

# CHILE

## TRADE SUMMARY

The U.S. goods trade surplus with Chile was \$9.5 billion in 2012, an increase of \$2.6 billion from 2011. U.S. goods exports in 2012 were \$18.9 billion, up 18.1 percent from the previous year. Corresponding U.S. imports from Chile were \$9.4 billion, up 3.4 percent. Chile is currently the 19th largest export market for U.S. goods.

U.S. exports of private commercial services (i.e., excluding military and government) to Chile were \$3.0 billion in 2011 (latest data available), and U.S. imports were \$1.2 billion. Sales of services in Chile by majority U.S.-owned affiliates were \$8.4 billion in 2010 (latest data available), while sales of services in the United States by majority Chile-owned firms were \$398 million.

The stock of U.S. foreign direct investment (FDI) in Chile was \$34.2 billion in 2011 (latest data available), up from \$30.5 billion in 2010. U.S. FDI in Chile is reported mostly in the finance/insurance, and manufacturing sectors.

## Trade Agreements

The United States-Chile Free Trade Agreement (FTA) entered into force on January 1, 2004. The FTA is a comprehensive agreement that eliminates tariffs and opens markets, reduces barriers for trade in services, provides protection for intellectual property, ensures regulatory transparency, guarantees nondiscrimination in the trade of digital products, commits the Parties to maintain competition laws that prohibit anticompetitive business conduct, and requires effective labor and environmental enforcement.

Chile is a participant in the Trans-Pacific Partnership (TPP) negotiations, through which the United States and 10 other Asia-Pacific partners are seeking to establish a comprehensive, next-generation regional agreement to liberalize trade and investment. This agreement will advance U.S. economic interests with some of the fastest-growing economies in the world; expand U.S. exports, which are critical to the creation and retention of jobs in the United States; and serve as a potential platform for economic integration across the Asia-Pacific region. The TPP agreement will include ambitious commitments on goods, services, and other traditional trade and investment matters. It will also include a range of new and emerging issues to address trade concerns our businesses and workers face in the 21st century. In addition to the United States and Chile, the TPP negotiating partners currently include Australia, Brunei, Canada, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.

## IMPORT POLICIES

### Tariffs

The United States-Chile Free Trade Agreement (FTA) entered into force on January 1, 2004. Under the FTA, Chile immediately eliminated tariffs on 87 percent of bilateral trade. All trade in consumer and industrial goods is duty free beginning in 2013, while remaining tariffs on most agricultural goods will be eliminated by 2015.

Chile has one of the most open trade regimes in the world, with a uniform applied tariff rate of 6 percent for nearly all goods. However, there are several exceptions to the uniform tariff. For example, during the

transition period under the FTA, higher effective tariffs will remain for wheat, wheat flour, and sugar 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 must generally be imported 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 importation of used vehicles, used motorcycles, and used retreaded tires (with the exception of wheel-mounted tires). Some used items originating from a country that does not have an FTA with Chile are subject to an additional importation charge of 3 percent over the cost, insurance and freight (CIF) value. Depending on the product, this additional charge can be eliminated or reduced if the used item is imported from a third country that has an FTA with Chile.

### **Nontariff Barriers**

Chile maintains a complex price band system for wheat, wheat flour, and sugar that, under the FTA, will be phased out by 2015 for imports from the United States. 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.

Since 2008, the minimum price has been adjusted downward by 2 percent per year on U.S. imports. In 2014, Chile's President will evaluate whether to continue the price band system for other trading partners or eliminate it entirely by 2015 as required under the FTA.

Companies are required to contract the services of a customs agent when importing or exporting goods valued at over \$1,000 free on board (FOB). The customs agent is the link between the exporter or importer and the National Customs Service. The agent is responsible for facilitating foreign trade operations and acting as the official representative of the exporter or importer in the country. Customs agents' fees are not standardized. 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 3 percent of the value of the exported good, if 50 percent of that good consists of imported raw materials. Exported goods produced with imported capital equipment must have a minimum CIF value of \$3,813 in order to be eligible for duty drawback. The net value of the invoice is used if the capital equipment in question is also manufactured domestically. Another export promotion

measure allows all exporters to 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 FTA commitments, 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 were allowed through 2012. Beginning in 2013, however, the amount of drawback allowed is reduced until it reaches zero in 2015.

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.

Exporters of services can only benefit from the VAT reimbursement policy when the services are rendered to people or companies with no Chilean residency. Also, the service must qualify as an export through a resolution issued by the Chilean customs authority.

## **GOVERNMENT PROCUREMENT**

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. The FTA contains 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 in procurements covered by the FTA. The FTA covers the procurement of most Chilean central government entities, 15 regional governments, 11 ports and airports, and 346 municipalities.

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

## **INTELLECTUAL PROPERTY RIGHTS PROTECTION**

Chile was listed on the Priority Watch List in the 2012 Special 301 Report. The report notes that in 2011 Chile took steps towards addressing some, but not all, outstanding intellectual property rights (IPR) issues under the FTA. The report highlights Chile's ratification of the Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellites (Brussels Convention) and the Trademark Law Treaty. In 2011, the Chilean Senate approved the International Convention for the Protection of New Varieties of Plants. However, the Chilean Congress has not yet approved legislation to implement the Convention.

The United States has urged Chile to create a system to expeditiously address patent issues in connection with applications to market pharmaceutical products and to provide adequate protection against unfair commercial use, as well as unauthorized disclosure, of undisclosed test or other data generated to obtain marketing approvals for pharmaceutical products. The United States has also urged Chile to implement protections against the circumvention of technological protection measures, and to amend its Internet service provider liability regime to permit effective action against any act of infringement of copyright and related rights, to implement protections for encrypted program-carrying satellite signals, and to ensure that effective administrative and judicial procedures and deterrent remedies are made available to rights holders.

In 2013, the United States will continue to work with Chile on IPR-related matters.

## **SERVICES BARRIERS**

### **Telecommunications Services**

Chile maintains high mobile termination rates, the wholesale per-minute rate paid by an originating mobile provider to the terminating mobile provider when a call is placed from subscribers from one network to subscribers of another. Although the government-established rates are expected to be revised in 2013, concerns remain about the impact of these high rates on small mobile providers.