
SUMMARY

1. Since its last review in 2015, Chile has continued to pursue a stable trade policy, based on open trade, both at the multilateral and regional levels. At the same time, and without deviating from its basic principles of openness, Chile's trade policy has been adapting to current global challenges, such as technological, energy and environmental challenges. This is reflected in the reforms made to its legislation and regulations, as well as the introduction of the institutional and procedural changes needed to implement these reforms.

2. The Chilean economy has benefited greatly from its openness and integration into the world economy. Chile's GDP per capita is one of the highest in Latin America, reaching USD 15,164 in 2022. The economy grew steadily between 2014 and 2019, with an average annual GDP growth rate of 2%. As was the case for the rest of the world, the Chilean economy was hit hard by the COVID-19 pandemic in 2020, which caused GDP to shrink by 6.1%. However, Chile's economy quickly returned to growth and, in 2021, real GDP was up 11.7%, exceeding pre-pandemic levels. This was partly the result of substantial fiscal transfers and the consequent uptick in domestic demand. In 2022, GDP growth returned to the average seen between 2014 and 2018, although inflation accelerated. The authorities responded by adopting a contractionary monetary and fiscal policy to restore macroeconomic balance and thus address the hike in inflation. In the light of the impact of these policies, real GDP is expected to contract slightly in 2023.

3. For more than a decade, Chile has been pursuing a fiscal policy aimed at achieving structural balance and fiscal stability in the medium term. This policy resulted in moderate central government deficits in the period 2015-19, of between 1.7% and 2.9% of GDP. A tax reform was approved in 2020, which included higher maximum effective tax rates. At the same time, the fiscal accounts deteriorated due to the adoption of support measures to mitigate the effects of the COVID-19 pandemic, worth an estimated USD 40 billion between 2020 and 2021, which, together with a fall in receipts due to the slowdown in economic activity, pushed the central government deficit up to 7.3% of GDP in 2020 and to 7.7% of GDP in 2021. In 2022, Chile returned to the path of fiscal consolidation; the spending cuts, which were accompanied by higher revenues, produced a central government surplus of 1.1% of GDP. The proposed new tax reform was introduced in 2023, which sets out, *inter alia*, to raise taxes, combat tax avoidance and evasion and informality, and increase fiscal efficiency.

4. Chile is implementing a monetary policy strategy with medium-term inflation targets and a flexible exchange rate policy. The inflation target projected over a two-year horizon is 3%. This strategy was not modified during the review period. A stable or moderately contractionary policy was adopted between 2015 and 2019. However, as of March 2020, the policy took an accommodative direction to counter the impact of the pandemic on the economy. This pushed up inflation and led to 11 successive increases in the monetary policy rate between July 2021 and October 2022. Consequently, after peaking at 14.1% in August 2022, inflation fell to 6.5% year-on-year in July 2023.

5. The balance of trade in goods was in surplus in each year of the period under review. This trade surplus trended upwards between 2015 and 2017, before declining in 2018 and 2019, mainly due to lower copper exports. The larger surplus recorded in 2020 (USD 18,917 million) was primarily the result of the sharp drop in imports caused by the COVID-19 pandemic and the increase in exports. In 2022, the rise in imports of goods shrank the trade surplus from USD 10,470 million in 2021 to USD 3,807 million. Chile has traditionally recorded a deficit in the balances of services and income. The deficit in the balance of services narrowed in 2020, but grew again in 2021 and 2022. As a consequence, the balance-of-payments current account recorded a deficit in each year of the period under review. The current account deficit fell to USD 4,952 million in 2020, but rose to USD 23,193 million (7.5% of GDP) in 2021 and to USD 27,102 million (9.0% of GDP) in 2022, reflecting the growth in imports.

6. Imports of goods grew faster (68.7% in USD) than exports (56.9%) during the period 2015-22. Goods exports mainly consist of agricultural products (wine, fruit, salmon and other fish, and forestry products), and primary and processed mining products. Mining products and base metals accounted for 52.7% of goods exports in 2022, and were concentrated in copper ore and refined copper, which together made up 45.3% of exports. The share of lithium exports in total exports grew from 1.3% in 2021 to 8.2% in 2022. Agricultural products (WTO classification) accounted for 21.9% of total exports in 2022. Among imports, the leading category was machinery

and transport equipment, accounting for 30.4% of the total in 2022. The share of mineral products in total imports rose to 23.2% in 2022, mainly due to the increase in fuel prices. The main export markets in 2022 were China (39.4% of the total), the United States (13.9%), followed by the European Union (7.8%) and Japan (7.6%). China continued to be the main source of imports, with 25.3% of the total in 2022, followed by the United States (20.9%), the European Union (11.1%), Brazil and Argentina

7. Foreign direct investment (FDI) plays an extremely important role in the Chilean economy. During the period under review, Chile continued to receive large FDI flows. According to the information provided by the authorities, FDI inflows to Chile between 2015 and 2021 amounted to USD 80,345 million, and were distributed as follows: the electricity, gas and water sector (36.4%), the mining sector (20.2%), the financial services sector (19.3%) and the commerce sector (7.5%) Chile was also a dynamic investor abroad, with outward FDI of around USD 59,613 million between 2015 and 2021.

8. Chile is a founding Member of the WTO and grants at least most-favoured nation treatment to all its trading partners. Chile's trade policy has been reviewed five times within the GATT/WTO framework, most recently in 2015. During the review period, Chile participated actively in the work and discussions of the WTO, as well as various joint initiatives, including the Joint Initiative on Investment Facilitation for Development, which it co-coordinates. It also co-sponsored the Statement on Trade and Environmental Sustainability, and participated in the Informal Working Groups on Micro, Small and Medium-Sized Enterprises (MSMEs) and on Trade and Gender. Chile is not a party to the Information Technology Agreement or the Agreement on Government Procurement, although it has the status of observer in the Committee on Government Procurement. The Agreement on Fisheries Subsidies was in the process of domestic ratification at the time of writing this report.

9. During the period under review, Chile regularly submitted notifications under the various WTO Agreements. As of July 2023, it was almost entirely up to date, with a few exceptions. Since its last review, Chile has not taken part as a complainant or respondent in any case under the WTO dispute settlement mechanism, although it did participate as a third party in six cases. Chile is part of the Multi Party Interim Appeal Arbitration Arrangement.

10. Trade policy is formulated by the executive branch. During the review period, institutional changes were made in this area, including the creation of the Under-Secretariat for International Economic Relations (SUBREI), which took over responsibility for implementing and coordinating policy in the sphere of international economic relations from the former Directorate General of International Economic Relations (DIRECON). The General Directorate for Export Promotion (ProChile), attached to SUBREI, was also established.

11. Chile continues to pursue an open trade strategy based on both multilateralism and regionalism, which it considers complementary to multilateral initiatives. Chile has 32 trade agreements covering more than 60 economies and, in some cases, that go beyond market liberalization and include initiatives focused on issues such as digital markets, e-commerce, regional and global value chains, the environment, gender and MSMEs. During the review period, Chile concluded new agreements, initiated negotiations to extend and update existing agreements, and liaised with countries with a view to entering into new trade agreements.

12. Chile's current FDI policy seeks to increase incoming investment flows and reduce their concentration in the primary sector. The legal and institutional framework for foreign investment was modified during the review period, including the enactment of the law creating the Foreign Investment Promotion Agency (InvestChile). FDI does not require prior authorization and there are no restrictions on foreign equity participation in the vast majority of economic sectors. The foreign investment regime guarantees foreign investors the option to remit abroad the capital transferred and net profits generated by their investments. In addition, an exemption from VAT is granted for the import of capital goods intended for investment projects valued at over USD 5 million in certain sectors. This exemption also applies to domestic investors. Foreign investors enjoy national treatment, as guaranteed by law, and are subject to the same legal regime as domestic investors. Meanwhile, the new regime no longer allows for the tax invariability that was granted to foreign investors via contracts with the State, meaning that the same conditions now apply to foreign and domestic investors.

13. During the period under review, Chile continued its Customs modernization and trade facilitation efforts. Chile ratified the WTO Trade Facilitation Agreement (TFA) in November 2016, having notified all provisions of the Agreement under Category A with immediate effect upon the entry into force of the TFA. In 2017, Chile amended customs legislation to simplify customs processes and bring the legislation into line with the provisions of the TFA. The main reforms included: the possibility to withdraw goods from Customs without paying duties upon providing a payment guarantee; the establishment of tax warehouses as a customs destination; improvements to the temporary admission for inward processing regime; and the establishment of the Authorized Economic Operator (AEO) concept. The AEO programme was launched in January 2018. By June 2023, 9 importers, 8 exporters and 30 customs agents had been certified as AEOs. The Integrated Foreign Trade System (SICEX) is a single window that facilitates the electronic processing of import and export operations. The export module became operational in 2016, and work on implementing the import module has been under way since 2018. It is expected to be completed in 2024.

14. Chile maintains a flat tariff structure, with two *ad valorem* rates: 0% and 6%, without taking into account the tariff levels that would result from applying the price band system. A tariff of 6% is applied to almost 99.6% of the tariff lines, while the 0% rate is applied to just 38 lines at the eight-digit level of HS 2022 (mostly machinery and some means of transport). The average MFN tariff was 5.9% in 2023, if price bands are taken into consideration and 5.8% for agricultural products. Chile uses a price band system based on international reference prices for imports of wheat, wheat flour and sugar, which is an automatic mechanism for adjusting tariffs in line with international price variations. Chile also continues to set an MFN tariff quota of 60,000 tonnes per year for refined sugar, with an in-quota tariff of 0% and an out-of-quota tariff that is applied using the price band system. Chile applies a zero tariff on all products originating from least developed countries (LDCs), except in the case of wheat, wheat flour and sugars. The average preferential tariff in the agreements negotiated by Chile ranges between 0% and 1%.

15. All goods, domestic and imported, are subject to VAT. In addition, from 1 January 2023, VAT is levied on all services, with the exception of services provided by natural persons that issue *boletas de honorarios* (invoices for services rendered); passenger transport services; education services; outpatient health services; and the income of professional partnerships. Imports of used goods are subject to payment of a 50% surcharge on the general tariff. Additional taxes are levied on certain domestic and imported products. This is the case for luxury products, alcoholic and non-alcoholic beverages and like products, tobacco and fuel.

16. Imports into Chile of certain goods are subject to prior checks, by means of authorizations, certifications, endorsements or approvals. Prior checks are carried out mainly to protect human, animal and plant health, for environmental or public safety reasons, and to comply with international agreements. Chilean legislation does not permit the imposition of quotas for imports or exports.

17. Chile is not a frequent user of trade defence measures. Between January 2015 and December 2022, Chile initiated eight anti-dumping investigations, most of which concerned steel products, with five resulting in the imposition of definitive duties. With regard to safeguards, Chile initiated five investigations and in only one case did it apply measures. During the same period, Chile did not initiate any subsidies investigations and notified the WTO that it had not adopted any countervailing duties. As of late June 2023, Chile was not applying any anti-dumping duties and had no investigations under way.

18. By law, exportation does not require the payment of duties. Moreover, goods exports are exempt from VAT, as are services provided to persons not domiciled or resident in Chile. Exporters of goods may recover any VAT paid when purchasing goods or using services for their export activities, in addition to any paid when importing goods used to manufacture products to be exported. Chile continues to operate a number of export promotion programmes, which essentially consist of tariff concessions in the form of a customs duty drawback scheme. From January 2015 to December 2022, an amount equivalent to USD 40.7 million was returned to exporters under this scheme. The Directorate-General of Export Promotion (ProChile) offers various services and programmes to exporters, including co-financing, to bolster the range of goods and services for export, and to promote the internationalization of companies. The Chilean Economic Development Agency (CORFO) runs a programme that guarantees a percentage of the loans used to finance the investments or working capital of companies that export or are involved in foreign trade.

19. Chile continues to pursue various incentive programmes in order to promote investment and the economy in remote areas of the country; support MSMEs; boost competitiveness and production diversification; and foster innovation and new technologies. Incentives may include tax concessions, financing, technical training or business management support. There are numerous business support programmes, the majority of which are administered by CORFO. In many cases, resources are awarded through calls for tenders, which are launched regularly. In addition, through the General Investment Guarantee Fund (FOGAIN), CORFO provides risk coverage to financial institutions that grant loans to companies. MSMEs are also eligible to access the Small Business Guarantee Fund (FOGAPE). During the period under review, Chile notified the WTO Committee on Subsidies and Countervailing Measures of programmes for regional support, free trade zones and financing to promote the development of artisanal fisheries and small-scale aquaculture. The free trade zones located in the cities of Iquique and Punta Arenas enjoy tax and customs benefits. Firms engaged in all types of activities, with the exception of mining, fishing and financial services firms, may benefit from the free zone regime.

20. The procedures for the preparation, adoption and application of technical regulations and conformity assessment are not centralized, rather they are the responsibility of the respective empowered ministries or agencies, which are required to publish such measures on their websites. Technical regulations and conformity assessment procedures should be based, as far as possible, on international standards and should accord to imported products treatment no less favourable than that accorded to like products of national origin. Between January 2015 and the early March 2023, Chile submitted 535 notifications to the WTO Committee on Technical Barriers to Trade, of which 328 were new notifications and the remainder addenda or corrigenda. The objective of the majority of the technical regulations notified was protection of human health or safety, and they mainly concerned foodstuffs, household appliances, building materials, vehicles, toys, pharmaceutical products and cosmetics. With regard to sanitary and phytosanitary (SPS) measures, the drafting process begins when the need to update an existing measure is identified or when a sanitary event occurs that requires a new regulation. Draft SPS measures are drawn up by technical committees and are based, in general, on international standards. Most of the SPS measures notified to the WTO over the period 2015-22 are based on international standards. If a risk assessment reveals the need for more stringent regulations than the international ones, the regulations are drafted internally. Between January 2015 and December 2023, Chile submitted 444 notifications to the WTO's SPS Committee.

21. During the period under review, Chile's legal framework regarding competition underwent reforms aimed at aligning national regulations with international standards. The reforms introduced include: the establishment of a preventive and mandatory control system for mergers that exceed certain thresholds; the tightening of sanctions against collusive practices, including the reintroduction of criminal liability for offenders; new compensation mechanisms for damages; additional powers for competition authorities; and institutional and procedural improvements. The acquisition of a stake of more than 10% of the capital of a competing company, above a certain threshold, must now also be notified. With the establishment of a regime of prior and mandatory control of mergers, it is expected that greater legal certainty will be given to all those involved in these operations and that the interest of consumers will be protected. From June 2017 to March 2023, the National Economic Prosecutor's Office (FNE), charged with investigating mergers, received 241 prior notifications of concentrations and initiated 218 investigations.

22. Chile is an observer in the WTO Committee on Government Procurement and has accepted commitments on government procurement under the trade agreements it has concluded. The Government Procurement and Contracts System is based on a best practices mechanism. The primary legislation governs central government agencies, regional and provincial governments, and municipalities. Meanwhile, procurement by state-owned enterprises and for public works is governed by the relevant regulations. There is no provision in Chile's legislation for margins of preference for national suppliers. Nor is there any discrimination whatsoever between products, services or suppliers on the basis of origin. The procurement policy seeks to simplify, digitalize and interconnect government procurement management processes with a view to making savings and better use of time. In 2022, procurement by the Chilean Government (excluding state-owned enterprises) was equivalent to 5.0% of GDP. In value terms, 70% of procurement contracts were awarded by tender, the mandatory method to be used for transactions above a certain threshold, except in exceptional cases where private tendering or direct contracting is justified. Low-value procurement uses framework contracts and the *Compra Ágil* module, adopted in 2020.

23. Since its last review, Chile has introduced significant legislative reforms aimed at strengthening its intellectual property system, and aligning it with international commitments and international best practices. In particular, in 2021, substantial reforms were introduced to industrial property legislation in order to update it. These changes, which came into force in May 2022, relate, *inter alia*, to the introduction of provisional patent applications, exceptions to patentability, the expiration of unused trademarks, the registration of trademarks for industrial property, a broader definition of trade secrets, and changes to the regulations applicable to geographical indications and appellations of origin. The possibility of imposing prison sentences for infringement of industrial property rights was also introduced.

24. Agricultural remains a key sector for Chile, in terms of its contribution to employment and exports. The main crops are cereals and fruit, which are the main export products. Fruit production has a comparative advantage thanks to off-season production in relation to northern hemisphere markets. Agricultural policy is organized around various key areas, including the climate emergency, sustainability, food sovereignty, competitiveness based on innovation and foreign trade. Chile notified the WTO that it had not granted any export subsidies for agricultural products during the period 2015–22. The agricultural sector support policy is mainly aimed at small and medium-sized producers. Chile has notified the WTO of several domestic support programmes implemented during the period 2015–22, mainly under the Green Box. In April 2022, the *Siembra por Chile* programme was set up, with a view to ensuring food security and mitigating the recent rise in input prices.

25. Chile is among the world's top 10 largest capture fisheries producers. Fishery products are its third largest export item after mining products and fruit. Most of the exports in value terms came from aquaculture (particularly salmon) and the rest from capture fisheries. Access to these activities is regulated through permits in the case of fisheries, and through concessions in the case of aquaculture. Chilean nationals, foreign nationals with permanent residence in Chile, and legal entities legally constituted in the country, may participate in these activities. The permit system covers three regimes: (i) the regime for fisheries in a state of full exploitation; (ii) fisheries under the recovery or incipient development regime; and (iii) the general regime for fisheries with closed access. Holders of fishery authorizations, licences and permits are subject to the payment of a licence fee for each vessel engaged in extractive fishing activities. Vessels registered in Chile must be used for industrial fishery activities.

26. Mining remains the backbone of the national economy. Chile is the world's top producer of copper and iodine, the second-largest producer of molybdenum and the fourth-largest producer of silver. Mining, led by copper, accounted for more than half of Chile's total merchandise exports in 2022. The State is the sole owner of all minerals in its territory, although it allows domestic or foreign companies to carry out activities in the sector through a system of mining concessions, or administrative concessions and special operating contracts in the case of hydrocarbons and lithium. The State has a large presence in the mining sector, through two state-owned enterprises: the National Copper Corporation (CODELCO) for large-scale mining; and the National Mining Company (ENAMI) for small and medium-scale mining. During the period under review, Chile adopted the National Lithium Strategy and created two CODELCO subsidiaries focused on lithium. Chile has a copper reserve for the domestic manufacturing industry to ensure its supply; in 2022, nine companies obtained supplies from this reserve. The National Mining Policy 2050, adopted in 2022, seeks to modernize the mining legal framework and achieve carbon neutrality in the sector by 2040. In May 2023, the National Congress approved a draft law establishing a new mining royalty for companies with annual copper sales above a certain limit, composed of an *ad valorem* tax of 1% on sales and an *ad valorem* tax of between 8% and 26% on mine operating income. At the time of writing, the law had yet to be passed. In 2018, Chile implemented the Copper Price Stabilization Fund for Small-scale Mining to mitigate the fluctuations in prices for small producers, with an initial contribution of USD 50 million. Through the Fund, ENAMI finances part of the difference between the international price and the "stabilization price" set by the Ministry of Finance, if the latter is higher.

27. During the review period, Chile significantly increased its capacity to generate electricity from renewable sources, mainly solar and wind, and continued to promote the incorporation of this type of energy into its energy matrix. The objectives of the national policy, Energy 2050, include ensuring that at least 80% of the electricity produced in the country comes from renewable sources by 2030 and 100% by 2050. To make progress in meeting these objectives, Chile adopted the Electricity Matrix Decarbonization Plan in 2019, supplemented by the Just Energy Transition Strategy in 2021, which sets out the process of decommissioning 28 coal-fired power plants in the country by 2040.

As of December 2022, eight had been closed. The National Green Hydrogen Strategy was approved in 2022, which aims to ensure that all new light and medium-sized vehicles sold in the Chile by 2035 are electric. Similarly, the Framework Law on Climate Change was adopted in June 2022, which sets the objective of achieving carbon neutrality by 2050.

28. The manufacturing sector's main activities are the manufacture of food; fuels and chemicals, plastics and rubber; and machinery, equipment and metal products. Chile is a net importer of manufactured products, however exports outperformed imports during the period 2015-22. The MFN tariff applied to manufactured products is 6%, except for 38 duty-free tariff lines that mostly refer to transport equipment.

29. Chile has a diversified financial sector with a high degree of financial intermediation and a strong presence of financial conglomerates. During the review period, Chile continued to amend its rules on banking supervision and regulation to meet the Basel III criteria. During the same period, the supervision of the banking sector, insurance and the securities market fell to one entity, while pension funds continued to be supervised by a separate entity. In order to operate in the Chilean market, foreign banking and insurance companies must be set up as *sociedades anónimas especiales* ("special corporations") or establish branches with separate capital. In Chile, foreign insurance companies may directly market international maritime transport insurance, international commercial aviation insurance and insurance for goods in transit, on a reciprocal basis. Chile requires all financial institutions to apply a maximum interest rate on consumer credit. The Fintech Law was introduced in 2023, which establishes a general framework to incentivize the provision of financial services by technological means. Only legal persons entered in the Register of Financial Service Providers may provide services regulated by law. International companies must be domiciled in Chile.

30. The telecommunications sector, except for free-to-air television services, is entirely privately operated. The telecommunications policy seeks to promote equitable and inclusive access to telecommunications, so as to narrow the digital divide; improve the quality of telecommunications services; increase competition in the sector; and encourage investment in high-capacity, high-speed convergent infrastructure. The law enshrines free and equal access to the use of the radio spectrum, which is granted through concessions, permits or licences for use. The law also establishes pricing freedom as the general rule, except where the Competition Tribunal (TDLC) rules that the conditions to ensure pricing freedom in that market are not met. In the case of interconnections that allow network interoperability, tariffs are regulated.

31. Chile maintains an open skies policy that allows free entry to the market and the freedom to set prices. Foreign companies are permitted to engage in cabotage, without requiring reciprocity. Scheduled international services are allocated through a public tender process, for a period of five years. Domestic routes are not subject to any allocation or tendering process. Air transport companies are free to set the rates for domestic and international flights, but must register them with the Civil Aeronautics Board (JAC). Airports are state-owned but may be built and managed by private (domestic or foreign) companies under public works concessions awarded by public tender. All international airports, except one, are operated under concessions.

32. Maritime transport plays a key role in Chile's international trade, as it carried 89.5% of exports and 77.3% of imports in 2022. The country has 72 ports, 13 of which are state-owned. The law allows the operation of public ports and the provision of related services to be delegated to private entities, domestic or foreign, through a bidding process. International cargo transport services may be provided by both domestic and foreign companies on the basis of the principle of reciprocity. Maritime cabotage services are generally reserved to ships registered in Chile, and the State may grant subsidies to Chilean shipping companies when a service is required that is not available in the market. However, foreign vessels may undertake maritime cabotage activities under certain circumstances, as specified by law. Similarly, since 2019, Chile has allowed foreign-flag vessels with carrying capacity of more than 400 passengers to provide cabotage services for tourism purposes. Provisions were adopted in 2021 to streamline the implementation of the maritime single window (VUMAR), introduced in 2018.