

# CHILE

## TRADE SUMMARY

U.S. goods exports in 2013 were \$17.6 billion, down 6.3 percent from the previous year. Corresponding U.S. imports from Chile were \$10.4 billion, up 10.6 percent. The U.S. goods trade surplus with Chile was \$7.2 billion in 2013, a decrease of \$2.2 billion from 2012. Chile is currently the 21st largest export market for U.S. goods.

U.S. exports of private commercial services (*i.e.*, excluding military and government) to Chile were \$3.2 billion in 2012 (latest data available), and U.S. imports were \$1.4 billion. Sales of services in Chile by majority U.S.-owned affiliates were \$9.7 billion in 2011 (latest data available), while sales of services in the United States by majority Chile-owned firms were \$177 million.

The stock of U.S. foreign direct investment (FDI) in Chile was \$39.9 billion in 2012 (latest data available), up from \$35.0 billion in 2011. U.S. FDI in Chile is reported mostly in the finance/insurance, and manufacturing sectors.

## TRADE AGREEMENTS

The United States-Chile Free Trade Agreement (Agreement) entered into force on January 1, 2004. Under the Agreement, Chile immediately eliminated tariffs on 87 percent of bilateral trade in goods. All trade in consumer and industrial goods has been duty free since 2013, while remaining tariffs on most agricultural goods will be eliminated by 2015. At present, the average duty charged for U.S. goods entering Chile is close to zero.

Chile is a participant in the Trans-Pacific Partnership (TPP) negotiations, through which the United States and 11 other Asia-Pacific partners are seeking to establish a comprehensive, next-generation regional agreement to liberalize trade and investment. These negotiations seek to 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 subject matter. It will also include a range of new and emerging issues to address trade concerns that 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, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.

## IMPORT POLICIES

### Tariffs

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 not covered under an FTA. However, there are several exceptions to the uniform tariff. *Ad valorem* excise tariffs are between 15 percent and 27 percent for alcoholic beverages and between 52 percent and 60 percent for tobacco depending on the type of tobacco product.

Importers also must pay a 19 percent value-added tax (VAT) calculated based on the CIF value (Cost, Insurance, and Freight) plus the import tariff. In the case of duty-free imports, the VAT is calculated based on the CIF 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 license for all imports valued at more than \$3,000. After customs authorities issue the license, 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 imported goods and related expenses as well as to pay interest and other financing expenses that are authorized in the import report. The licensing requirements appear to be primarily used for statistical purposes; legislation requires that most import licenses be granted as a routine procedure. More rigorous licensing procedures apply for certain products such as pharmaceuticals and weapons.

Chile prohibits the importation of used vehicles (with some exceptions for Chileans returning to Chile after more than one year abroad and for specialized vehicles such as armored cars and ambulances), 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 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 sugar (mixtures containing more than 65 percent sugar or sugar substitute content are subject to the sugar price band), wheat, and wheat flour that, under the FTA, will be phased out by 2015 for imports from the United States. 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. Since 2008, the minimum price has been adjusted downward by 2 percent per year on U.S. imports. In recent years, the price band system has not had a strong impact on U.S. exports because the world prices of the agricultural products governed by the price band system have consistently fallen in between the permitted minimum and maximum import prices. In 2014, Chile's President will evaluate whether to continue the price band system for other trading partners.

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. A list of customs agents and information about their responsibilities is available on the National Customs Service's website. 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. Individuals who import non-commercial goods valued at less than \$500 are not required to use a customs agent.

## **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. Beginning in 2012, the amount of drawback allowed is reduced by 25 percent of the original value each year 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 subject to the Agreement 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 also contains nondiscrimination provisions that require Chilean entities covered by the FTA to allow U.S. suppliers to participate on the same basis as Chilean suppliers in covered procurements. Most Chilean central government entities, 13 regional governments, 10 ports, state-owned airports, and 341 municipalities are covered by the FTA and must comply with the government procurement obligations.

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 2013 Special 301 Report. The report notes the United States' serious concerns regarding outstanding intellectual property rights (IPR) issues under the FTA. 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, 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 and cable signals, and to ensure that effective administrative and judicial procedures and deterrent remedies are made available to rights holders. Additionally, the United States has urged Chile to approve legislation to implement the International Convention for the Protection of New Varieties of Plants (1991) (UPOV '91).

In 2014, the United States will continue to work with Chile to address these concerns.

## **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). The OECD average mobile termination rate is \$0.065 per minute, while Chile has one of the highest rates at \$0.165 per minute (the United States has one of the lowest rates at \$0.0007 per minute).