 2009 they were more conservative in how to spend precious money and savings. Definitely, most Chileans were not willing to take out a loan for leisure traveling. For this reason, during 2009 the travel industry made excellent promotions for traveling to Latin America, the United States, Europe and other exotic destinations. Many Chileans made use of these promotions. In addition, the dollar/peso exchange rate was extremely favorable for Chilean travelers to the United States. The final result was that travelers declined during the first half of 2009, but in the second half they were slowly approaching the number of travelers in 2008. Finally, it is estimated that total travel decreased by approximately 5-8 percent in 2009, compared to the previous year.

The United States remains Chile's preferred destination, especially during the summer months of January and February, when families take their annual vacation. In Latin America, Brazil and Argentina are Chileans' preferred destinations. 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.

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

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

- 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 seen an increased demand among high school and college students and young businesspeople.

- Conventions and trade shows.
- Shopping packages which include airline ticket, hotel, and transportation to shopping outlets.
- Tourism packages that offer a combination of airline tickets, hotel, car rental and attractions.

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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. Promotion is key for increasing travel and tourism. Other options include participating in tourism trade shows, organizing familiarization trips for press and wholesalers, publicizing in specialized travel and tourism magazines, becoming a member of the Visit USA Committee (www.visitusa.cl), using the Commercial Service to conduct a Single Company Promotion (www.buyusa.gov/chile), or participating in the largest and most important travel and tourism show that promotes the United States exclusively.

The largest and most important annual event is the “Visit USA Show”. The Visit USA Show Chile is part of a road show held in Argentina, Chile, Brazil and Perú. The 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 19-20, 2010, at the InterContinental Hotel, Santiago, Chile. Participation fee is US\$ 450. U.S. companies interested in participating, please contact: Isabel.valenzuela@mail.doc.gov or evalenzuela@visitusa.cl

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Visit USA Committee: www.visitusa.cl

Revista del Domingo de El Mercurio:

http://diario.elmercurio.com/2009/01/30/revista_del_domingo/_portada/index.htm

Revista Travel Time: www.revistatraveltime.com

Revista La Agencia de Viajes, Ladevi:

http://www.ladevi.com.ar/web/products/ladevi_col_eng.php

For more information, please contact Isabel Valenzuela of the U.S. Commercial Service Santiago at isabel.valenzuela@mail.doc.gov.

Franchising (FRA)

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U.S. Market Share	31.7 %
Local Market Share	27.2%
Third Country Market Share	41.1%

Local Franchise Registry

Franchising has become an important way of doing business in Chile. The growth that Chile has seen in this sector has led to its consolidation. This is evident in that Chile has become a platform for expansion within the region. Although Chile finds itself today with a privileged business climate, it is important to note that the country still lags behind Argentina and Brazil as notable markets for franchising. U.S. franchisors willing to expand operations to Chile should consider being flexible regarding license cost as well. A unit franchise could be set up to establish a "model operation" as a way to penetrate this market.

U.S. companies granting franchises should make room for flexibility and consider rewriting part of their basic/standard agreement to suit the habits as well as the trade and local cultural practices. If necessary, and based on serious and extensive research, product flexibility also should be considered.

Franchise companies operating in Chile are subject to local trade laws and today the U.S. and Chile benefit mutually from the existing FTA. The local franchise chamber was created in 2005, and its objective is to provide a more regulated business climate for franchising where business can flourish. There is limited information as far as statistics from one year to the next, due to the several attempts to organize a franchise entity over the past several years.

There is no specific legislation for the franchise industry operating in Chile. In general, royalties and fees have a withholding tax that range from 15% to 35%. U.S. companies are encouraged to register their trademarks either before or upon entering the market, mainly because trademark/brand stockpiling is common in Chile.

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As mentioned before, although the franchising concept is present in the Chilean market, it is not as strong as in other Latin American countries such as Argentina, Brazil or Mexico. The most important segment of franchising in Chile is quick service restaurants or fast food. Many of the better-known U.S. franchises are present: McDonalds, Pizza Hut, Domino's Pizza, KFC, Burger King, Dunkin Donuts, Chuck E. Cheese, TGI Friday's, Taco Bell, Ruby Tuesday, etc. The market in Chile is extremely competitive, and some franchises have not been successful due to pricing and/or strategies that were implemented.

Other best prospects fall in services, training and education, real-estate, hotels, fitness centers, entertainment, and apparel.

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- Chile is a regional attraction for expansion to the rest of the Latin American market. Due to the efficiency level of Chilean firms and businesspeople, it is not uncommon practice that foreign franchisors grant regional licenses, including other Latin American countries, to Chilean franchisees.

- Franchising subsectors expected to have the highest growth include electronic trade and information technology. Education and training are other areas in which franchising will grow, along with cleaning, maintenance and repair services.
- Service related franchises are considered a good option and should provide for a good market.

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At the U.S. Commercial Service in Santiago, Chile, contact Marcela Cintron at Marcela.Cintron@mail.doc.gov.

Agricultural Sectors

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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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The Chilean food industry is primarily based on the country's agricultural resources and remains, to a significant degree, dependent on agro-based exports. Indeed, the agricultural industry is one of the staples of the Chilean economy, generating around US\$ 4 billion in exports annually. It represents around 24% of the country's GDP and is the second most important exporting sector.

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

Multinational food manufacturers have a long history of investing in Chile and firms such as Nestlé and PepsiCo have manufacturing plants in the country. Although domestic consumption of processed food is rising steadily, thanks to the country's strong economic growth, most food and drink firms investing in Chile also have one eye on how they can utilize the country's extensive natural resources and network of trade agreements to boost their sales in markets outside of Chile. The country has many advantages that encourage multinational firms to build production facilities in Chile. The country's southern hemisphere location means that it produces crops during the opposite seasons to the world's major consumer markets in the northern hemisphere, while its elongated shape and north-south orientation also mean that harvests can be staggered throughout the growing season. In addition, the country's relative geographical isolation – thanks to the Andes in the east, the Atacama Desert in the North, and Pacific to the West allows the country's food production areas to be free from most pests and diseases that plague other food producing countries.

These natural advantages are supplemented by the country's political and economic stability and its liberal trade agreements with many of the major consumer markets.

Chile is known today as the largest exporter of fresh fruit of the Southern Hemisphere. Chilean agriculture covers a wide range of activities such as the cultivation of annual crops, cattle ranching, dairy farming, vegetable production and organic farming.

Chile has a flourishing and competitive food industry that processes and exports food products and beverages as diverse as canned, dehydrated and frozen fruits and vegetables, wine, fruit juices, fruit pulps, olive oil, pork, lamb, poultry, beef, as well as a variety of dairy products. All of these products reach the most demanding markets globally.

A solid economic foundation, a reasonably high technology-based industry, and a sound environment, play a fundamental role in the development and growth of Chilean agriculture and the food industry.

The main Chilean processed food industries are those related to fresh fruits, dairy products, salmon, processed or canned seafood, meats, wine, crackers/cookies, candy, chocolates, canned peaches, jams, tomato sauces, pasta and juices.

Chile has a longstanding commitment to trade liberalization and has signed free trade agreements with the European Union, Mexico, Canada, South Korea, EFTA, Central America, Mercosur, Singapore, Japan, China, India, New Zealand, Colombia,

Venezuela, Ecuador, Bolivia, Peru, the U.S., and is negotiating agreements with Malaysia and Thailand. The U.S.-Chile Free Trade Agreement took effect in 2004 prompted new interest in U.S. products and opened new opportunities for previously prohibited products, such as red meat, certain fresh fruits, and dairy products. This FTA reduces the previous 6% across-the-board tariff to 0% for 87% of non-agricultural products immediately, and for three quarters of agricultural products within four years, the rest over 12 years. U.S. and Chile Tariff Schedules for all Harmonized Tariff System customs codes can be found at www.ustr.gov/new/fta/Chile/text/, "Section 3. National Treatment and Market Access for Goods".

Trade is the engine of Chilean growth. According to the Global Competitiveness Report published by the World Economic Forum, Chile is ranked as the most competitive nation in Latin America in terms of growth prospects, and is also placed ahead in the rankings of 15 of the 27 countries in the European Union.

Consumer spending on food and beverages has risen significantly since 2003 to reach US\$ 24.3 billion in 2008. This growth in consumer spending has mainly been propelled by improving living standards as a result of falling unemployment and increased purchasing power. This makes the purchase of processed food products an option for a growing proportion of the population, and offers food and drink manufacturers opportunities to launch new, innovative value-added products.

With personal income being higher than the regional standards, the consumption patterns in Chile have undergone tremendous transformations over the past decade. For instance, people are shifting from locally produced staples to more expensive branded products, and are integrating processed packaged foods in their diet chart.

Despite solid growth in consumer spending on food and beverages over the last few years, the rate of growth has recently declined due to the impact of the global economic downturn. However, the long-term prospects are bright as consumer spending will increase with stabilization in the country's economy.

The processed (packaged) food sector's annual growth is represented by the sector's exports, which grew from US\$ 717 million in 2004 to more than US\$ 1.5 billion in 2008. According to ChileAlimentos (www.chilealimentos.com), the main association of food companies in Chile, the processed food sector is one of the main reasons that explains the growth in Chilean exports in the last decades, mainly due to the production increase of fruits and vegetables in their different formats (canned, dehydrated, frozen and juices), apart from the increase in exports of chocolates, cookies, candies, refreshments and other products of the kind. Each one of these products has its origin in more than 200 industrial plants distributed along the country.

Certain sub sectors continue to see strong growth as more people join the work force and eat out-of-home, as domestic help salaries rise and their availability drops. Especially promising products are convenience and fast foods, out-of-home foods (snacks, etc., which are surprisingly consumed more by lower-income households and young consumers than others), and health and light foods.

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

The “gourmet food” sector includes spices and sauces; cheese and dairy products; red meat, poultry and seafood products; prepared foods and soups; pastas, grains and legumes; bakery; crackers and snacks; desserts, confectionery and drinks. The sub sectors with the largest market share are spices, tea, cheese, coffee and snacks. Leading supermarkets chains compete for the best international gourmet section at the stores, with dedicated sections at the shelf and activities (PR and marketing included) destined to attract high-end niches of consumers to their stores.

Consumption trends influencing the type and quality of inputs being used include easy-to-prepare food as more people join the workforce and spend less time at home, as out-of-home meals become more frequent, as young people continue adopting new fast foods and snack foods and as diet and light foods and beverages continue capturing market share. Chilean consumers have increasingly felt pressed for time to cook. Convenience is the main trend in packaged food. More women are working, so they have less time to spend on meal preparation, and schools are extending the school day.

Consumers declare that the most valued benefit from specific items is health, quality, convenience and security. Functional foods are part of the usual shopping list of Chileans; especially among women and the medium and upper classes. Chileans give important credit to brands (in 80% of the cases, it determines the purchase selection due to its quality warranty) and also choose supermarkets because they offer more items that are practical, have larger formats and offer healthier products. Traditional name brands have an advantage; hence they have extended their product line to this group. In the last four years, in dairy products, there have been 15 new functional products or with added value.

The small organic food market has been steadily growing over the past eight years. The market, which was worth only US\$ 200,000 in 2003, today represents US\$ 7.4 million in sales and is expected to grow to US\$ 53 million by 2013. The high price of organic goods is the main obstacle preventing some from consuming these alternative food products. Organic production in Chile is so far an export driven activity including fruits, vegetables and wines for most part.

Other advantages for U.S. food ingredients in Chile are:

- certain companies have corporate requirements to purchase U.S. inputs, for example Nestlé for products re-exported to the U.S.;
- shipping from the U.S. is cheaper and quicker than from Europe;
- the rapidly dropping U.S. Dollar exchange rate (against the Chilean Peso), 13% in nine months in 2009, will make U.S. inputs more competitive;
- U.S. food inputs are known for their consistent high quality;
- the public perceives these products to have met the highest sanitary standards;
- the U.S.-Chile Free Trade Agreement, which went into force on January 1, 2004, is making U.S. products more competitive, or at least places them on an even playing field;
- the U.S. is a strong, traditional trading partner and its products are welcome; and
- rising consumer spending and adoption of foreign food types favor new types of inputs.

The following foreign food ingredient imports are in the highest demand: powdered milk, whey, specialty cheeses, durum wheat, corn starch, wheat gluten, animal fat, fish and olive oils, vegetable fats and oils, glucose, other sugars, cocoa powder, essences, protein concentrates and emulsifier agents, pork, turkey and chicken.

Chile has a modern, highly competitive supermarket sector. The number of retail food stores grows approximately one percent per year. The market for consumer-ready food products and imports is concentrated in Santiago, where higher incomes and the city's population density command almost half of the country's consumer demand.

Supermarkets, i.e., stores with 3 or more checkouts, serve about 60% of the grocery market and number about 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.

Market Summary:

- The retail food market (supermarkets, department stores and others) accounted for 22% percent of Chile's GDP in 2008 with sales of U.S. \$38 billion, with 38% of this, or US\$14.6 billion, comprised of retail food, according to AC Nielsen.
- During 2008, retail sales remained stable representing 22% of Chile's GDP. In total, retail sales reached US\$ 38 billion, with 38% of this, or US\$14.6 billion, comprised of retail food.
- Due to free trade agreements and other commercial treaties, Chile has beneficial trade agreements with 60.2% of the World's population and with countries representing 86% of global GDP.
- In 2009, Chilean GDP is expected to contract by 1%. However, growth is expected to resume in 2010 and the outlook for the retail sector during the period 2008-2013 is positive. Higher consumer spending power, well developed

physical infrastructure and a business-friendly regulatory environment are key factors behind the forecast growth in Chilean retail sales.

- Average annual GDP growth of 2.4% is now predicted by Business Monitor between 2008 and 2013. With the population increasing from 16.9 million in 2008 to an estimated 17.9 million by 2013, GDP per capita is forecast to rise 41.3% by the end of the forecast period, reaching US\$14,157. Consumer spending per capita is set for an increase from US\$ 7,821 in 2008 to US\$ 10,702 by 2013.
- Just over a third of Chileans surveyed in 2008 stated they would cut down on groceries in order to adapt to the global economic crisis, whilst 51% of people surveyed stated that they would switch to cheaper food brands.
- Chileans are considered to have a “Mediterranean diet”, with staple foods such as bread, rice, pasta, pork, chicken, legumes, fruit and vegetables, seafood and dairy products. According to the website, www.fitnessspotlight.com, the Chilean diet is about 68% carbohydrates, most of which is consumed in grain form representing 41% of total caloric intake. Animal foods contribute only 19% of the daily calories, one third of that being dairy products. Therefore up to 20% of the diet could be fat, assuming that possibly half of those animal foods are composed of fat while the rest is protein. In the last 40 years, grain intake has nearly doubled, which has obvious health implications compared to a whole foods-based diet.
- Chile is the 17th ranked exporter of foods in the world, and recently President Michelle Bachelet reaffirmed the country’s ambition to enter the top 10. In the last eight years Chile has increased its agricultural exports by 149%. Chile’s unique and diverse climatic conditions allow the country to produce a wide variety of agricultural products with a high level of food purity, and Chile has become a very important player in certain agricultural sectors:
 - Chile ranks as the no.1 southern hemisphere exporter of apples, peaches, nectarines, blueberries, raisins, nuts, prunes, and almonds.
 - Chile is the 1st world exporter of plums.
 - Chile is the 2nd world exporter of kiwis and salmon.
 - Chile is the 5th world exporter of wine.
- Arguably, Chile’s greatest economic challenge of recent years – one that it has met for the most part except in 2008 -- has been to maintain inflation under control. The food sector has been one of the industries most affected in this area. The main reasons for inflation in the food sector in 2008 were petroleum, natural gas and electricity prices, growing demand for bio-fuel and the components to produce it, and increased demand in Asia for agricultural products which has raised the cost of agricultural inputs to produce food.
- Favorable credit conditions and the easy access to store credit cards have contributed to an improved retail demand in recent years. However, 2008 inflation and government policies to curb it plus a tightening of credit resulted in a contraction in consumption.

- A comparatively weak dollar compared to the Chilean peso should maintain import demand.
- Santiago, the capital city, is home to 40 percent of the population and the great majority of the retail food sector companies that purchase imported food products.
- Chileans spend on average around 20% of their household income on food, drinks and tobacco. In per capita terms, Chile is the second biggest consumer of bread in the world after Germany, the 3rd biggest consumer of tea (800 grs), and an important per capita consumer of pasta, rice, seafood, carbonated beverages and beer.
- Supermarkets are the leading retail channel for food products.
- 65% of the total retail sector sales were in food and clothing.

High-Value Food Products for Institutional Food Service

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Although no official government or industry sales figures exist for any of the HRI sectors, the Institutional market is the largest of the three in terms of food sales, followed closely by the restaurant sub-sector and fairly distantly by the hotel sub-sector.

Around 30 percent of this is food and beverage costs, and 10 to 20 percent of this food and beverage cost component, i.e. \$15 million to \$30 million, is estimated to be imported foods. The average food/beverage ratio of restaurant sales in Chile is 60 percent food to 40 percent beverages.

Total restaurant sales are fairly flat as shrinking sales and margins, especially for lower-echelon restaurants, compensate for the growth in the number of restaurants.

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 percent of the market. Mines and educational institutions dominate demand for institutional food services. The three giants currently source mainly domestically or from Brazil and Argentina. However with export pricing on institutional unit sizes, the following products offer good opportunities: tuna, rice, oil, canned vegetables, deli meats, cheese and other dairy products, low carbohydrate products and pre-mix sauces. With export pricing designed to offer discounts on the unit sizes intended for institutional use, these companies would be interested in U.S. products.

The three leading companies are: Compass Catering S.A. has the contract for the military, schools, and state programs, including some hospitals and jails. Therefore they are particularly interested in products that can meet the special price and nutritional requirements of their customers. They do not direct import, but work through a variety of brokers and importers. They serve approximately 260,000 meals a day and have a market share of approximately 20%.

Sodexo Chile, S.A. has operations in 66 countries with a regional director in Brazil. Consequently they have traditional ties to suppliers in Brazil, as well as Argentina. Price

competitiveness is essential or targeting niche products not normally sourced from these two countries. Most imports are brought in through brokers. They service a wide range of private industries such as: mining, petroleum, construction, fisheries, forestry, textile, steel, auto, chemical, pharmaceutical, service companies, banks and supermarkets, hospitals, schools and government programs. They have a market share of approximately 21%.

Central de Restaurantes uses a large quantity of imports, particularly high value food items. However, they do not bring these products in directly, they use brokers and importers. Currently, most of the products they carry are from Latin American suppliers. They service mines, banks, airlines, tv channels/the press, private colleges, and hospitals and clinics. They do more than 200,000 meals a day and have a 30 percent market share.

Institutional food service is a good market for basic staples as opposed to the specialty foods demanded by the hotel and restaurant sub-sectors. The main imported foods in its purchasing program are legumes, beef, pork and rice.

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

For January -November 2009, the following U.S. processed food products showed promising growth in exports to Chile: fruit and vegetable juices (264%), red meat (92%), Pet foods (34%), wine and beer (11%).

January –November 2009 Agricultural, Forestry & Fish Imports by Chile

Total (from world)	3,404
From the U.S.	278
U.S. Share	8.2 %
Chilean Surplus with U.S.	2,389

(In millions of U.S. dollars)

January –November 2009 Principal U.S. Agricultural Exports to Chile

Wheat	57,474
Other Intermediate Products	25,158
Feeds & Fodders	22,944
Other Consumer Oriented	20,382
Coarse Grains	14,437
Planting Seeds	13,331
Dairy Products	10,316
Other Value-Added Wood Prod	9,496
Tree Nuts	8,510
Snack Foods	8,315

Processed Fruit & Vegetables	7,769
Cotton	5,936
Red Meats, FR/CH/FR	4,666
Pet Foods	4,295
Live Animals	3,425
Wine and Beer	3,030
Fruit & Vegetable Juices	2,918
Other Edible Fish & Seafood	2,559
Soybean Meal	2,469
Panel Products (Incl Plywood)	2,091
Fresh Fruit	2,073

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

January –November 2009 Principal U.S. Agricultural Imports from Chile

Other Fresh Fruit	1,118,521
Other Edible Fish & Seafood	673,254
Wine and Beer	244,342
Planting Seeds	193,531
Panel Products (Incl Plywood)	182,520
Processed Fruit & Vegetables	177,577
Other Value-Added Wood Prod	174,096
Softwood and Treated Lumber	107,774
Fruit & Vegetable Juices	78,475
Other Consumer Oriented	41,030
Other Intermediate Products	25,171
Sugars, Sweeteners, Bev Bases	11,863
Salmon Whole or Eviscerated	8,234
Tea, Incl Herb	8,064
Other Dairy Products	6,527
Other Bulk Commodities	5,775
Red Meats, FR/CH/FR	5,336
Nursery Products	5,285
Fresh Vegetables	5,028
Spices	4,687
Lobster	3,251
Other Vegetable Oils	3,035

(In thousand 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.

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Import Tariffs

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The U.S.-Chile Free Trade Agreement (FTA) came into force on January 1, 2004. Tariffs on 90% of U.S. exports to Chile were eliminated immediately. As of January 2007, 97% of all U.S. exports to Chile are duty free. The remaining 3 % include duties primarily on agricultural products. Key U.S. exports such as autos and auto parts, computers and IT equipment, medical devices and construction and agricultural equipment all won instant duty-free access. In addition, Chilean tariffs on more than three quarters of U.S. farm products were 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 subsequent to 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; such 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.usdachile.cl.

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.

U.S. Export Controls

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

Temporary Entry

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

Labeling and Marking Requirements

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Chile has fairly common labeling requirements for imported products. Among the most important requirements for U.S. exporters is that labeling must be in Spanish and measurements must be 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.usdachile.cl.

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) and is 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.

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 or contact the U.S. Foreign Agricultural Service in Chile +56-2-330-3704; e-mail: 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, 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.

Standards

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Overview

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Chile's growing export industrial base and expanding presence in the region has proven to be the reason why general policy for defining technical regulation has increased to comply with international standards. Chilean standard guidelines follow those of the World Trade Organization (WTO), Committee on Technical Barriers to Trade.

In situations where required standards do not exist, the general policy is to turn to Chile's largest trading partners, including the European Union and the United States, in order to determine what are the generally accepted norms being implemented around the world.

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

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

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

Standards Organizations

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In Chile, there are no standards associations like those found in the United States. The only organization charged with developing standards in Chile is the INN. Its web site is www.inn.cl. Its long-term plan for the development of standards is aligned to Chile’s chief export sectors. These include copper, forestry, agro-products in general, and the wine industry. Chile is also developing its biotechnology and information technology sectors. See www.inn.cl/pags/normalizacion/index.html for INN’s current standards development plan.

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect access to international markets. Register online at Internet URL: <http://www.nist.gov/notifyus/>

Conformity Assessment

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

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

A few of the locally accredited organizations are mentioned below. A complete list of accredited testing organizations under each category can be found at <http://www3.inn.cl/acreditacion/portada/index.php> under the **DIRECTORIO DE ACREDITADOS**.

Name	Address in Chile	Telephone
CESMEC Ltda. (Chile), División Certificación / ISO9000 www.cesmec.cl	Av. Marathon 2595 Macúl, Santiago	(56 2) 350-2100
DICTUC S.A., (Chile) www.dictuc.cl	Av. Vicuña Mackenna 4860 Macúl, Santiago	(56 2) 354-4886
Fundación Chile (Chile) www.fundacionchile.cl	Av. Parque Antonio Rabat Sur 6165 Vitacura, Santiago	(56 2) 240-0300
Bureau Veritas S. A. (France) www.bureauveritas.cl	Av. Isidora Goyenechea 3250, Piso 7 Las Condes, Santiago	(56 2) 485-9000
ISP (Instituto de Salud Pública de Chile) www.ispch.cl	Av. Marathon 1000 Nuñoa, Santiago	(56 2) 575-5101
ICONTEC (Colombia) / ISO 9000 www.icontec.org.co	Augusto Leguía Norte 100, Of. 306 Las Condes, Santiago	(56 2) 657-8907
SAG (Servicio Agrícola y Ganadero) (Chile) www.sag.cl	Av. Bulnes 140, Piso 8 Santiago Centro, Santiago	(56 2) 345-1104
Salimax (Chile) www.salimax.cl	Málaga 115 Of. 703 Las Condes, Santiago	(56 2) 799-0748
Corthorn Quality (Chile) www.corthorn.cl	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 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.

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

Labeling 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.usdachile.cl.

Contacts

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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 is currently negotiating FTAs with Malaysia and Vietnam, and has pending Chilean Congress FTA ratifications for Thailand and Turkey.

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.

Chile is member of the following Multilateral organizations: WTO, APEC, OECD, OMPI, and "Pathways to Prosperity".

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 markets. For more information on Chile's trade agreements, see www.direcon.cl.

Web Resources

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U.S. Government:	www.export.gov
U.S. Commercial Service Santiago:	www.buyusa.gov/chile/en
USDA Foreign Agricultural Service:	www.fas.usda.gov
U.S. Embassy Santiago:	http://chile.usembassy.gov/
U.S. Government information on exports controls:	www.export.gov/exportcontrols.html

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

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Chapter 6: Investment Climate

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Openness to Foreign Investment

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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 toward FDI are unlikely to change.

Most FDI in Chile must enter through either of the following mechanisms: the Foreign Investment Statute Decree Law 600 (DL 600) or Chapter XIV of the Central Bank's Compendium of Foreign Exchange Regulations (CFER).

Chile's openness and transparency to FDI is embodied in the foreign investment statute, known as DL 600. This law has been the main regulatory norm for FDI in Chile during the last 40 years. Under DL 600, a foreign investor may sign a contract with the Government of Chile (GOC). Chile's Foreign Investment Committee (FIC), 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 FIC's authority to reject a foreign investment is severely

limited by the Chilean Constitution. The FIC's decision can be appealed if an investment is rejected.

An investment contract may not be modified unilaterally by the GOC 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;
- credits associated with foreign investments;
- capitalization of foreign loans and debts whose contracts have been authorized by the Chilean Central Bank; and
- capitalization of profits transferable abroad.

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. DL 600 allows for capital increases in a given investment.

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 up to eight years for implementation. In the case of mining projects, the implementation is eight years, but if exploration is required, the FIC can extend it to up to 12 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 USD 250,000 in the case of fixed assets, technology, debt capitalization, and profit reinvestments. FDI valued below these levels but above USD 10,000 is made through Chapter XIV of the Central Bank's CFER. Chapter XIV establishes regulations that govern foreign exchange operations related to credits, deposits, investments, and capital contributions originating abroad. Investments made under Chapter XIV do not involve signing a contract with the Chilean state. Instead, the Central Bank grants

authorization for a given investment. FDI made under Chapter XIV must be in a foreign currency and does not convey any special rights to the investor, such as access to a guaranteed tax rate. The investor must inform the Chilean Central Bank of the investment through a commercial bank or other authorized financial institution. FDI valued under USD 10,000 does not require Central Bank approval.

In November 2002, the Chilean Government launched an Investment Platform Initiative aimed at attracting international corporations' Latin American headquarters 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 tax on the profits that overseas shareholders derive from 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 but 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.

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

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 that of the FIC. For example, projects in the copper mining sector require the Chilean Copper Commission's authorization; investments in the fishing sector 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 must authorize projects related to insurance and investment funds. Additional authorizations are required from the Pension Funds and Private Health Insurance regulatory agencies to participate in those sectors. For projects with a potential environmental impact, authorization is required from the National Environmental Commission (CONAMA) and/or the Regional Environmental Commission (COREMA). Chile also maintains national security related restrictions on investments in the areas of nuclear energy, defense, maritime transportation, real estate, and mining.

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

RANKING ACCORDING TO:	2007	2008	2009	2010
TI - Corruption Perceptions Index	20 th	22 nd	23 rd	--
HF - Index of Economic Freedom	8 th	8 th	8 th	10 th
WB – Ease of Doing Business Index	--	--	40 th	49 th

Conversion and Transfer Policies

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Chile's regulation ensures that capital markets are well developed and open to both foreign portfolio investors and FDI. Most of the legal framework regulating capital markets in Chile was introduced in the early 1980's and then reformed and revamped especially after the severe economic crisis in 1983. 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 loans and portfolio investment with the Central Bank in a non-interest-bearing account for up to two years. The Central Bank reserves the right to re-impose the "encaje" mechanism if needed in the future.

In June 2007, the GOC passed Law 20.190 that introduced tax incentives to promote venture capital. The law improves the availability of financial resources for small- to medium-sized enterprises (SMEs) and provides tax benefits to public as well as private venture capital funds. The legislation creates incentives for investments in venture capital companies with annual sales below UF 200,000 (about USD 8.3 million) as well as larger companies with annual sales up to UF 400,000 (about USD 16 million). [NOTE: The Unidad de Fomento (UF) is an inflation-indexed unit of account adjusted daily by the Chilean Central Bank, so that it maintains its value over time, in real terms. On January 5, 2010, 1 UF was equivalent to about CHP 20,923 and 1 USD was equivalent to about CHP 506.] Law 20.190 authorizes CORFO (Chile's Development Promotion Agency, 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.

During 2000-2008, the Government enacted significant new legislation to strengthen local capital markets, increase market flexibility, provide incentives for savings, and foster greater financial opportunities for small and medium-sized companies through Capital Market Reforms I and II. In 2009, Capital Market Reforms III was introduced in Congress but had not yet reached a vote by the end of the year. The objective of this latest set of reforms is to improve current levels of competition in the credit market by increasing available credit instruments and improving consumer information. The bill also includes language aimed at: increasing liquidity, deepening credit markets, improving flexibility for investment funds, creating Exchange Traded Funds (ETFs), allowing access to secondary markets, and fostering investment in mutual and investment funds.

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 five percent of sales. The same restriction applies to payments for the use of patents that exceed five percent of sales. In such cases, firms would have access to the informal market. The Chilean tax service reserves the right to prevent royalties of over five percent of sales from being counted as expenses for domestic tax 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 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 the Overseas Private Investment Corporation (OPIC) insurance, disputes involving U.S. investors have been typically settled in negotiations between the investor and the appropriate government entity. Disputes have been referred to the local judicial system, although the time required for resolution may make this an unattractive option for foreign investors. 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 two years after the FTA'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 ICSID -- 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 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 FTA chapter on investments encourages consultations or negotiations before recourse to dispute settlement mechanisms. If the parties fail to resolve the matter, a claim for arbitration can be submitted by the investor. Arbitration must be by mutual consent. Provisions in Section C of the FTA ensure that the proceedings are transparent by requiring that all documents submitted to or issued by the tribunal be available to the public, and by stipulating that proceedings be public. The tribunal must also accept amicus curiae submissions. The FTA chapter on investments establishes clear and specific terms for making proceedings more efficient and avoiding frivolous claims. 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.

In 2009, a large American investor in Chile had a project temporarily halted as the result of a court decision. The GOC worked with the company to resolve the situation so that the investment could resume.

Performance Requirements and Incentives

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

The FTA investment chapter also regulates the use of mandatory performance requirements as a condition for receiving incentives and spells out the 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 the facilitation of project financing. Other important incentives include accelerated depreciation accounting for tax purposes, special tax treatment for retained earnings, and legal guarantees for remitting profits and capital.

Chile has other special incentive programs aimed mostly at promoting investment and employment in remote or disadvantaged regions, the development of new businesses,

support for micro, small-, and medium-sized enterprises, and promotion of technological innovation.

CORFO has implemented the "Chile Invests" plan with the goal of fostering FDI outside the Santiago Metropolitan Region in certain sectors. A key objective of the plan is to encourage investment in areas of non-traditional technology such as biotechnology, research and development of new materials, electronics and engineering processes, and new production techniques to increase the value added to natural resource exports. The plan also promotes investments in the energy sector mainly for non-conventional renewable energy projects. CORFO provides co-financing programs to pre-investment feasibility studies for projects using renewable non-conventional energy resources.

The Arica Law of 2001 grants tax credits to companies in the provinces of Arica and Parinacota both in Region XV (Arica and Parinacota). Investment projects amounting to over 2,000 UTM (about USD 145,000) in Arica are eligible for a tax credit of 30% of the value of the fixed physical assets (40% for tourism projects). Investment projects totaling more than 1,000 UTM (about USD 72,500) in Parinacota are eligible for a tax credit of 40% of the value of the fixed physical assets. These incentives will be applied until December 31, 2011 and may be repaid up to 2034. [NOTE: The Unidad Tributaria Mensual (UTM) is similar to the UF. It is an inflation-indexed measure of value, adjusted on a monthly basis. On January 5, 2010, 1 UTM was equivalent to about CHP 36,679 and 1 USD was equivalent to about CHP 506.]

The Austral Plan of 1999 provides tax credits for investments in Regions XI (Aysen) and XII (Magallanes) and the province of Palena in Region X (Los Lagos). Investment projects totaling 2,000 UTM (about USD 145,000) in the transport, energy, tourism, property, manufacturing, agriculture, aquaculture, and research and development sectors are eligible for a tax credit of up to 32% of the value of fixed physical assets. Credits are granted until 2011 but maybe repaid up to 2030.

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

According to data provided by the Chilean Internal Revenue Service (SII), tax credits granted in 2008 for investments under the Arica Law totaled about USD 24 million and those granted under the Austral Plan totaled about USD 126 million.

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

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

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 (IPR). 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 PWL in 2008 and 2009.

Chile has undertaken a number of legislative reforms to strengthen its IPR regime and bring it in line with international commitments, including the U.S. – Chile FTA. However, there are still substantive deficiencies in Chile's IPR laws and enforcement of existing IPR protections. The main concerns involve patent and test data protection in the pharmaceutical sector and copyright piracy of movies, music, and software.

As a member of the World Trade Organization, Chile chose to qualify as a developing country for meeting its obligations as a signatory to the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). 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 has been a member of the World Intellectual Property Organization (WIPO) since 1975 and adhered in April 2001 to the Treaties on Copyright and Performances and Phonograms. Chile approved legislation to comply with TRIPS obligations related to industrial property in December 2004. The new law provides for, among other things, expedited court proceedings and the authority to seize illegal copies of patented products. In 2008, Chile ratified the Patent Cooperation Treaty (PCT), which came into force in June 2009. In 2009, the Chilean Congress considered but did not vote on two other FTA commitments: accession to the Trademark Law Treaty (TLT) and the 1991 Convention on the International Union for the Protection of New Varieties of Plants (UPOV).

In addition to deficiencies in IPR laws and regulations, there is a larger problem with overall inadequate IPR enforcement. The FTA seeks to have Chile strengthen its legal framework to provide better protection to copyrights and trademarks. For example, the agreement requires an increase in the period of protection for copyrights and related rights to 70 years. The FTA also requires the criminalization of end-user piracy and

mandates both statutory and actual damages for IPR violations. Provisions of the FTA require state-of-the-art protection for digital products and penalties for tampering with anti-piracy technology. Chile enacted legislation to implement some of its FTA and TRIPS commitments on copyright protection in 2003.

In October 2009, the Chilean Congress passed a landmark upgrade to copyright legislation, which included new provisions mandating penalties for IPR violations. However, the Congress dropped key language from the bill implementing some FTA commitments on internet service provider liability and copyright infringement on the internet. The Chilean executive branch requested the reinsertion of some of the language, a portion of which was approved by the Congress in January 2010. The bill was then sent for final administrative processing before becoming law.

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

In April 2008, the Chilean congress passed a law that created the National Institute of Industrial Property (INAPI), replacing the Department of Industrial Property. INAPI began operations in January 2009 and is a technical and legal agency in charge of all the administrative actions related to industrial property registration and protection. INAPI is overseen by the President of Chile, through the Ministry of Economy.

One serious 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. Food and Drug Administration, is the agency charged with granting marketing approval 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 -- that seek 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 often have garnered unproductive results, i.e. the U.S. firms are unable to keep the pirated goods from entering the market.

In November 2005, the Ministry of Public Health (which oversees the ISP) published regulations establishing a mechanism to help protect data related to pharmaceutical products and pre-clinical pharmacological and toxicological studies. In 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 and have yet to be published and 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 (place-names).

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

Transparency of Regulatory System

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Chilean regulatory systems tend to be transparent, and government regulators generally have little discretion. While rulemaking processes do not generally include formal provisions for public hearing or comment, opening a business is normally easier in Chile than in many other developing countries. The U.S. – Chile 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 Capital Market Reform I came into force (see Section A.2). Among other things, the reform created an agricultural

commodities exchange and allowed administrators of Chile's private pension funds (AFP for Administradora de Fondos de Pensiones) to operate five funds with different risk-return profiles instead of one single fund. The reform to the pension funds also promoted alternative voluntary pension plans (mirroring the U.S. 401K option).

Capital market reform leveled the playing field for foreign investors in the local market and those who invest in Chilean bonds abroad. This has slowly increased demand for local debt instruments among new foreign investors. The reform also solved issues related to commercial paper and the stamp tax (a tax on all credit operations by individuals and companies), and created a new tax exemption for cross-border bank lending that allows foreign banks to compete on more equal terms.

Capital Market Reform I 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 reform also 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, Capital Market Reform II entered into force, which aims to promote the development of the venture capital industry, strengthen the stock and exchange markets, and deepen other Chilean financial markets. In September 2009, the GOC introduced Capital Market Reform III 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. U.S.-based firms are allowed to offer services in Chile in areas such as financial information, data processing, and financial advisory services, with limited exceptions. Chilean mutual funds will be permitted to use foreign-based portfolio managers.

The Santiago Stock Exchange rebounded strongly from the recent international financial crisis, rising by more than 50% in 2009, its best year since 1993. In December 2009, the Chilean sovereign spread on the Emerging Markets Bond Index (EMBI) was 381 basis points, in contrast to the 799 basis point average for Latin America.

The main institutional investors and suppliers of capital to local companies are the pension fund administrators (AFP). As of June 2009, Chile's five AFPs managed a total investment portfolio of USD 102 billion, representing about 76 % of Chile's GDP. The pension funds administered by the AFP belong to 8.5 million contributors. As of June 2009, the total resources under administration were distributed in five different funds of varying degrees of risk. As of June 2009, accumulated savings in the voluntary contributions system (APV) of the AFP system totaled USD 2.6 billion.

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 60% 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 operating in Chile, and 12 are foreign-owned representational branches. Only two banks are completely owned by Chilean economic interests (BCI and Corpbanca); the rest have some level of incorporation with foreign institutions. Foreign banks can compete on the same terms as their domestic rivals. There are also five local Savings and Loan Corporations, and one state-owned bank, Banco Estado, which is the nation’s third largest. Private banks manage most corporate business.

Starting from January 2008, upon a request of the Superintendency of Banks, banks must present their financial information on a consolidated basis instead of individually. This new obligation was part of the migration process to the International Financial Accounting Rules (IFRS) that entered into force in 2009.

During 2008, the banking system registered profits of USD 1.53 billion, a 17% decrease compared to the previous year. The Chilean banking system did not escape the adverse effects of the international financial crisis. It absorbed minor losses but remained within adequate capitalization levels and maintained good risk indicators. Chilean banks posted a net profit of USD 2.2 billion in the first 11 months of 2009.

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.

The Chilean banking industry is characterized by the quality of its loan portfolio, due partly to strict limits on lending to a single debtor or group of related companies. This is capped at five percent of the capital and reserves of a bank for collateral-free loans and at 25% for collateralized loans (fixed assets).

In 2009, Chile enacted several critical reforms as part of the process to join the Organization for Economic Cooperation and Development (OECD). One of these reforms was a law that Chile enacted in 2009 allowing for the exchange of tax information between tax authorities, including information based on bank account activity (information previously restricted under Chilean law).

Summary of Chilean Banking System (November 2009):
(USD millions, 1USD = CHP496)

Total Loans - 136,172
Deposits - 113,495
Net Income - 2,245
Total Assets - 203,048
Capital and Reserves - 13,608

Source: Chile's Superintendency of Banks and Financial Institutions

In a bid to increase competition within the banking sector, the capital market reforms have also liberalized 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 on 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 (November 2009)

- Banks and Financial Institutions: 24 participants. Total Loans: USD 136 billion, a 38% increase from 2006 (98.7 billion).
- Pension Funds: 5 administrators. Funds under management: USD 100.2 billion corresponding to 8.5 million contributors as of June 2009.
- Insurance Companies: 51 (21 general insurers, 30 life insurers).

According to the World Economic Forum's Global Competitiveness Report for 2009-2010, 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 30th in the world.

Competition from State Owned Enterprises

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Chile has relatively few state-owned enterprises (SOEs), most having been privatized during the military government's economic reforms between 1974 and 1989. Notable

exceptions are the national copper company, CODELCO, the national petroleum company, ENAP, and the state-owned bank, Banco Estado.

In general, private enterprise is allowed to compete with public enterprise under the same terms and conditions (e.g., there are many private copper mines and private banks). However, there are specific areas where this does not hold and SOEs enjoy special advantages. For example, ENAP is the only refining company in Chile.

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

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

Chile has two sovereign wealth funds constituted principally from state copper revenues. The Economic and Social Stabilization fund was established in 2007 and was valued at USD 12.6 billion in November 2009. During 2009, the Government withdrew money from the Economic and Social Stabilization fund to pay for its stimulus package designed to combat the effects of the international financial crisis. The Reserve Pension Fund was established in 2006 and was valued at USD 3.5 billion in November 2009. The stated purpose of this fund is to assist the Government with payments to those eligible to receive pensions but who remain indigent (Chile uses a privatized pension system). A third sovereign wealth fund, called the Bicentennial Fund, is planned in the future to encourage Chileans to study abroad through the use of government funded scholarships.

The sovereign wealth funds are administered by the Chilean Central Bank, at the direction of the Ministry of Finance. The Ministry of Finance receives advice on policy related to the funds from an external Finance Committee made up of independent advisors. The Ministry of Finance publishes monthly, quarterly, and yearly reports on the funds. In 2008, the Peterson Institute of International Economy ranked Chile eight out of 34 funds worldwide in terms of transparency and best practices.

Corporate Social Responsibility

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There is general awareness of corporate social responsibility among both producers and consumers in Chile. As part of the OECD accession process, Chile passed a law in September 2009 setting out new rules to help bolster corporate social responsibility.

Political Violence

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The potential for terrorist activity and civil disturbance is low in Chile. Crime rates are low to moderate throughout the country. Over the last ten years there have been relatively few incidents of politically motivated attacks on investment projects or installations. Incidents of anti-American sentiment and civil disorder are rare, and there have been no incidents involving international terrorist groups. However, since 2007 Chile has experienced an increasing number of small scale bombings targeting mostly local service providers but also banks, a police station, and the U.K. Embassy. Anarchist groups have claimed credit for some of the bombs. There have also been violent incidents in forestry plantations in southern Chile. These incidents in southern Chile appear to be related to the land claims of indigenous people (the Mapuche Native American group) in the VIII and IX Regions.

Corruption

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Corruption in Chile is generally limited, although a number of cases have occurred in recent years. The GOC responded with vigor in 2003 to a succession of uncharacteristic public and financial sector scandals related to corruption and influence peddling in the government's domestic development agency (CORFO), the Ministry of Public Works (MOP), and the Central Bank. In 2003, Law 19.882 came into effect to establish a more efficient and professional civil service. The law introduced new performance-based incentives for in-service promotion on merit; reduced the number of political appointees in public service positions; established a new selection procedure; clarified and modernized public employee payments; and reformed the MOP's procedure for awarding government contracts. In 2005, Congress passed Law 20.054 to regulate political party and candidate financing, and established caps on election spending.

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 southern Chile. As of December 2006, EFE had lost USD 1.4 billion, 7.5 times its total assets. All of EFE's senior executives were under investigation. As of December 2008, the Chilean courts had indicted most senior executives at EFE, accusing them of fraud and mismanagement of fiscal resources. However, on December 2009, the courts absolved the three most senior executives of all charges. The General Prosecutor's Office is currently appealing the ruling.

Chile has signed and ratified the Organization of American States (OAS) Convention against Corruption. Chile is also a signatory to the OECD Convention on Combating Bribery. In 2009, as part of the OECD accession process, Chile passed a law that completed the implementation of its Anti-Bribery Convention obligations. 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 ranked Chile 23rd in its corruption perceptions index for 2009. The World Bank report on Governance Indicators released in June 2008 ratified Chile's status as one of the world's most transparent countries. On Control of Corruption, Chile ranked 90.3 %, ahead of Japan and Italy and on a level similar to the average for OECD countries (90.5 %).

Bilateral Investment Agreements

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In 1991, Chile became a signatory of the Washington Convention of 1965, which created the International Center for Settlement of Investment Disputes (ICSID). Since then, Chile has negotiated numerous Bilateral Investment Treaties (BITs) through which Chile provides additional protection to foreign investment flows. According to Chile's Foreign Investment Committee, as of the end of 2009, Chile had signed 51 BITs, of which 38 are in force. There are agreements in force with Argentina, Australia, Austria, Belgium, Bolivia, China, Costa Rica, Croatia, Cuba, Czech Republic, Denmark, Ecuador, El Salvador, Finland, France, Germany, Greece, Guatemala, Honduras, Iceland, Italy, Malaysia, Nicaragua, Norway, Panama, Paraguay, Peru, Philippines, Poland, Portugal, Romania, Spain, Sweden, Switzerland, Ukraine, the United Kingdom, Uruguay, and Venezuela. The Government of Chile has begun bilateral investment protection agreement negotiations with 15 others countries, including India, Morocco, Russia, Israel, and Thailand.

In January 2010, the United States and Chile announced the successful conclusion of negotiations on a bilateral tax treaty.

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 strikes do occur. Strikes and public protests have been concentrated in the mining, health, education, transportation, and civil service sectors.

Union membership is voluntary, and approximately 13% 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.

Top executive salaries are on a par with European countries, although well below those in the U.S. Chile allows companies to deduct set training costs (up to one percent of annual payroll) from corporate tax payments. A company can also use ten percent of the rebate to finance an analysis of its training needs, and 15% 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 took effect in January 2007. Initially it 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.

The subcontracting law defines outsourcing as two different activities: subcontracting and the supply of outside labor. Subcontracting is when a company permanently outsources a specific process to another firm which takes full responsibility for it, carrying it out with its own employees. However, the law does not permit companies to outsource its main economic activity. Regarding 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.

In Chile, more than 50% of 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.

According to the OECD Review of Labor Market and Social Policies of April 2009, Chile should invest more in employment and active social policies in order to reduce its high levels of income inequality and poverty.

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, 0.8% of the c.i.f. value). The same exemptions also apply to manufacturers in the Chacalluta and Las Americas Industrial Park in Arica (in the XV Arica and Parinacota Region created in October 2007). Mining, fishing and financial services are not eligible for free zone concessions. Management companies and firms established in the free zone are exempt from payment of tariffs, VAT, other charges on imports, first category income tax under the Income Tax Law, and payment of VAT on goods and services for all their operations in the free zone.

Foreign Direct Investment Statistics

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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 2009 World Investment Report, the stock of total FDI in Chile totaled more than USD 100 billion or 59.6% of Gross Domestic Product in 2008 -- down from 60.7% in 2007. The Report showed the world average for inward FDI in 2008 was 24.5%. Since 1990, multinational companies have committed more than USD 55 billion in investments to Chile, a significant amount in an economy whose GDP reached about USD 170 billion in 2008. Today more than 3,000 companies from 60 countries have operations in Chile.

The FIC reported that the country's net accumulated FDI made under DL 600 totaled USD 44.2 billion between 1974 and 2008. In 2008, the mining sector attracted 45.1% of FDI through DL600, followed by utilities (with 26.7%), with transport and communications accounting for 13.5%. An especially significant U.S. investment was Wal-Mart's acquisition of Chile's D&S supermarket chain for over USD 2 billion in December 2008. Net accumulated FDI made under Chapter XIV of the Central Bank's CFER totaled USD 30.3 billion between 1974 and 2008.

In 2009, authorized FDI in Chile was USD 6.3 billion. This figure is the second highest in eight years after the historic peak of 2008. In 2009, the service sector accounted for 61.9% of total authorized FDI (USD 3.9 billion), followed by utilities with 12.2%, manufacturing at 9.3%, transport and communications at 5.5%, and construction at 5.4%.

The United States was Chile's main investment partner in 2009, accounting for USD 3.7 billion or 59.4% of total FDI. Australia was the second biggest investor with USD 560 million (8.9% of total FDI), and Peru the third biggest with USD 400 million (6.4% of total FDI).

Between 1974 and 2007, the following sectors accounted for foreign investment realized 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 24.2% of inflows from 1974 – 2008, totaling USD 16.9 billion. Fruits and forestry sectors represent about 57 % of U.S. FDI to Chile, followed by the insurance sector (39%), the food industry (37.7%), company services (37%), the chemical industry (35 %), agriculture (33 %), the wood and paper industry (29%), retail (29.5%), communications (25.3%), and mining (23.2%).

The following represent the inflows of FDI under DL 600 by country from 1974 - 2008 (through 08/31/2008):

- United States – 24.2%
- Spain – 20.8%
- Canada – 18.5%
- United Kingdom - 8.3%
- Australia – 4.5%
- Japan – 3.2%
- Italy – 2.4%
- The Netherlands – 2.6%
- France - 2.2%
- Switzerland – 2.4%
- Others – 11.5%

According to Central Bank statistics between 1990 and the first half of 2009, total flows of Chilean investment abroad totaled USD 48.6 billion distributed over 65 countries in Latin America. These destination countries were mainly: MERCOSUR (51%), the Andean Nations Community (29%), Central America and the Caribbean (2%), NAFTA (9%), and the EU (2%).

Argentina is the main recipient of Chilean FDI abroad representing 32% of total outward FDI (USD 15.5 billion), followed by Brazil (18%), Peru (15%), and Colombia (13%). The United States is Chile's fifth largest recipient of FDI with a 7% share. Chilean investment abroad has been divided as follows:

Services – 41%
 Energy – 30%
 Manufacturing – 18%
 Agriculture and livestock – 6%
 Mining – 5%

Statistical Annexes

FDI 1974-2008 (USD billion)

Mechanism	1974-2003	2004	2005	2006	2007	2008
DL 600	53.6	4.6	1.8	3.2	1.4	5.2
- Equity	40.2	4.0	1.6	2.1	1.3	4.6
- Other capital	13.4	612	153	1.1	66	645
Chapter XIV	10.3	2.1	2.1	2.7	6.1	6.9
- Equity	7.9	1.1	1.5	2.5	5.7	5.7
- Other Capital	2.4	0.98	0.60	0.30	0.37	1.2
Total FDI	63.9	6.8	3.9	5.9	7.4	12.2
Remittances						
DL 600	13.1	4.9	2.6	3.3	1.0	0.81
- Repatriation of Capital	5.3	3.2	1.9	1.9	0.59	0.50
- Repayments	7.8	1.7	0.58	1.3	0.42	0.31
Chapter XIV	2.7	1.0	0.91	1.4	1.3	1.6
- Repatriation of Capital	0.91	0.46	0.29	0.09	0.88	1.3
- Repayments	1.8	0.56	0.62	1.4	0.44	0.26
Total Remittances	15.8	5.9	3.5	4.8	2.3	2.4

(In billions of U.S. dollars; Source: Foreign investment Committee - www.cinver.cl)

FDI (DL 600) by Country of Origin (USD million, nominal)

Country	2008	1974-2008
Argentina	9,534	543,199
Australia	164,102	3,130,796
Austria	5,300	23,773
Bahamas	0	104,233
Barbados	0	5,917
Belgium	245,000	1,016,927
Bermuda	0	475,794
Bolivia	0	1,249
Brazil	67,910	429,677
Canada	2,190,124	12,926,462
Cape verde	0	167
Cayman Islands	0	304,356
China	0	84,537

Colombia	780	257,646
Costa Rica	0	4,038
Cyprus	0	6,000
Denmark	0	17,037
Dominican Republic	0	76
Ecuador	0	1,335
Egypt	0	349
El Salvador	0	250
Finland	0	100,332
France	144,885	1,537,039
Germany	22,200	734,732
Greece	0	6,522
Guatemala	0	20
Honduras	0	7,261
Iceland	0	4,965
India	0	27,107
Int'l Organization	0	349,766
Ireland	0	17,722
Israel	0	4,635
Italy	0	1,657,094
Japan	386,042	2,257,138
Jordan	0	205
Korea, Republic of	0	40,371
Liberia	0	22,275
Liechtenstein	0	138,500
Luxembourg	0	109,20
Malaysia	0	22,923
Mexico	246,599	1,253,875
Monaco	0	3,893
Netherlands	218,296	1,829,693
Netherland Antilles	0	32,312
New Zealand	0	158,791
Norway	93,459	439,686
Panama	90,705	313,922
Papua New Guinea	0	0
Paraguay	0	618
Peru	0	23,618
Portugal	24,850	25,412
Romania	0	3,360
Singapore	0	4,352
South Africa	1,236	405,121
Spain	626,592	14,512,061
Sweden	1,393	253,424
Switzerland	10,402	1,284,934
Taiwan R.O.C.	744	10,578
United Arab Emirates	0	180
U.K.	142,465	5,802,099
United States	549,920	16,944,808
Uruguay	0	107,867

Venezuela	0	126,733
TOTAL	5,242,538	69,900,476

Source: Foreign Investment Committee figures as of December 31, 2008

FDI (DL 600) by Year: 1998-2009* (USD million, nominal)
(* January to October 2009)

Year	Jan-Oct	Annual Total
1998	4,565.3	6,038.4
1999	8,359.4	9,229.3
2000	2,349.8	3,3039.5
2001	3,855.3	5,023.3
2002	1,316.8	3,381.1
2003	952.1	1,236.4
2004	4,557.1	4,637.0
2005	1,379.0	1,799.4
2006	2,241.1	3,181.3
2007	877.2	1,358.9
2008	4,322.4	5,242.5
2009	4,042.4	5,242.5

Source: Foreign Investment Committee

FDI (DL 600) by Sector (USD million, nominal)

Sector	2008	1974-2008
Agriculture	940	268,918
Forestry	82,506	455,984
Fishing/aquiculture	10,998	319,226
Mining	5,590,961	23,538,324
Food, beverages, and Tobacco	24,850	2,347,441
Wood and paper	53,851	1,201,922
Chemicals	1,469	2,929,661
Other manufacturing	112,165	1,622,855
Electricity, gas, water	1,398,935	14,363,530
Construction	2,121	1,426,955
Wholesale, retail trade	2,702	1,586,591
Transport, storage	425,985	1,159,591
Communication	283,225	6,891,408
Financial services (1)	322,356	6,937,828
Insurance	26,158	2,130,174
Engineering – business services	113,628	847,857
Sewage, sanitation and similar services	0	522,644
Other Services (2)	14,461	1,349,813
Total	5,242,538	69,900,476

- (1) Includes: banking, investment companies, investment and risk capital funds and other financial services.

(2) Includes: restaurants and hotels, real estate activities, social and related community services, recreation

Source: Foreign Investment Committee

United States FDI to Chile (DL 600): 1974-2008
(USD thousand, nominal)

Period	U.S.A.		Total DL 600		U.S.A. Total
	Value	%	Value	%	%
1974-89	2,192,099	12.9	5,112,154	7.31	42.8
1990	270,245	1.59	1,279,126	1.83	21.1
1991	350,245	2.07	982,122	1.41	35.7
1992	299,888	1.77	992,317	1.42	30.2
1993	606,159	3.58	1,740,256	2.49	34.8
1994	995,826	5.88	2,516,842	3.60	39.6
1995	1,498,332	8.84	3,027,469	4.33	49.5
1996	2,279,315	13.45	4,855,501	6.95	46.9
1997	887,366	5.24	5,227,495	7.48	16.9
1998	1,337,449	7.89	6,038,390	8.64	22.2
1999	1,388,730	8.20	9,229,321	13.20	15.1
2000	788,563	4.65	3,039,541	4.35	25.9
2001	1,808,061	10.67	5,023,271	7.19	35.9
2002	550,951	3.25	3,381,140	4.64	16.3
2003	373,374	2.20	1,236,431	1.77	30.2
2004	124,537	0.73	4,637,026	6.63	2.7
2005	9,242	0.05	1,799,351	2.57	0.51
2006	337,505	1.99	3,181,257	4.55	10.6
2007	297,001	1.75	1,358,925	1.94	21.9
2008	549,920	3.25	5,242,538	7.50	10.5
Total	16,944,808	100	69,900,476	100	24.24

Source: Foreign Investment Committee

Web Resources

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Foreign Investment Committee

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Chapter 7: Trade and Project Financing

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How Do I Get Paid (Methods of Payment)

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

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

How Does the Banking System Operate

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

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

Some Chilean banks with direct presence in the United States are Banco de Crédito e Inversiones, also known as BCI, with an office in Miami, and Banco Estado and CorpBanca, each with representative offices in New York.

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

There are a few business development offices of U.S. commercial banks in Chile offering U.S. Export Import Bank (EXIM) export insurance programs. Many representation offices are in the market as well.

Foreign-Exchange Controls

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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	Phone (56-2)	Fax (56-2)	Website
JP Morgan Chase Bank	425-5100	425-5367	www.jpmorganchase.com
Wachovia N.A. (Rep. Office)	365-9733	365-9709	www.wachovia.com
Israel Discount Bank of New York (Rep. Office)	236-5600	236-5300	www.idbbank.com

Financial Institutions actively offering U.S. Exports Financing and Insurance	Phone (56-2)	Fax (56-2)	Website
UPS Capital Business Credit (*)	56-2-247-1221	56-2-243-8724	www.capital.ups.com
PNC Bank (*)	56-2-446-8866	56-2-433-2226	www.pnc.com

(*) Local offices are business development representatives.

Local Banks	Phone (56-2)	Fax (56-2)	Website
Banco BICE	692-2000	787-2230	www.bice.cl
CorpBanca	687-8000	660-2366	www.corpbanca.cl
Banco de Crédito e Inversiones (BCI)	692-7000	695-3775	www.bci.cl
Banco de Chile	637-1111	637-3434	www.bancochile.cl
Edwards - Citi	338-8000	338-8391	www.edwards.cl
Banco del Desarrollo	674-5000	671-5547	www.bdd.cl
Banco Internacional	369-7000	369-7367	www.bancointernacional.cl
Banco Security	584-4000	584-4001	www.security.cl
Scotia Bank Sudamericano	692-6000	698-6008	www.scotiabank.cl
Banco Estado	970-7000	970-5711	www.bancoestado.cl
Banco Itaú Chile	686-0000	686-0760	www.italu.cl
Rabobank Chile	449-8000	449-8595	www.rabobank.cl
Banco Falabella	385-9000	385-9009	www.bancofalabella.cl
Banco Ripley	351-6000	351-6050	www.bancoripley.cl
BBVA	679-1000	679-1350	www.bbva.cl
Banco Paris	437-6605	437-6868	www.bancoparis.cl
Banco Penta	873-3000	837-3499	www.bancopenta.cl
Banco Santander -Chile	320-2000	672-3166	www.santandersantiago.cl
HSBC Bank Chile	299-7200	299-7393	www.hsbc.com
Banco Monex	787-1800	787-1895	www.bancomonex.cl
Banco de la Nación Argentina	696-6935	672-9078	www.bnach.cl
Banco Do Brasil	336-3001	336-3005	www.bb.com.br
ING Bank N.V.	452-2700	452-2745	www.ing.com
The Royal Bank of Scotland	396-5000	396-5666	www.rbsbank.cl
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	345-1000	333-3032	-----
Deutsche Bank	337-7700	337-7701	-----

Rep. Office	Phone (56-2)	Fax (56-2)	Website
Korea Exchange Bank	246-9105	946-0171	www.keb.co.kr
Banco Intesa SanPaolo S.P.A.	432-1940	432-1945	www.intesasanpaolo.com
BNP Paribas	787-3333	787-3300	www.bnpparibas.com
Credit Industriel et Comercial S.A., CIC	203-6790	203-4156	www.cic.fr
Credit Suisse Consultas y Asesorías Ltda.	232-3366	334-2848	www.credit-suisse.com
Dresdner Bank A.G.	230-2900	657-1730	www.dresdner-bank.com
ING Bank N.V.	659-2700	659-2745	www.ing.com
Société Générale	233-8126	658 32 43	www.socgen.com
UBS A.G.	385-5555	234-5554	www.ubs.com
Westlb AG	334-0434	334-0825	www.westlb.de

Sources: www.abif.cl and www.sbif.cl

Project Financing

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

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

Private companies can also take advantage of different programs like the World Bank's International Finance Corporation (IFC), which provides financing to private sector companies involved in certain types of infrastructure projects. The IFC is particularly interested in non-traditional industries, cross-border operations and asset securitization. See www.ifc.org.

Web Resources

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U.S. Commercial Service Santiago:	www.buyusa.gov/chile/en
U.S. Export-Import Bank of the United States:	www.exim.gov
Country Limitation Schedule:	www.exim.gov/tools/country/country_limits.html
OPIC:	www.opic.gov
Trade and Development Agency:	www.tda.gov/
SBA's Office of International Trade:	www.sba.gov/oit/
USDA Commodity Credit Corporation:	www.fsa.usda.gov/cc/default.htm
Inter American Development Bank:	www.iadb.org/
The World Bank:	www.worldbank.org

International Finance Corporation:
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www.ifc.org

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Chapter 8: Business Travel

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Business Customs

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

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

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

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

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 or with credit card. The fee is paid once and remains valid until the expiration of the passport. For more information, see 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

U.S. Embassy Santiago: <http://chile.usembassy.gov/>

Telecommunications

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

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.aeropuertosantiago.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 Chillan. See www.efc.cl/.

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

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

Language

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

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 2010. Dates may vary year to year.

Holiday	Date
New Year's Day	January 1
Good Friday	April 2
Commemoration of the Battle of Iquique	May 21

Saint Peter and Saint Paul	June 28
Carmen's Virgen Solemnity Day	July 16
Columbus Day	October 11
All Saints' Day	November 1
Immaculate Conception	December 8

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

Holy Saturday	April 11
Easter Sunday	April 12
Labor Day	May 1
Assumption Day	August 15
Independence Day	September 18
Army Day	September 19
Nat'l Day, Evangelical & Protestant Churches	October 31
All Saints Day	November 1
Christmas Day	December 25

Temporary Entry of Materials and Personal Belongings

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

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.

Web Resources

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State Department Consular Information Sheet:
www.travel.state.gov/travel/cis_pa_tw/cis/cis_1088.html

Tourism Service of Chile: www.sernatur.cl

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

<http://chile.usembassy.gov/faq-uscitizens.html>

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Chapter 9: Contacts, Market Research, and Trade Events

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- [Trade Events](#)

Contacts

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U.S. Commercial Service Santiago: www.buyusa.gov/chile/en

USDA Foreign Agricultural Service: www.fas.usda.gov

U.S. Embassy Santiago: <http://chile.usembassy.gov/>

U.S. Chamber of Commerce: www.uschamber.com

Chilean-American Chamber of Commerce (Amcham): www.amchamchile.cl

Chilean Embassy Washington: www.chile-usa.org

Government of Chile (links to Ministries): www.gobiernodechile.cl

Chile's National Chamber of Commerce: www.cnc.cl

Santiago Chamber of Commerce: www.ccs.cl

Market Research

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

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