CHILE

TRADE SUMMARY

The U.S. goods trade surplus with Chile was $3.4 billion in 2009, a decrease of $247 million from 2008. U.S. goods exports in 2009 were $9.4 billion, down 21.0 percent from the previous year. Corresponding U.S. imports from Chile were $6.0 billion, down 27.4 percent. Chile is currently the 24th largest export market for U.S. goods.

U.S. exports of private commercial services (*i.e.*, excluding military and government) to Chile were $1.9 billion in 2008 (latest data available), and U.S. imports were $1.0 billion. Sales of services in Chile by majority U.S.-owned affiliates were $7.2 billion in 2007 (latest data available), while sales of services in the United States by majority Chile-owned firms were $441 million.

The stock of U.S. foreign direct investment (FDI) in Chile was $12.6 billion in 2008 (latest data available), up from $11.6 billion in 2007. U.S. FDI in Chile is concentrated largely in the finance/insurance, manufacturing, banking, and mining sectors.

IMPORT POLICIES

Tariffs

The United States-Chile Free Trade Agreement (FTA) entered into force on January 1, 2004. Under the FTA, the Parties eliminated tariffs on 87 percent of bilateral trade immediately and will establish duty-free trade for all products by 2016.

Chile has one of the most open trade regimes in the world. The uniform applied tariff rate for virtually all goods is 6 percent. There are several exceptions to the uniform tariff. For example, higher effective tariffs will remain for wheat, wheat flour, and sugar during the 12 year transition period under the FTA due to the application of an import price band system. Importers also must pay a 19 percent value added tax (VAT) calculated on the customs value plus import tariff. In the case of duty-free imports, the VAT is calculated on the customs value alone.

Import Controls

There are virtually no restrictions on the types or amounts of goods that can be imported into Chile, nor any requirements to use the official foreign exchange market. However, Chilean customs authorities must approve and issue a report for all imports valued at more than $3,000. After customs authorities issue the report, the goods to be imported must generally be shipped within 30 days. Commercial banks may authorize imports of less than $3,000. Importers and exporters must also report their import and export transactions to the Central Bank. Commercial banks may sell foreign currency to any importer to cover the price of the imported goods and related expenses as well as to pay interest and other financing expenses that are authorized in the import report.

Chile prohibits the import of used vehicles, used motorcycles, and used retreaded tires (with the exception of wheel-mounted tires).

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Nontariff Barriers

Chile maintains a complex price band system for wheat, wheat flour, and sugar that, under the FTA, will be phased out for imports from the United States by 2016. Mixtures containing more than 65 percent sugar (*e.g.*, high fructose corn syrup) content are subject to the sugar price band system. The price band system was created in 1985 and is intended to guarantee a minimum and maximum import price for the covered commodities. When certain CIF prices (as calculated by Chilean authorities) fall below the set minimum price, a special tax is added to the tariff rate to raise the price to the minimum price. The government sets a minimum import price that is normally higher than both international and Chilean domestic prices. Beginning in 2008, the minimum price has been adjusted downward by 2 percent per year; in 2014 Chile's President will evaluate whether to continue the price band system or eliminate it prior to 2016 as required under the FTA.

The export/import process requires non-Chilean companies operating in the country to contract the services of a specialized professional called a Customs Agent. The Customs Agent is the link between the exporter/importer and the National Customs Service. The Customs Agent's mission is to facilitate foreign trade operations and to act as the official representative of the exporter/importer in the country. Customs Agents' fees are not standardized. This is an extra cost borne by non-Chilean companies operating in country. However, companies established in any of the Chilean duty-free zones are exempt from the obligation to use a customs agent when importing or exporting goods.

EXPORT POLICIES

Chile currently provides a simplified duty drawback program for nontraditional exports. The program reimburses a firm up to three percent of the value of the product it exports, if 50 percent of that product consists of imported raw materials. If the capital equipment used to produce exported goods is imported, it must carry a minimum cost, insurance and freight (CIF) value of $3,813 in order to be eligible for duty drawback. The net value of the invoice is used if the capital good in question is also manufactured domestically. For imported vehicles to be used in an export business, such vehicles must have a minimum CIF value of $4,830. Another export promotion measure lets all exporters defer import duties for up to seven years on imported capital equipment or receive an equivalent government subsidy for domestically produced capital goods.

In accordance with its commitments under the FTA, Chile is eliminating, over a transition period, the use of duty drawback and duty deferral for imports that are incorporated into any goods exported to the United States. Full drawback rights are allowed through 2012. Beginning in 2013, the amount of drawback allowed is reduced until it reaches zero in 2016.

Under Chile's separate VAT reimbursement policy, exporters have the right to recoup the VAT they have paid when purchasing goods and using services intended for export activities. Any company that invests in a project in which production will be for export is eligible for VAT reimbursement

GOVERNMENT PROCUREMENT

Chile's 2003 Basic Law on Administrative Contracts for the Supply and Rendering of Services (No. 19.886) sets out the legal framework for government procurement of goods and services; however, the law does not apply to state-owned companies, which follow their own regulations.

Each government entity in Chile generally conducts its own procurement. Chile's law requires public bids for large purchases, although procurement by negotiation is permitted in certain cases. Foreign and local bidders in government tenders must register with the Chilean Bureau of Government Procurement on the National Register of Public Administration Suppliers. They must also post a bank or guaranteed bond, usually equivalent to 10 percent of the total bid, to ensure compliance with specifications and delivery dates. Through the Information System for Procurements and Public Contracts for the Public Sector (http://www.chilecompras.cl), any interested supplier may offer products or services and register as a potential supplier in government procurement, free of charge. In April 2009, there were about 32,000 suppliers listed in the register.

The Chilean government's Communications and Information Technology Unit (UTIC) coordinates, promotes, and advises the Chilean government on the development of information technology in several areas. The UTIC particularly was successful in a comprehensive reform of Chile's procurement system through the development of electronic procurement. Electronic procurement has made business opportunities with the Chilean government more transparent, reduced firms' transaction costs, increased opportunities for feedback and cooperation between firms and public agencies, and reduced opportunities for corruption.

The FTA requires procuring entities to use fair and transparent procurement procedures, including advance notice of purchases and timely and effective bid review procedures for procurement covered by the agreement. It also includes nondiscrimination provisions that require Chilean entities covered by the FTA to allow U.S. suppliers to participate in their procurement on the same basis as Chilean suppliers. The FTA covers the procurement of most Chilean central government entities, 15 regional governments, 11 ports and airports, and 346 municipalities.

According to the Trade Policy Review on Chile published by the WTO, procurement by the Chilean government (excluding state-owned companies and concessions) totaled approximately $5 billion representing 2.9 percent of GDP in 2008.

Chile is not a signatory to the WTO Agreement on Government Procurement, but it is an observer.

INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

Chile was listed on the Priority Watch List in the 2009 Special 301 report. Key concerns highlighted in the report included inadequate enforcement against copyright piracy and trademark counterfeiting, inadequate protection against unfair commercial use of undisclosed test and other data generated to obtain marketing approval for pharmaceutical products, the need to enact legislation to ratify the 1991 Act of the International Convention for the Protection of New Varieties of Plants and the Trademark Law Treaty, and the need to improve certain aspects of the copyright law. In October 2009, the Chilean legislature passed a bill amending its copyright law. However, the legislation appeared to lack key provisions implementing FTA commitments regarding Internet Service Provider (ISP) liability and copyright infringement on the Internet. On December 10, 2009, President Bachelet issued comments on the bill and sent it back to the legislature for further deliberation. On January 13, 2010, the Chilean Congress approved some of the comments submitted by President Bachelet, but rejected others, specifically some provisions related to limitations on secondary liability of ISPs for copyright infringement by their users. The bill was then sent for final administrative processing before becoming law. The U.S. Government is reviewing the legal effect of the final legislation.

In 2009, the United States and Chile held several meetings to exchange information and review implementation of the IPR provisions of the FTA IPR Chapter. In 2010, the United States will continue to work with Chile to improve IPR enforcement and to ensure that Chile is meeting its FTA commitments.

SERVICES BARRIERS

Financial Services

Chile made WTO financial services commitments in banking services and in most securities and other financial services. However, Chile's WTO Commitment Schedule in the securities sector did not include asset fund management (mutual funds, investment funds, foreign capital investment funds, and pension funds). Except as permitted under the FTA for U.S.-based insurance companies, foreign-based insurance companies that operate from outside Chile cannot offer or contract insurance policies in Chile directly or through intermediaries. However, there are no restrictions on foreign-based insurance companies that wish to open a branch in Chile and begin operations in-country.

INVESTMENT BARRIERS

Chile maintains a fairly open investment regime with limited exceptions in coastal trade, air transportation, and the mass media. Decree Law 600 requires that foreign investment projects worth more than $5 million be made through the Chilean government. Under Decree Law 600, the Foreign Investment Committee of the Ministry of Economy signs a separate contract with each investor which stipulates the time period of the investment's implementation. Under Decree Law 600, profits from an investment may be repatriated immediately, but no original capital may be repatriated for one year. Chile permits investment in the fishing sector to the extent that an investor's home country reciprocally permits Chilean nationals to invest in that sector. Investors domiciled abroad may bring foreign currency into Chile under Chapter 14 of the Foreign Exchange Regulations of the Central Bank. This allows the investor to sell foreign currency freely through the formal or informal exchange market.