Trade Policy Review Body

TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

CHILE

This report, prepared for the fifth Trade Policy Review of Chile, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from Chile on its trade policies and practices.

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Document WT/TPR/G/315 contains the policy statement submitted by Chile.

Note: This report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on Chile. This report was drafted in English.
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SUMMARY

1. While the Chilean economy did not escape the effects of the global economic crisis, it was quickly able to recover, thanks to higher mineral prices, to its sound financial system, and to its prudent management of economic policy which resulted in a fiscal surplus and a low level of borrowing. Between 2009 and 2014, GDP grew at an average annual rate of 3.6% in real terms. Following a period of rapid growth between 2010 and 2012, the economy slowed down in 2013 and particularly in 2014, when real GDP expanded by just 1.9%. The authorities responded to this slowdown by adopting a more expansionary monetary policy in order to bring down interest rates and allow the peso to depreciate. But despite Chile’s good economic performance, growth in productivity has been modest, and though there have been recent signs of revival, companies are not investing much in research and development, and there is a shortage of qualified personnel. Significant steps have been taken to improve productivity, including trade liberalization policies accompanied by changes to the regulatory framework for investment and the adoption of a more far-reaching competition law. All of this has been coupled with efforts to improve the educational system.

2. Chile has maintained a policy of structural balance with certain flexibilities. This policy aims to ensure medium term fiscal stability while making it possible to use counter-cyclical measures in periods of slow economic growth. Though the target surplus ranged from 0 to 1.8% during most of the period under review, there were deficits in 2013 and 2014, so that since 2014 the aim has been to try to restore the medium-term structural balance. Hence the enactment of the Tax Reform Law, designed to enhance tax efficiency and equity and increase tax revenue by 3 percentage points of GDP. This should help to finance the educational reform and other social protection policies, and to restore the central government structural balance. The tax reform is being introduced progressively over a period of four years, and involves reducing certain tax rates and increasing others with a view to achieving greater tax equity.

3. Chile has a public savings mechanism, the Economic and Social Stabilization Fund (FEES) which, each year, receives the positive balance of the fiscal surplus after subtracting contributions to the Pensions Reserve Fund (FRP). The FEES makes it possible to finance future fiscal deficits, repay the public debt and stabilize expenditure levels. As of December 2014, the size of the fund was US$14,689 million, 27% below its peak value in 2008, owing in part to the withdrawals made to cope with the global financial crisis.

4. The current account of Chile’s balance of payments is characterized by a traditionally surplus merchandise trade balance and a negative balance of services and investments. The overall balance depends largely on the size of the trade surplus, which in turn, is highly influenced by fluctuations in the copper price on the export side, and domestic demand on the import side. During the review period, the current account went from a surplus in 2009 and 2010 to a deficit starting in 2011, following a substantial increase in merchandise imports between 2009 and 2012 as a result of strong domestic demand and the real appreciation of the peso. Later in 2013 the current account deficit increased to 3.7% of GDP, but in 2014 it was back down to 1.7% of GDP thanks to a greater trade surplus attributable chiefly to a fall in imports.

5. The period 2009-2014 saw a faster increase in merchandise imports (69%) than exports (38.2%). Chile exports mainly mineral and agricultural products. Despite the higher copper prices, the share of mining products in total exports dropped slightly during the period 2009-2014 to 56.8%. Even so, Chilean exports continue to depend heavily on mining, in particular copper, which in 2014 accounted for 50.1% of its exports. The share of agricultural products in total exports grew from 25.9% in 2009 to 28.8% in 2014. China provided Chile’s main export market in 2014, absorbing 24.6% of its exports, followed by the European Union (14.5%), the United States (12.2%) and Japan (10%). In 2014, China overtook the United States as Chile’s main supplier, with 20.9% of the total, followed by the United States (19.8%), the European Union, Brazil and Argentina.

6. Chile continued to receive large foreign direct investment (FDI) flows during the review period. Between 2009 and 2013 inflows amounted to US$100,856 million, nearly six times the amounts received in 2003-2008. Of the FDI received in Chile, almost 45% was absorbed by the mining sector, and the rest was chiefly split among the financial services sector, the electricity, gas and water sector, and the manufacturing industry. Chile was also a dynamic investor abroad during the 2009-2013 period.
7. Over the review period, Chile continued and intensified its open trade strategy based on concluding trade agreements. Indeed, Chile is one of the countries with the most agreements and trading partners. Since the last review in 2009, Chile has concluded free trade agreements with Canada; China (services and investment); Hong Kong, China; Malaysia; Thailand; Turkey, and Viet Nam. It is continuing to negotiate the Trans-Pacific Partnership (TPP) to integrate the Asian and Pacific regions. It participated actively in the Pacific Alliance negotiations, and has continued to liberalize trade in the framework of APEC. In 2010, Chile became a member of the Organisation for Economic Co-operation and Development (OECD), having introduced a number of far-reaching reforms to its domestic legislation and practices.

8. Although the legal framework for foreign investment in Chile did not undergo any significant changes during the review period, there has in fact been a tendency over the past few years to favour Chapter XIV of the Central Bank's Compendium of Foreign Exchange Regulations over the Foreign Investment Statute (Decree Law No. 600) as a mechanism for bringing capital into Chile. Most of Chile's free trade agreements include a chapter on investment. In January 2015, the Chilean Government announced the presentation of a draft law defining a new legal framework for foreign investment in Chile.

9. Chile continued to implement trade facilitation measures during the review period. For example, it standardized customs procedures for some customs destinations and expects to have a single window for definitive imports up and running in 2017. The SIBEX module for exports has been in operation since 2014. Steps have also been taken to ensure the impartiality of decisions regarding complaints brought before the National Customs Service with the creation of the Tax and Customs Courts (TTA) to resolve such issues. The TTA are independent courts, and their creation puts an end to a situation in which the Customs authorities were both judge and party in customs disputes. At the same time, the importer is still required to use the services of a customs agent for inward clearance of goods imported when their f.o.b. value exceeds US$1000. The customs agents must be Chilean citizens.

10. In 2014, the average MFN tariff rate was 6%, the same as in 2009. Leaving out the price band system, Chile has only two tariff rates: 0% and 6%. The 12.5% rate that applied to poultry meat was reduced to 6% in 2012. Chile's tariff structure is practically homogenous inasmuch as the 6% rate applies to 99.6% of the lines, while the 0% rate only applies to 35 lines, including machinery and certain means of transport. Chile still applies a price band system based on international reference prices for imports of wheat, wheat flour and sugar. According to the authorities, the price band resulted in zero rates during most of the review period. Although the application of the price band system has not led to greater protection during this period, its existence is a source of uncertainty among potential exporters and it lessens the transparency of Chile's tariff policy.

11. Chile applies preferential rules of origin under the RTAs and other preferential agreements it has signed, as well as for granting unilateral preferences. The rules of origin differ from one agreement to another, and include general and specific rules whose complexity varies depending on the agreement. In some cases, they could discourage preferential access, particularly in view of the fact that the 6% MFN tariff is relatively low.

12. Chile's anti-dumping and countervailing duty legislation is not very trade restrictive. A number of legal amendments were introduced during the review period to further limit the use of anti-dumping and countervailing measures by shortening the maximum period for an investigation. This is in addition to another important aspect of Chile's anti-dumping and countervailing measures regime, namely, that measures may only last for one year and may not be renewed. Changes were also made to Chile's safeguards legislation, but they went in the opposite direction, extending the possible application and renewal periods from one to two years - although these limits are still lower than those in the WTO Agreement on Safeguards. Some of the RTAs signed by Chile exempt the parties from imposition of global safeguard measures adopted within the WTO framework, although in its most recent RTAs there are no such exceptions.

13. The legal framework for the drafting and application of technical regulations, standards and conformity assessment procedures is transparent and open. The measures are drafted on the basis of principles of non-discrimination and transparency, and for the most part, recourse to international standards. The regulatory agencies are required to publish on their websites all
technical regulations and conformity assessment procedures in effect. Chile also has a Technical Regulations Gateway intended to centralize this information. Between January 2009 and December 2014, Chile submitted 209 new notifications of technical regulations to the WTO. As a general rule, for both imported and domestic products, compliance with technical regulations is verified after the products have been placed on the market. However, for the import of foodstuffs, beverages, medicines, weapons, radioactive substances, electrical goods and fuels, verification takes place at the border. Chile has no single law governing the sanitary and phytosanitary system and the drafting and application of sanitary and phytosanitary (SPS) measures is the responsibility of a number of authorities. Drafts of SPS measures are drawn up by technical committees, which generally base themselves on the relevant international standards. SPS drafts are put up for public consultation and simultaneously notified to the WTO. During the period 2009-2014, Chile submitted 201 notifications to the WTO's SPS Committee (excluding addenda).

14. Chile has two duty drawback systems for exporters: one general, and one simplified. Under the simplified system, used above all by small exporters, non-traditional exports are eligible for a reimbursement of 3% of the f.o.b. value of the goods exported. The temporary admission for inward processing regime (DATPA) allows companies producing goods for export to import raw materials, semi-processed goods and components and spare parts from abroad without paying import duties or VAT. The Chilean Economic Development Agency (CORFO) operates a bank loan guarantee scheme for exporters (COBEX) against the risk of non-payment, which was extended in 2010 to investment or working capital for micro, small and medium-sized exporting or importing enterprises. The coverage provided by CORFO increased during the review period, and can reach as much as 60%.

15. Three programmes whose objective is regional development were notified to the WTO as subsidies: tax credit for investment in certain provinces, exemption from tax in free zones, and the Fund for the Promotion and Development of Remote Areas. Chile has other support programmes aimed at fostering development of regions in the far north and south of the country to boost employment, which provide non-reimbursable financing to small and medium-sized enterprises interested in investing in these regions. In addition, there are a number of SME support programmes, most of them administered by CORFO. The SMEs may also obtain guarantees to the Guarantee Fund for Small Enterprises seeking loans through the financial institutions.

16. During the period under review, Chile introduced measures to reinforce the activity and powers of its competition authorities, as well as their independence. For the time being, Chile's competition policy is designed to prevent abuse of a dominant market position, and action by the competition authorities focuses on combating international cartels, where they have obtained a large measure of success. However, Chile still lacks legislation requiring pre-notification or notification of mergers, which have been controlled through a semi-voluntary de facto system of notification. The authorities have sought to make good the absence of binding regulations by issuing operational guidelines, but they are not mandatory. To fill this gap, Chile has drawn up a new draft Competition Law which strengthens the powers of the authorities and regulates the review of mergers.

17. Chile has a transparent and efficient government procurement system for goods and services, making use of an electronic procurement platform. The Chilean Government Procurement and Contracts System, introduced in 2003, is based on a best practices mechanism and, according to the authorities, has generated considerable savings for the State. Over 900 purchasers from the central and local administrations took part in ChileCompra's bidding procedures. Purchasing by State-owned enterprises and for public works is governed by their respective regulations. However, the State enterprises are free to utilize ChileCompra. There is no provision for margins of preference for national suppliers and no discrimination among products, services and suppliers according to their origin. Nor is there any provision for offsets as a condition for awarding a contract or any set-asides for certain bidders. Chile is an observer in the WTO Committee on Government Procurement.

18. Chile has maintained its objective of implementing an intellectual property regime that strikes a balance between obligations and rights, on the one hand giving adequate protection to creators and inventors, and on the other, safeguarding the interests of users when rights fall into the public domain. Chile has reformed its legislation to improve its intellectual property regime and bring it into line with its international commitments. In some instances, its legislation goes further
than the obligations under the TRIPS Agreement, for example, in certain areas relating to copyright and industrial property. This reflects Chile’s commitments under the RTAs that it has concluded.

19. During the review period, Chilean agricultural policy focused on promoting competitiveness and innovation, including small-scale agriculture. Disregarding the protection that would result from applying the price band system, tariff protection for all agricultural products stands at 6%. Sugar is subject to MFN and preferential tariff quotas. Within the context of the trade agreements it has signed, Chile has negotiated other preferential tariff quotas for products such as beef and veal, poultry meat, pigmeat and dairy produce. The Ministry of Agriculture has implemented a series of programmes to facilitate access to financing for small-scale family farmers and SMEs, and also provides technical assistance and training. Chile offers assistance to farmers in the form of a 50% contribution to the agricultural insurance premium (75% in the case of cereals), with a ceiling per farmer per farming season.

20. Chile has four types of regime for granting access to fishery resources. For each regime there is a different fishing permit: for the general access regime fishing authorizations are granted; for the fully exploited fisheries regimes licences are granted; and for the recovering and incipient fisheries regimes special permits are granted. In general, if the applicant is a natural person, he must be a Chilean or a foreigner with a permanent residence permit, and if the applicant is a legal person, it must be lawfully established in Chile. The aquaculture subsector continues to be of major importance for Chile since it is one of its main export industries. Aquaculture concessions are granted for a renewable period of 25 years, and may be transferred. There are no nationality restrictions.

21. The mining sector accounts for more than 11% of Chile’s GDP, and is Chile’s principal export sector and the main destination for foreign investment in the country. Although mines cannot be privately owned, a system of concessions enables minerals to be exploited and explored by private individuals, with equal treatment for domestic and foreign investors. The Chilean State plays a preponderant part in mineral production, especially copper mining, through two State enterprises: the National Copper Corporation (CODELCO) and the National Mining Company (ENAMI). In addition to the basic tax system, Chilean legislation has provided for a specific mining tax on extraction and production operations. The tax rate is variable and depends on the total value of annual sales.

22. Chile is a net importer of energy. Private companies, domestic and foreign, are authorized to participate in all energy sector activities without limitation. In practice, the State enterprise ENAP dominates most hydrocarbon exploitation, production and refining. The government is continuing to implement systems for stabilizing the domestic prices of certain fuels. The current Fuel Price Stabilization Mechanism (MEPCO), created in July 2014, operates through increases and abatements in the specific fuel taxes for certain fuels (automotive gasoline, diesel, compressed natural gas and liquefied petroleum gas). As with previous systems, its purpose is to prevent transitory price rises and cushion the effect of permanent increases, but unlike its predecessors, it is not aimed at totally preventing the rise being passed on to the consumer; instead, where there are rises, they are gradually passed on by means of a price band system.

23. Chile has a diversified financial sector, with a high degree of financial intermediation and international integration. During the review period, Chile made a series of proposals to adapt its banking rules to the Basel III criteria, but the complete implementation of these criteria will require amendments to the legislation. The Chilean financial sector operates within a supervisory and regulatory framework that has been deemed adequate given the size of the economy, with assets that exceed 200% of GDP. It has a significant level of foreign participation, both in banking and in insurance and pension funds. Access to the market is free of restrictions, although some conditions or requirements are imposed in certain instances. For example, for reasons of national interest, approval is required for a person to acquire more than 10% of a bank’s capital. Similarly, foreign insurance companies may market international maritime transport, international commercial aviation and transit goods insurance directly, but only if they are established in countries with which Chile has an international treaty that allows such insurance to be effective.

24. The General Law on Telecommunications provides for free and equal access to the use of the radio frequency spectrum. Access is granted by means of concessions, permits or licences. Equality of access to telecommunications networks finds expression in the obligation upon the
holders of public telecommunications services and intermediate connection services concessions to grant access to those who request it. The Telecommunications Law was amended in 2010 to include the rights for Internet users and obligations for Internet service providers.

25. Chilean commercial aviation policy establishes the principles of free market entry, free pricing and minimum official intervention, and is designed to create the optimum conditions of competition among all the companies with an interest in Chile's air transport system. As a result, foreign companies have open access to the Chilean air transport market, provided that they comply with the technical requirements. In 2012, provisions were introduced to strengthen cabotage policy, allowing a foreign company free access without reciprocity. However, the principle of reciprocity applies to the entry of foreign companies into the international air transport market. There are no restrictions on the participation of foreign investors in airport concessions. While Chile's maritime transport policy is based on reciprocity, in practice, Chile applies more flexible and pragmatic criteria with respect to international maritime traffic cargoes. Similarly, although in principle cabotage is reserved for vessels registered in Chile, in practice, exceptions are permitted. To register a merchant vessel in Chile a majority of the capital must be owned by Chilean natural or legal persons. There are ten State port enterprises that operate directly or through port concessions or leasing agreements.
1 ECONOMIC ENVIRONMENT

1.1 Structure and trend of the economy

1.1. The Chilean economy did not escape the effects of the global economic crisis, as gross domestic product shrank in 2009, but it was quickly able to recover, thanks to higher mineral prices and the room for manoeuvre afforded to it by its prudent management of economic policy in the upswing of the business cycle. This enabled it to present a solid fiscal position at the start of the crisis, with a surplus and low level of borrowing (see below), a sufficient level of international assets at the central bank, and a sound and adequately regulated and supervised financial system, with good capitalization ratios.

1.2. Nonetheless, as noted by the Organisation for Economic Co-operation and Development (OECD), Chile's growth over the last decade has been driven mainly by factor accumulation, rather than by a substantial increase in productivity.¹ The same observation has also been made by the International Monetary Fund (IMF), which noted that Chile's productivity grew by just 0.4% per year between 2000 and 2013.² The OECD also notes that, while there have been recent signs of a revival of activity growth, there is little corporate investment in research and development (R&D), the results of innovation are weak, and technological progress has suffered from a shortage of graduates in the areas of science, technology and engineering management.

1.3. Following the recession in 2009, the growth path has been regained since 2010, with the economy expanding at rates above 5% in the period 2010-2012. Growth slowed in 2013 (4.1%), however, and particularly in 2014 when real GDP expanded by just 1.9%, mainly owing to weaker investment. Between 2009 and 2014, GDP grew at an average annual rate of 3.6% in real terms, down from the 5.2% achieved in 2003-2008, which was described in Chile's previous Trade Policy Review (Table 1.1).

1.4. Reflecting the country's relatively rapid economic growth, per capita GDP rose to roughly US$14,500 in 2014, well above the US$10,180 recorded in 2009. The World Bank estimates Chile's per capita GDP in purchasing power parity terms at US$21,990 for 2013.³

1.5. During the period under review, Chile continued to make headway on reducing poverty. The proportion of the population living below the poverty threshold fell to 14.4% in 2011, well below the 20.6% recorded in 2000⁴; and just 0.8% of the population in 2011 were living on less than US$2 a day. Nonetheless, despite this progress, income inequality remains relatively high, as evidenced by a Gini coefficient of 50.8% in 2011.⁵

1.6. The sectoral composition of the economy has not changed significantly during the review period, apart from fluctuations in the mining sector, as shown in Table 1.1. As is usually the case in the Chilean economy, which depends heavily on the mining sector, the sectoral composition measured in current pesos suffered variations caused by the expansion of mining at the start of the review period, and then its relative decline in current GDP terms in 2013 and 2014. This mainly reflects variations in the copper price. The mining sector's share of current GDP was 11.2% in 2014, compared to 12.8% in 2012. In contrast, the share of the manufacturing sector remained broadly constant, at around 11% of GDP. While agriculture staged a slight revival, in relative terms, while services accounted for 65% of GDP in 2014. In particular, business services grew as a proportion of GDP, while most other services maintained their shares.

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³ Online information from the World Bank, viewed at: http://datos.bancomundial.org/indicador/NY.GDP.PCAP.PP.CD.
⁵ Online information from the World Bank, viewed at: http://datos.bancomundial.org/indicador/SI.POV.GINI.
1.7. During the review period, the unemployment rate fell from 9.6% in 2009 to 6% in 2013, before rising slightly to average 6.4% in 2014 (Table 1.1). Nominal wages rose by 33.8% between 2009 and 2014.

1.8. As regards GDP by type of expenditure, the 2009-2014 period witnessed major fluctuations in both investment and private consumption. Gross capital formation, in particular, was hit hard by the global crisis, and it contracted sharply in 2009 before rebounding strongly in 2010-2012. Nonetheless, the weakening of mineral prices also led to a sharp slowdown in investment, which barely grew in 2013 before shrinking substantially in 2014 by 6.1% in relation to the previous year’s level. The decline was particularly steep in the case of machinery and equipment (down by 18.8%), mainly reflecting a drop in mining investment, given the lower mineral prices.

1.9. Gross capital formation relative to GDP fell substantially during the global financial crisis, to a rate of 20.3% in 2009. When economic growth resumed, the gross capital formation rate picked up again, especially in the period 2010-2012, to reach 25.5% of GDP in the latter year. In 2013 and 2014, lower copper prices had an impact on investment volumes, and gross fixed capital formation (GFCF) dropped to 21.4% of GDP in 2014.

Table 1.1 Structure and trend of the economy, 2009-2014

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
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<tbody>
<tr>
<td><strong>Gross domestic product (GDP)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>GDP at current prices (Ch$ billion)</td>
<td>96,444</td>
<td>110,998.7</td>
<td>121,319.5</td>
<td>129,027.6</td>
<td>137,029.0</td>
<td>147,184.9</td>
</tr>
<tr>
<td>GDP at current prices (US$ million)</td>
<td>172,340</td>
<td>217,556</td>
<td>251,004</td>
<td>266,399</td>
<td>277,022</td>
<td>258,038</td>
</tr>
<tr>
<td>Real GDP (Ch$ billion, at constant prices)</td>
<td>92,875.3</td>
<td>98,219.0</td>
<td>103,954.7</td>
<td>109,627.6</td>
<td>114,260.7</td>
<td>116,424.8</td>
</tr>
<tr>
<td>Real GDP (growth rate %)</td>
<td>-1.0</td>
<td>5.8</td>
<td>5.8</td>
<td>5.5</td>
<td>4.2</td>
<td>1.9</td>
</tr>
<tr>
<td>GDP per capita (current Ch$ thousand)</td>
<td>5,697</td>
<td>6,494</td>
<td>7,038</td>
<td>7,447</td>
<td>7,815</td>
<td>8,270</td>
</tr>
<tr>
<td>GDP per capita (current US$)</td>
<td>10,180</td>
<td>12,727</td>
<td>14,552</td>
<td>15,308</td>
<td>15,779</td>
<td>14,508</td>
</tr>
<tr>
<td><strong>Share of GDP by activity (percentages of GDP at current prices)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture and forestry</td>
<td>2.8</td>
<td>2.7</td>
<td>2.8</td>
<td>2.6</td>
<td>2.6</td>
<td>2.7</td>
</tr>
<tr>
<td>Fishing</td>
<td>0.4</td>
<td>0.5</td>
<td>0.5</td>
<td>0.4</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Mining</td>
<td>13.1</td>
<td>16.0</td>
<td>14.9</td>
<td>12.8</td>
<td>11.3</td>
<td>11.2</td>
</tr>
<tr>
<td>Copper mining</td>
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<td>14.7</td>
<td>13.3</td>
<td>11.3</td>
<td>9.9</td>
<td>10.0</td>
</tr>
<tr>
<td>Other mining activities</td>
<td>1.1</td>
<td>1.2</td>
<td>1.6</td>
<td>1.5</td>
<td>1.4</td>
<td>1.2</td>
</tr>
<tr>
<td>Manufacturing industry</td>
<td>11.3</td>
<td>10.8</td>
<td>11.0</td>
<td>10.8</td>
<td>10.8</td>
<td>11.3</td>
</tr>
<tr>
<td>Food</td>
<td>2.8</td>
<td>2.6</td>
<td>2.6</td>
<td>2.5</td>
<td>2.7</td>
<td>3.2</td>
</tr>
<tr>
<td>Beverages and tobacco</td>
<td>1.7</td>
<td>1.5</td>
<td>1.5</td>
<td>1.6</td>
<td>1.6</td>
<td>1.6</td>
</tr>
<tr>
<td>Textiles, clothing and leather</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>0.2</td>
</tr>
<tr>
<td>Wood and furniture</td>
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<td>0.5</td>
<td>0.5</td>
<td>0.4</td>
<td>0.5</td>
<td>0.6</td>
</tr>
<tr>
<td>Cellulose, paper and printed matter</td>
<td>1.3</td>
<td>1.4</td>
<td>1.3</td>
<td>1.0</td>
<td>1.0</td>
<td>1.2</td>
</tr>
<tr>
<td>Oil refining</td>
<td>0.7</td>
<td>0.7</td>
<td>0.7</td>
<td>0.7</td>
<td>0.8</td>
<td>0.9</td>
</tr>
<tr>
<td>Chemicals, rubber and plastics</td>
<td>1.6</td>
<td>1.5</td>
<td>1.5</td>
<td>1.6</td>
<td>1.5</td>
<td>1.4</td>
</tr>
<tr>
<td>Non-metallic minerals and basic metal industries</td>
<td>0.7</td>
<td>0.7</td>
<td>0.7</td>
<td>0.6</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Metal products, machinery and equipment, other</td>
<td>1.8</td>
<td>1.8</td>
<td>1.8</td>
<td>1.9</td>
<td>1.8</td>
<td>1.7</td>
</tr>
<tr>
<td>Electricity, gas and water</td>
<td>3.1</td>
<td>2.8</td>
<td>2.8</td>
<td>2.5</td>
<td>2.4</td>
<td>2.3</td>
</tr>
<tr>
<td>Construction</td>
<td>7.5</td>
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<td>6.9</td>
<td>7.4</td>
<td>7.6</td>
<td>7.3</td>
</tr>
<tr>
<td>Commerce</td>
<td>7.7</td>
<td>8.0</td>
<td>8.0</td>
<td>8.2</td>
<td>8.3</td>
<td>8.0</td>
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<tr>
<td>Restaurants and hotels</td>
<td>1.5</td>
<td>1.4</td>
<td>1.5</td>
<td>1.6</td>
<td>1.7</td>
<td>1.8</td>
</tr>
<tr>
<td>Transport</td>
<td>4.3</td>
<td>4.3</td>
<td>3.9</td>
<td>4.2</td>
<td>4.2</td>
<td>4.2</td>
</tr>
<tr>
<td>Communications</td>
<td>2.1</td>
<td>2.0</td>
<td>2.0</td>
<td>1.9</td>
<td>1.9</td>
<td>1.8</td>
</tr>
<tr>
<td>Financial services</td>
<td>5.3</td>
<td>4.8</td>
<td>5.0</td>
<td>5.2</td>
<td>5.2</td>
<td>5.1</td>
</tr>
<tr>
<td>Business services</td>
<td>12.5</td>
<td>12.0</td>
<td>12.7</td>
<td>13.4</td>
<td>13.9</td>
<td>13.9</td>
</tr>
<tr>
<td>Real estate</td>
<td>4.9</td>
<td>4.8</td>
<td>4.8</td>
<td>5.0</td>
<td>5.1</td>
<td>5.2</td>
</tr>
<tr>
<td>Personal services*</td>
<td>11.0</td>
<td>10.7</td>
<td>10.8</td>
<td>11.1</td>
<td>11.6</td>
<td>11.7</td>
</tr>
<tr>
<td>Government</td>
<td>4.6</td>
<td>4.4</td>
<td>4.3</td>
<td>4.4</td>
<td>4.5</td>
<td>4.6</td>
</tr>
<tr>
<td>Value added tax</td>
<td>7.4</td>
<td>7.4</td>
<td>7.7</td>
<td>8.0</td>
<td>8.1</td>
<td>8.2</td>
</tr>
<tr>
<td>Import duties</td>
<td>0.5</td>
<td>0.6</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>GDP by expenditure category (real growth rate)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic demand</td>
<td>-5.7</td>
<td>13.5</td>
<td>9.4</td>
<td>7.3</td>
<td>3.7</td>
<td>-0.6</td>
</tr>
<tr>
<td>Total consumption</td>
<td>0.8</td>
<td>9.7</td>
<td>7.8</td>
<td>5.7</td>
<td>5.5</td>
<td>2.5</td>
</tr>
</tbody>
</table>

---

1.10. Having faltered in 2009 in the wake of the global crisis, private consumption grew strongly between 2010 and 2013, before weakening again in 2014. Consumption was sustained by the increase in disposable income resulting from a period of rapid growth fuelled largely by the mining sector bonanza. Private consumption has made a positive contribution to GDP throughout the period under review except in 2009. Government expenditure grew substantially in 2009 on the back of the expansionary measures deployed to cope with the global crisis. In subsequent years the pace of growth has been slower, but always positive. Total domestic demand, for its part, contributed negatively to GDP growth in 2009, but was again the mainstay of growth in the period 2010-2013. Global domestic demand made a negative contribution to GDP growth in 2014, since the fall in investment could not be offset by the positive, albeit moderate, trend of private consumption (up by 2.5% in relation to the previous year).

1.11. Despite the burgeoning export growth, driven mainly to the rise in the copper price, net exports of goods and services have contributed negatively to real GDP for most of the period reviewed. This is because imports grew more strongly than exports in real terms. The exceptions to this were the years of weak domestic demand, 2009 and 2014, in which net exports made a positive contribution, since imports declined. The years in which net exports made a negative contribution coincide with periods of heavy importation of capital goods, owing to high rates of investment, and to a lesser extent an increase in fuel imports.

1.12. Chile's gross national saving as a percentage of GDP exceeded the rate of gross fixed capital formation in 2009 and 2010, which meant negative external saving in those years (i.e. a surplus on the current account of the balance of payments). Since 2011, rapid investment growth has given rise to the opposite situation, with positive external saving rates having to finance the
excess of investment over saving. The domestic saving rate has been declining since 2010, since domestic demand has been outpacing disposable income; in 2014, it represented 20.2% of GDP, compared to 24% in 2010.

1.2 Fiscal policy

1.2.1 General characteristics and trends during the period under review

1.13. Responsibility for formulating and implementing fiscal policy rests with the Ministry of Finance. Pursuant to Law No. 20.128 of 2006 (the Fiscal Accountability Law), Chile has been maintaining a policy of structural balance with certain flexibilities. This policy aims to ensure medium-term fiscal stability, while at the same time making it possible to cope with critical situations by using countercyclical measures in periods when the economy is growing more slowly. In general, this fiscal policy seeks to maintain structural surpluses and provident funds which can serve as future cushions. The target surplus, initially set at 1% of GDP, was relaxed in 2008 and 2009 to 0.5% of GDP and 0% in 2010, as a result of the global financial crisis. The targets for 2011-2015 have envisaged deficits of between 1% and 1.8%. Since 2014, the aim has been to try to restore the medium-term structural balance (see below).

1.14. As a result of the deterioration of the global economy, the fiscal balance worsened as from the final quarter of 2008, and the structural balance targets for 2009 and 2010 could not be met. In those years, there were fiscal deficits of 4.4% and 0.5% of GDP, respectively. The fiscal balance was in surplus again in 2011 and 2012, which were years of rapid economic growth (Table 1.2).

Table 1.2 Non-financial operations of the central government, 2008-2014

<table>
<thead>
<tr>
<th>Income</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net tax revenue</td>
<td>17.6</td>
<td>13.8</td>
<td>15.8</td>
<td>17.4</td>
<td>17.6</td>
<td>16.7</td>
<td>16.7</td>
</tr>
<tr>
<td>Unwrought copper</td>
<td>3.4</td>
<td>1.7</td>
<td>2.7</td>
<td>2.3</td>
<td>1.5</td>
<td>1.0</td>
<td>0.9</td>
</tr>
<tr>
<td>Pension contributions</td>
<td>1.4</td>
<td>1.4</td>
<td>1.3</td>
<td>1.3</td>
<td>1.4</td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td>Grants</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.0</td>
</tr>
<tr>
<td>Property income</td>
<td>0.8</td>
<td>0.7</td>
<td>0.4</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Operating income</td>
<td>0.6</td>
<td>0.6</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Other income</td>
<td>0.4</td>
<td>0.8</td>
<td>0.6</td>
<td>0.7</td>
<td>0.7</td>
<td>0.8</td>
<td>0.7</td>
</tr>
<tr>
<td>Expenditure</td>
<td>16.7</td>
<td>19.0</td>
<td>18.1</td>
<td>17.3</td>
<td>17.7</td>
<td>18.0</td>
<td>18.5</td>
</tr>
<tr>
<td>Personnel</td>
<td>3.8</td>
<td>4.4</td>
<td>4.2</td>
<td>4.1</td>
<td>4.2</td>
<td>4.3</td>
<td>4.4</td>
</tr>
<tr>
<td>Consumer and producer goods and services</td>
<td>2.0</td>
<td>2.3</td>
<td>2.1</td>
<td>2.2</td>
<td>2.0</td>
<td>2.0</td>
<td>2.2</td>
</tr>
<tr>
<td>Interest</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td>Subsidies and grants</td>
<td>6.1</td>
<td>7.0</td>
<td>6.7</td>
<td>6.3</td>
<td>6.7</td>
<td>7.0</td>
<td>7.3</td>
</tr>
<tr>
<td>Pension payments</td>
<td>4.4</td>
<td>4.8</td>
<td>4.5</td>
<td>4.2</td>
<td>4.2</td>
<td>4.1</td>
<td>4.0</td>
</tr>
<tr>
<td>Gross operating balance (public saving)</td>
<td>7.5</td>
<td>0.0</td>
<td>3.5</td>
<td>5.4</td>
<td>4.5</td>
<td>3.0</td>
<td>2.2</td>
</tr>
<tr>
<td>Net acquisition of non-financial assets</td>
<td>3.6</td>
<td>4.4</td>
<td>3.9</td>
<td>4.1</td>
<td>4.0</td>
<td>3.6</td>
<td>3.8</td>
</tr>
<tr>
<td>Sale of physical assets</td>
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<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Investment</td>
<td>2.1</td>
<td>2.6</td>
<td>2.1</td>
<td>2.1</td>
<td>2.1</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Capital transfers</td>
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<td>1.9</td>
<td>1.8</td>
<td>1.9</td>
<td>1.9</td>
<td>1.7</td>
<td>1.8</td>
</tr>
<tr>
<td>Total income</td>
<td>24.2</td>
<td>19.0</td>
<td>21.5</td>
<td>22.7</td>
<td>22.2</td>
<td>21.0</td>
<td>20.7</td>
</tr>
<tr>
<td>Total expenditure</td>
<td>20.3</td>
<td>23.4</td>
<td>22.0</td>
<td>21.4</td>
<td>21.6</td>
<td>21.6</td>
<td>22.4</td>
</tr>
<tr>
<td>Net lending/Net borrowing (effective surplus/deficit)</td>
<td>3.9</td>
<td>-4.4</td>
<td>-0.5</td>
<td>1.3</td>
<td>0.6</td>
<td>-0.6</td>
<td>-1.6</td>
</tr>
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</table>

Memorandum item

<table>
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<th>General government</th>
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<tbody>
<tr>
<td>Total income</td>
</tr>
<tr>
<td>Total expenditure</td>
</tr>
<tr>
<td>Net lending/net borrowing</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Municipal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total income</td>
</tr>
<tr>
<td>Total expenditure</td>
</tr>
</tbody>
</table>

---

7 The structural balance policy consists of isolating the cyclical component of the fiscal accounts from the fiscal deficit. This is done by setting targets that aim to reflect what the net balance of the fiscal accounts would have been each year if the economy had followed its medium-term path in the year in question, excluding cyclical fluctuations.

8 The targets were: 2011, 1.8%; 2012, 1.5%; 2013, 1.0%; 2014, 1.0%; and 2015, 1.1%.
1.15. In 2013, weakening economic growth was accompanied by a deteriorating fiscal situation: revenue fell as a percentage of GDP and expenditure increased, to generate a deficit of 0.6% of GDP. In 2014, fiscal income fell slightly in relation to GDP, partly reflecting the slower economic growth, whereas the share of expenditure increased, so the fiscal outturn worsened, and there was an effective deficit of 1.6% of GDP.

1.16. Decree No. 892 of 3 June 2014 laid the foundations for fiscal policy in the period 2014-2018.9 The decree provides that the fiscal policy to be implemented during the period will be guided by the concept of structural balance, reflecting the central government's trend financial situation, i.e. excluding the cyclical effect on public finances of the fluctuations in economic activity, the copper price, and other similar factors. In this way, public expenditure is decoupled from the natural and cyclical trend of fiscal income, and is associated with the trend of structural fiscal income to avoid making drastic adjustments in the level of public expenditure in the event of adverse economic events, without endangering the stability of the fiscal accounts in the long term, and to allow for saving in periods of positive economic events.

1.17. Decree No. 892 provides that, in view of the structural deficit prevailing in late 2013, the fiscal target is to gradually converge towards structural balance equivalent to 0% of annual GDP by 2018. This target is contingent on implementing the Tax Reform Law (see below), which is expected to generate the tax revenue needed to achieve such convergence. Moreover, the Decree stipulates that this target will be maintained unless objective macroeconomic circumstances warrant any change. This is expected to lay the foundations for regaining a structural surplus in the years after 2018, which is considered necessary to ensure a dynamic of asset accumulation in order to deal with future commitments, contingent liabilities and possible emergencies in the public sector.

1.18. It also provides for efficient rationalization of public expenditure, by a more in-depth evaluation of the quality and public impact of investment programmes. The 2015 budget stresses expenditure on education and health, allocating the estimated US$2.3 billion to be obtained from the tax reform (see below) in 2015 to these categories (US$1.2 billion to education and US$1.1 billion to public health). In any event, the 2015 budget is expansionary and geared to stimulating the economy, because it starts from a situation of sharp slowdown in domestic demand. Accordingly, public expenditure in 2015 is expected to grow by 9.8% compared to the 2014 budget, and public investment is expected to increase by 27.5%, to reach a level of US$6,979.2 million, the highest in Chile’s history.10

### 1.2.2 Tax reform

1.19. The Tax Reform Law (Law No. 20.780) was passed by the National Congress on 10 September 2014.11 The key objectives of the reform are to: (i) increase the tax burden by 3.02% of GDP (about US$8.3 billion) to finance, from permanent revenue sources, the standing expenses of the education reform and other social protection policies, and to reduce the central government's structural deficit; (ii) enhance tax equity, improving the income distribution; (iii) introduce new and more efficient incentive mechanisms for saving and investment; and (iv) reduce tax evasion and avoidance.

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9 Law No. 20.128, on Fiscal Accountability, requires the President of the Republic to define the bases of the fiscal policy to be applied during his or her administration, including an explicit statement on the implications and effects that policy will have on the central government structural balance.


11 Law No. 20.780 was published in the Official Journal (Diario Oficial) on 29 September 2014.
1.20. The authorities have decided to implement the reform gradually over a four-year period. The Ministry of Finance has defined the design and execution of an implementation plan, which includes issuing regulations specified in the law, adapting operational processes and information systems, and upgrading infrastructure, among other things.

1.21. The 2014 Tax Reform is the second such reform in the last 30 years. Until its adoption, the Chilean tax system was based on the 1984 Tax Reform, which established an integrated income-tax system, and on the amendments introduced with the reform of 1990. Nonetheless, the previous system favoured income from capital over labour income, since tax payment could only be deferred in the case of business profits and income from capital was eligible for First Category Income Tax only in a given period, whereas all labour income paid the final tax. The authorities consider that this resulted in low progressiveness and generated a high level of inequity owing to the rate differentials between capital and labour income taxes and a low level of revenue from direct taxes.

1.22. The changes introduced by the tax reform cover six areas: (i) changes to income taxation; (ii) taxation of the real estate market; (iii) stamp duties; (iv) environmental taxes; (v) corrective taxes (tobacco, alcoholic beverages and non-alcoholic beverages containing added sugar); and (vi) measures to control tax evasion and avoidance. Two alternative tax regimes have been established as part of the process of reforming income taxation: the Integrated Regime, under which attribution of incomes is provided, and the Semi-integrated Regime. Companies are required to choose one of these two systems, and, once affiliated to one of them, they must stay in that regime for at least five years. The integrated regime with attribution of incomes requires resident private individuals and taxpayers without domicile or residence in the country to pay tax according to the total amount of capital income generated by the firms which they directly or indirectly own. For that purpose, a system of attribution is established in which the firm's earnings, in the year in which they are generated, are attributed to its shareholders according to their share in the ownership or profits. The income thus attributed is added to the individual's tax base and taxed according to the corresponding Complementary Global Tax\(^\text{12}\) or Additional Tax brackets.\(^\text{13}\) This system maintains total integration between corporate and individual income taxation, as in the previous legislation. Under this regime, the rate of First Category Income Tax paid by firms rises to 25%, whereas the top rate of the Complementary Global or Additional Tax is 35%.

1.23. The semi-integrated taxation system, in contrast, requires company shareholders to pay taxes only on the withdrawals, remittances or dividends they obtain from the company, and it defers the payment of final taxes in respect of the company's retained profits. Firms that affiliate to this system must pay First Category Income Tax at a rate of 27%. It is also established that 65% of this tax can be deducted as a credit against the final tax assessment. Thus, the effective maximum rate to be paid in respect of withdrawals, profit shares, or remittances in the case of taxpayers who have a nominal rate of Complementary Global and Additional Taxes of 35%, will reach a level of 44.45%.

1.24. Another important feature of the reform is that it lowers the top marginal rate of Complementary Global Tax from 40% to 35%, and raises the rate of First Category Income Tax to 25% or 27%, depending on the regime chosen. In addition, for firms in the agriculture, mining,
and transport sectors, the sales revenue limits for affiliation to the presumed income regime are lowered.\textsuperscript{14}

1.25. In addition, several changes were made for micro, small and medium-sized enterprises (MSMEs), as an incentive to saving and investment (with up to 100,000 UF in sales). Such firms may deduct up to 20\% (under the attributed income system) or 50\% (under the semi-integrated system) of the undistributed profits reinvested in the company from their taxable income.\textsuperscript{15} In both cases, an upper limit of 4,000 UF is set for the reduction of the tax base. In addition, the credit in respect of fixed asset purchases was increased from 4\% to 6\% of the value acquired for firms with annual sales of up to 25,000 UF. For the incomes of firms with annual sales of up to 100,000 UF, a linear formula is used to calculate this benefit. Lastly, since 1 January 2015, firms with sales of up to 25,000 UF have been able to defer payment of VAT for up to 2 months, and, as from 1 January 2016, this will be extended to firms with sales of up to 100,000 UF. In addition, as from 2015 the reform repeals the regime provided for in Article 14\textit{bis} of the Income Tax Law, which allowed firms and their owners to avoid paying taxes by retaining profits in the enterprise. It also repealed the regime exempting the portion of the tax base up to 1,440 UTM from the First Category Income Tax.\textsuperscript{16}

1.26. The reform introduces two types of environmental levies. Firstly, a tax is imposed on fixed-source carbon dioxide (CO2) emissions, of US$5 per tonne, and on particulate material (PM), nitrogen oxide (NOX) and sulphur dioxide (SO2) emissions, for which the rate is calculated according to the social cost of the pollution, based on the different dispersion capacities of the pollutants and the size of the population exposed.\textsuperscript{17} Secondly, new light and medium-sized motor vehicles are taxed in proportion to the environmental damage that the vehicle in question causes during its useful life, based on their NOX emissions, their urban yield and their sale price. In addition, “corrective taxes” are imposed on cigarettes, alcoholic beverages, and non-alcoholic beverages containing added sugar, to discourage their consumption. In the case of non-alcoholic beverages containing added sugar, the additional tax is raised from 13\% to 18\%, whereas the tax on non-alcoholic beverages not containing added sugar is lowered from 13\% to 10\%. For alcoholic beverages, the excise duty on beer and wine is raised from 15\% to 20.5\%, and on spirits with a higher alcohol content the rate of duty is increased from 27\% to 31.5\%. In addition, the tax structure on tobacco is altered by increasing the excise duty on tobacco from 0.000128803 UTM to 0.001034240 UTM per cigarette and by lowering the ad valorem duty from 60.5\% to 30\%.

1.27. The tax reform also introduces a number of measures to reduce evasion and avoidance, including the incorporation of a general anti-avoidance clause, under which, when defining taxable events, account will be taken of the economic significance of the operations ahead of the legal definition.

### 1.2.3 Sovereign funds

1.28. Chile has a policy for managing the savings generated as a result of applying the structural balance rules. In this regard, sovereign funds constitute a fundamental part of the fiscal policy implemented by the Chilean government, particularly in relation to the sustainability of that policy over time. Its objective is to contribute to macroeconomic stability and to finance certain contingent liabilities.

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\textsuperscript{14} Presumed income is the income which, for the purposes of the Income Tax Law is inferred on the basis of certain known facts such as: the fiscal valuation of agricultural and non-agricultural properties; the taxable value of vehicles; and the annual value of sales of mining products. Online information from the SII, viewed at: http://www.sii.cl/preguntas_frecuentes/renta/001_002_0627.htm.

\textsuperscript{15} The Unidad de Fomento (UF) is an inflation-linked unit of account created by Decree No. 40 of 20 January 1967. It is used for all types of bank or financial loans involving private-sector agents, as well as investments, contracts, and in some cases fees. The values of determined on a daily basis. The value of the UF at 31 March 2015 was Ch$24,622.78.

\textsuperscript{16} The Unidad Tributaria Mensual (UTM) created on 31 December 1974 is used for taxation and fines, and is updated monthly according to inflation. Unlike the UF, it is not used as a financial instrument. The value of the UTM in March 2015 was Ch$43,068.

\textsuperscript{17} Specifically, the tax is levied on establishments whose sources consist of boilers and turbines, which individually or jointly represent an installed power of at least 50MWt.
1.29. There are two sovereign funds: the Economic and Social Stabilization Fund (FEES) and the Pension Reserve Fund (FRP). The sovereign fixed income portfolios of the two funds are managed by the Central Bank of Chile, and firms specializing in portfolio management have been contracted to invest the portfolios of shares and corporate bonds. The Sovereign Funds Unit of the Ministry of Finance is responsible for monitoring the performance of each fund manager. In addition, a Financial Committee, consisting of six experts, provides advice on defining the funds' investment policy. The resources of both funds are invested wholly abroad.

1.30. The FEES was officially created through Decree having Force of Law No. 1 of 2006, of the Ministry of Finance, based on the provisions of the Fiscal Accountability Law.18 The FEES makes it possible to finance any fiscal deficits, repay the public debt, and finance contributions to the FRP. It thus helps to ensure that fiscal expenditure is not unduly affected by fluctuations in the global economy or the volatility of income obtained from taxes, copper and other sources. Each year the FEES receives the positive balance of the effective fiscal surplus after subtracting contributions to the FRP, where appropriate, amortization payments on the public debt, and advance contributions made to the fund in the previous year.

1.31. The current FEES investment policy, based on the recommendations made by the Financial Committee, entered into force in August 2013, with the aim of improving the coverage capacity of fiscal income compared to the previous policy. The main objective is to maximize the cumulative value of the fund to partially cover cyclical falls in tax revenue. This is reflected in the selection of a highly liquid investment portfolio, of low credit risk and low volatility. From its creation in March 2007 until December 2014, the FEES received contributions totalling US$21,765.7 million. The fund's market value has fallen from a peak of US$20,211 million in the fourth quarter of 2008, owing to the withdrawals made mainly in 2009 to cope with the global financial crisis.19 At December 2014, the size of the fund was US$14,689 million, 27% below its peak value.20 In 2014, the fund's yield in US dollars was negative, affected by the sharp depreciations experienced by the currencies in which it is invested in relation to the US dollar. The return earned by the FEES from its creation until the fourth quarter of 2014 has averaged 2.82% per year in US dollars, and 4.36% in Chilean pesos.21

1.32. The FRP was set up on 28 December 2006, with an initial contribution of US$604.5 million. Its purpose is to support the financing of fiscal liabilities arising from the State-guaranteed basic solidarity pensions in respect of old age and disability, as well as solidarity pension contributions. This complements the financing of future pension contingencies. The resources of the FRP are increased each year by a minimum amount equivalent to 0.2% of the previous year's GDP. If the effective fiscal surplus exceeds 0.2% of GDP, the FRP receives a contribution equivalent to that surplus, up to a maximum of 0.5% of GDP. From its creation in December 2006 until the fourth quarter of 2014, the FRP received contributions totalling US$6.94 billion, and its market value stood at US$7,943.7 million in late December 2014. The yield earned by the FRP from its creation until the fourth quarter of 2014 has averaged 4.04% per year in US dollars and 5.58% in terms of Chilean pesos.22

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18 The FEES was set up in March 2007 with an initial contribution of US$2,580 million, of which US$2,563.7 million corresponded to the balance of the old Copper Income Stabilization Fund. Online information from the Ministry of Finance, viewed at: http://www.hacienda.cl/fondos-soberanos/fondo-de-estabilizacion-economica-y.html.

19 As of December 2014, total withdrawals from the FEES amounted to US$9,927 million, of which US$9,278 million were made in 2009 to cope with the financial crisis of that year. The other withdrawals have been made to finance the statutory contributions to the FRP.

20 The assets of the FEES at that date consisted of bank deposits (25.7%), treasury bills and sovereign bonds (63.0%), inflation-linked sovereign bonds (3.5%), and shares (7.8%). Ministry of Finance (2014), Fondo de Estabilización Económica y Social. Informe Mensual a diciembre de 2014. Viewed at: http://www.hacienda.cl/fondos-soberanos/fondo-de-estabilizacion-economica-y/informes-mensuales/informe-diciembre-2014.html.


22 As of December 2014, the FRP’s assets consisted of sovereign and other related bonds (47.4% of total), inflation linked bonds (17.1%) corporate bonds (20.3%), and shares (15.2%). Ministry of Finance (2014), Fondo de Reserva de Pensiones. Informe Mensual a diciembre de 2014. Viewed at: http://www.hacienda.cl/fondos-soberanos/fondo-de-reserva-de-pensiones/informes-mensuales/informe-diciembre-2014.html.
1.2.4 Public debt

1.33. The Public Debt Office proposes the borrowing strategy to the Minister of Finance and implements his decision on Treasury bond issues and placements, the main objective of which is to support the liquidity and depth of the local financial market, and to establish benchmark interest rates to facilitate access by Chilean firms to the capital market. The gross debt of the central government grew during the period under review, rising from 6% of GDP in 2009 to 12.8% in 2013.23

1.34. As of end-September 2014, the central government’s gross debt stood at Ch$19,754.7 million, equivalent to 13.7% of GDP, which represents a nominal increase of 12.5% compared to the balance outstanding in December 2013. Nonetheless, given its investment in financial assets, which amounted to the equivalent of 19.6% of GDP in September 2014, the central government had a net creditor position equivalent to 5.9% of GDP at that date. Moreover, the net debt of the Central Bank of Chile at end-September 2014 represented 13.4% of GDP, which, considering its assets of 16.8% of GDP, gives a net creditor position equivalent to 3.4% of GDP. The consolidation of the central government with the central bank gives a gross debt of 26.4% of GDP in September 2014, whereas the net consolidated balance was a creditor position of 9.3% of GDP. The amortization profile of the consolidated debt of the central government and central bank projects a relatively stable path until 2020. Between 2015 and 2020, amortization payments falling due should average Ch$2,435.56 billion, of which 90.5% is payable in national currency or inflation-adjusted national currency, and 9.5% are liabilities denominated in foreign currency.24

1.35. The gross debt of public enterprises amounted to 8.3% of GDP as of June 2014, whereas their financial assets totalled 0.9% of GDP, giving a net debt of these firms as a group equivalent to 7.4% of GDP. The State guarantees the debt of public enterprises in cases where financial assets are insufficient to cover the amount owed. In this regard, the total guaranteed debt as of September 2014 was 1.25% of GDP, corresponding mainly to the debt of the Metro (the company that operates the Santiago subway system) and that of the state railway company (Ferrocarriles del Estado). Another important component of the debt guaranteed by the State is the guarantee aimed at financing higher education, authorized through Law No. 20.207, which represented 11.51% of the total domestic guaranteed debt. A total of 87.5% of the guaranteed debt has been issued domestically.25

1.3 Monetary and exchange rate policies

1.36. The monetary policy of the Central Bank of Chile (BCCh) is aimed primarily at keeping inflation low, stable, and sustainable over time.26 Since 2007, the explicit commitment has been that annual inflation measured by the consumer price index (IPC) should be situated most of the time around 3% per year with a range of tolerance of plus or minus one percentage point. To fulfil this objective, the BCCh targets its monetary policy to ensure that projected inflation is at 3% per year over a two-year policy horizon. The central bank implements its inflation targeting policy by setting an intermediate target for the nominal interbank interest rate, known as the monetary policy rate (MPR). To ensure that the MPR is at the desired level, the BCCh regulates the liquidity (or reserves) of the financial system, using several instruments: open-market operations, purchase and sale of short-term notes, and credit lines and cash deposits (extended facilities).

1.37. The BCCh believes that gearing monetary policy towards achievement of the inflation target helps to moderate fluctuations in employment and domestic production.27 It publishes its policy
decisions through its Monetary Policy Report (IPoM), which appears four times a year (in March, June, September and December) and focuses on the main factors that affect the path of inflation. These include the international environment, financial conditions, prospects for aggregate demand, activity and employment, and recent developments in prices and costs.

1.38. During the period under review, monetary policy was conducted in three main phases: a phase of rapid monetary expansion between 2008 and 2010; an increasingly tighter phase, between 2011 and 2013; and an accommodative phase in 2014 and 2015. The first phase corresponded to the measures adopted to counteract the negative effects of the international financial crisis on the level of activity of the Chilean economy, against a backdrop of falling inflation. This led the BCCh to implement a policy of aggressive monetary expansion, which resulted in the MPR falling from 8.25% in December 2008 to 0.50% between August 2009 and May 2010, before starting to rise again gradually.28 The MPR attained a maximum of 5.25% in December 2011, before stabilizing at 5% between January 2012 and September 2013, at which point it began a new declining phase, dropping to 3% in November 2014.

1.39. Following the movements of the MPR, market interest rates dropped substantially between 2008 and 2010, before rising again between mid-2010 and late 2013. Since then they have embarked on a new downward trend, coinciding with a phase of low inflation and weak economic growth. The average spread between interest rates on loans and deposits has varied relatively little in the period under review, between 2.7% and 4.8%, which reflects the stability of the Chilean financial system and its high degree of intermediation, even at times of crisis (Table 1.3).

### Table 1.3 Main monetary indicators, 2008-2014

<table>
<thead>
<tr>
<th>Monetary aggregates (end of period, Ch$ billion)</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monetary base</td>
<td>4,288</td>
<td>4,735</td>
<td>5,595</td>
<td>6,720</td>
<td>7,660</td>
<td>8,297</td>
<td>8,715</td>
</tr>
<tr>
<td>Banknotes and coins in circulation</td>
<td>2,485</td>
<td>2,755</td>
<td>3,209</td>
<td>3,647</td>
<td>4,199</td>
<td>4,693</td>
<td>5,371</td>
</tr>
<tr>
<td>M1</td>
<td>10,808</td>
<td>13,279</td>
<td>16,105</td>
<td>18,009</td>
<td>19,598</td>
<td>22,112</td>
<td>25,562</td>
</tr>
<tr>
<td>M2</td>
<td>54,598</td>
<td>51,716</td>
<td>56,511</td>
<td>66,944</td>
<td>72,016</td>
<td>82,733</td>
<td>90,709</td>
</tr>
<tr>
<td>M3</td>
<td>88,251</td>
<td>87,006</td>
<td>96,709</td>
<td>114,998</td>
<td>122,172</td>
<td>139,144</td>
<td>155,011</td>
</tr>
<tr>
<td>Interest rates (annual average)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial credits, 30-89 days</td>
<td>12.4</td>
<td>6.7</td>
<td>4.5</td>
<td>8.4</td>
<td>9.2</td>
<td>8.6</td>
<td>7.4</td>
</tr>
<tr>
<td>Commercial deposits, 30-89 days</td>
<td>7.2</td>
<td>2.0</td>
<td>1.8</td>
<td>5.2</td>
<td>5.6</td>
<td>5.1</td>
<td>3.7</td>
</tr>
<tr>
<td>Interest rate spread between credits and deposits, 30-89 days</td>
<td>4.5</td>
<td>4.7</td>
<td>2.7</td>
<td>3.2</td>
<td>3.6</td>
<td>3.5</td>
<td>3.7</td>
</tr>
<tr>
<td>Monetary policy rate</td>
<td>7.1</td>
<td>2.0</td>
<td>1.4</td>
<td>4.7</td>
<td>5.0</td>
<td>4.9</td>
<td>3.8</td>
</tr>
<tr>
<td>Inflation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General consumer price index IPC (Dec.-Dec.)</td>
<td>7.1</td>
<td>-1.4</td>
<td>3.0</td>
<td>4.4</td>
<td>1.5</td>
<td>3.0</td>
<td>4.6</td>
</tr>
<tr>
<td>Core consumer price index IPC X (Dec.-Dec.)</td>
<td>8.6</td>
<td>-1.8</td>
<td>2.5</td>
<td>3.3</td>
<td>1.3</td>
<td>2.4</td>
<td>5.1</td>
</tr>
<tr>
<td>Exchange rate (period average)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange rate (Ch$/US$)</td>
<td>521.8</td>
<td>559.7</td>
<td>510.4</td>
<td>483.4</td>
<td>486.8</td>
<td>495.0</td>
<td>570.4</td>
</tr>
<tr>
<td>Multilateral nominal exchange rate</td>
<td>108.3</td>
<td>110.9</td>
<td>102.1</td>
<td>99.8</td>
<td>97.6</td>
<td>97.3</td>
<td>107.9</td>
</tr>
<tr>
<td>Real exchange rate (1986=100)</td>
<td>96.2</td>
<td>95.7</td>
<td>91.4</td>
<td>92.1</td>
<td>89.8</td>
<td>90.0</td>
<td>98.2</td>
</tr>
<tr>
<td>Variation in the real exchange rate</td>
<td>2.5</td>
<td>-0.5</td>
<td>-4.6</td>
<td>0.8</td>
<td>-2.5</td>
<td>0.2</td>
<td>9.1</td>
</tr>
</tbody>
</table>

Note: The multilateral exchange rate measures the nominal value of the peso with respect to a broad basket of foreign currencies. The real exchange rate is defined as the product between the observed nominal exchange rate and an index of external prices relevant for Chile (IPE), deflated by the Chilean consumer price index (IPC).

Source: Central Bank of Chile.

1.40. Following a substantial rise in inflation in 2008, resulting from the increase in oil prices and those of other raw materials, and a fall in the IPC in 2009 as a result of the weakening of domestic demand caused by the global financial crisis, the central bank managed to keep inflation rates under control between 2010 and 2014, with year-on-year rates ranging from 1.5% in 2012 to 4.6% in 2014. As the central bank’s targeting rule is to keep inflation within a range of 3% plus or minus one percentage point over a two-year horizon, the variation of the IPC has been held within the parameters of the rule for most of the period under review. The authorities also consider

that the credibility of the central bank's inflation target is an important asset which has helped to maintain the inflation expectations of economic agents anchored, which over the two-year horizon have remained at 3% for most of the period analysed.

1.41. Chile maintains a floating exchange rate system. The BCCh may intervene in the exchange market in situations involving high volatility and uncertainty, but such interventions must be consistent with the inflation target, and the time-frames and amounts involved must also be explicitly defined. The interventions must also be announced in advance and sterilized to preserve the independence of monetary policy. In practice, this seldom happens; the most recent BCCh intervention on the foreign exchange market was in January 2011.

1.42. The nominal exchange rate appreciated substantially between 2009 and 2012, resulting in an appreciation of the real exchange rate of around 6% on average (Table 1.3). In 2014, the trend reversed, and the nominal exchange rate depreciated by 11% in multilateral nominal terms and by 9% in real terms.

1.4 Balance of payments

1.43. The current account of Chile's balance of payments is characterized by a traditionally surplus merchandise trade balance and a traditionally negative balance of services and investments. The overall balance depends largely on the size of the trade balance, which in turn, is highly influenced by fluctuations in the copper price. The initial effects of the global economic crisis were expressed in Chile through a deficit on the current account of the balance of payments in 2008, when exports fell but imports continued to grow. This changed in 2009, when, as result of the crisis, domestic demand fell and merchandise imports plummeted by almost 30%, to post a surplus on the current account equivalent to 2% of GDP. The surplus recorded in 2010 resulted from exports growing faster than imports, the latter fuelled by the fiscal stimulus measures implemented to cope with the crisis, and the former by stronger demand and a higher price of copper.

1.44. In 2011 and 2012, with merchandise imports growing, the trade balance deteriorated and the current account moved back into deficit. Although starting from a depressed level, merchandise imports almost doubled in just three years, between 2009 and 2012. The rapid growth in imports reflected the high rate of GDP growth and the real appreciation of the peso (Table 1.4).

1.45. In 2013, and there was a slight fall in both exports and imports, and the current-account balance deteriorated latterly. In 2014, Chile's trade surplus widened, mainly as a result of a reduction in imports. The deficit in services trade fluctuated between US$1,897 million in 2010 and US$3,757 million in 2014. The current-account deficit declined from 3.7% of GDP in 2013 to the equivalent of 1.7% of GDP in 2014.

1.46. As Chile is a major recipient of foreign direct investment (FDI), particularly in the mining sector, profit repatriation has left an income balance that is deeply in deficit. Remittances of profits outweighed net FDI flows in 2009, 2010 and 2013, but the latter greatly exceeded the former in 2011 and 2012, owing to major inflows in the "unassigned" category in those years (see below). Net cumulative FDI inflows between 2009 and 2014 amounted to roughly US$138,538 million, attaining a maximum level of US$28,457 million in 2012. Chile is also a large investor abroad, with flows of US$79,742 million in the period.
### Table 1.4 Balance of payments, 2009-2014

(US$ million)

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I. Current account</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goods and services</td>
<td>13,350</td>
<td>14,045</td>
<td>7,967</td>
<td>-411</td>
<td>-1,582</td>
<td>4,010</td>
</tr>
<tr>
<td>Balance of merchandise trade</td>
<td>15,360</td>
<td>15,941</td>
<td>11,040</td>
<td>2,333</td>
<td>1,820</td>
<td>7,767</td>
</tr>
<tr>
<td>Exports of goods</td>
<td>55,463</td>
<td>71,109</td>
<td>81,438</td>
<td>7,318</td>
<td>6,087</td>
<td>4,824</td>
</tr>
<tr>
<td>Imports of goods</td>
<td>40,103</td>
<td>55,167</td>
<td>70,398</td>
<td>75,458</td>
<td>74,657</td>
<td>67,908</td>
</tr>
<tr>
<td>Balance of trade in services</td>
<td>-2,010</td>
<td>-1,897</td>
<td>-3,073</td>
<td>-2,744</td>
<td>-3,402</td>
<td>-3,757</td>
</tr>
<tr>
<td>Exports of services</td>
<td>15,360</td>
<td>15,941</td>
<td>11,040</td>
<td>2,333</td>
<td>1,820</td>
<td>7,767</td>
</tr>
<tr>
<td>Imports of services</td>
<td>10,303</td>
<td>13,046</td>
<td>16,178</td>
<td>15,131</td>
<td>15,855</td>
<td>14,724</td>
</tr>
<tr>
<td>Income (primary income)</td>
<td>-11,395</td>
<td>-14,686</td>
<td>-13,920</td>
<td>-11,274</td>
<td>-10,730</td>
<td>-8,857</td>
</tr>
<tr>
<td>Income from investment</td>
<td>-11,393</td>
<td>-14,684</td>
<td>-13,921</td>
<td>-11,219</td>
<td>-10,559</td>
<td>-8,714</td>
</tr>
<tr>
<td>Income from direct investment</td>
<td>-11,846</td>
<td>-14,860</td>
<td>-13,771</td>
<td>-11,902</td>
<td>-11,002</td>
<td>-8,866</td>
</tr>
<tr>
<td>Income from portfolio investment</td>
<td>661</td>
<td>909</td>
<td>350</td>
<td>706</td>
<td>507</td>
<td>-355</td>
</tr>
<tr>
<td>Dividends from portfolio investment</td>
<td>-124</td>
<td>-439</td>
<td>-759</td>
<td>-802</td>
<td>-909</td>
<td>-1,118</td>
</tr>
<tr>
<td>Income from other investment</td>
<td>-209</td>
<td>-733</td>
<td>-501</td>
<td>-415</td>
<td>-266</td>
<td>-355</td>
</tr>
<tr>
<td>Inflows</td>
<td>633</td>
<td>413</td>
<td>475</td>
<td>706</td>
<td>656</td>
<td>566</td>
</tr>
<tr>
<td>Outflows</td>
<td>841</td>
<td>1,145</td>
<td>975</td>
<td>1,129</td>
<td>1,029</td>
<td>1,012</td>
</tr>
<tr>
<td><strong>II. Capital account</strong></td>
<td>15</td>
<td>6,240</td>
<td>12</td>
<td>12</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td><strong>III. Financing capacity/need</strong></td>
<td>3,533</td>
<td>10,010</td>
<td>-3,076</td>
<td>-9,613</td>
<td>-10,114</td>
<td>-2,985</td>
</tr>
<tr>
<td><strong>IV. Financial account</strong></td>
<td>4,178</td>
<td>8,967</td>
<td>-3,638</td>
<td>-9,321</td>
<td>-11,252</td>
<td>-2,726</td>
</tr>
<tr>
<td>A. Direct investment</td>
<td>-6,159</td>
<td>-6,049</td>
<td>-3,057</td>
<td>-7,902</td>
<td>-8,956</td>
<td>-9,950</td>
</tr>
<tr>
<td>Assets</td>
<td>7,233</td>
<td>9,461</td>
<td>20,252</td>
<td>20,555</td>
<td>10,308</td>
<td>12,052</td>
</tr>
<tr>
<td>Capital shares</td>
<td>4,700</td>
<td>3,975</td>
<td>6,838</td>
<td>9,401</td>
<td>10,192</td>
<td>6,617</td>
</tr>
<tr>
<td>Reinvested profits</td>
<td>2,706</td>
<td>3,597</td>
<td>4,063</td>
<td>3,322</td>
<td>2,960</td>
<td>3,620</td>
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<tr>
<td>Debt instruments</td>
<td>-174</td>
<td>1,888</td>
<td>9,351</td>
<td>7,833</td>
<td>-2,844</td>
<td>1,815</td>
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<tr>
<td>Liabilities</td>
<td>13,392</td>
<td>15,510</td>
<td>23,309</td>
<td>28,457</td>
<td>19,264</td>
<td>22,002</td>
</tr>
<tr>
<td>Equity shares</td>
<td>1,905</td>
<td>4,662</td>
<td>10,921</td>
<td>8,532</td>
<td>4,679</td>
<td>10,347</td>
</tr>
<tr>
<td>Reinvested profits</td>
<td>10,519</td>
<td>7,863</td>
<td>9,226</td>
<td>6,085</td>
<td>6,256</td>
<td>4,406</td>
</tr>
<tr>
<td>Debt instruments</td>
<td>967</td>
<td>2,985</td>
<td>3,162</td>
<td>10,841</td>
<td>8,329</td>
<td>7,248</td>
</tr>
<tr>
<td>B. Portfolio investment</td>
<td>12,399</td>
<td>6,421</td>
<td>-3,076</td>
<td>-7,902</td>
<td>8,956</td>
<td>9,950</td>
</tr>
<tr>
<td>Assets</td>
<td>14,269</td>
<td>15,710</td>
<td>-798</td>
<td>15,043</td>
<td>10,545</td>
<td>8,688</td>
</tr>
<tr>
<td>Liabilities</td>
<td>1,870</td>
<td>9,289</td>
<td>10,685</td>
<td>11,072</td>
<td>15,559</td>
<td>12,380</td>
</tr>
<tr>
<td>C. Financial derivatives</td>
<td>1,049</td>
<td>934</td>
<td>2,418</td>
<td>-10</td>
<td>778</td>
<td>1,607</td>
</tr>
<tr>
<td>D. Other investment</td>
<td>-4,758</td>
<td>4,637</td>
<td>-5,705</td>
<td>-5,013</td>
<td>1,628</td>
<td>8,252</td>
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<tr>
<td>Assets</td>
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<td>6,384</td>
<td>-662</td>
<td>-2,334</td>
<td>-821</td>
<td>4,379</td>
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<td>Commercial credits</td>
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<td>2,416</td>
<td>1,175</td>
<td>-308</td>
<td>-812</td>
<td>125</td>
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<tr>
<td>Loans</td>
<td>290</td>
<td>593</td>
<td>263</td>
<td>63</td>
<td>53</td>
<td>131</td>
</tr>
<tr>
<td>Currency and deposits</td>
<td>-1,045</td>
<td>-111</td>
<td>-416</td>
<td>-846</td>
<td>477</td>
<td>4,123</td>
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<tr>
<td>Other assets</td>
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<td>3,487</td>
<td>-1,684</td>
<td>-1,242</td>
<td>-539</td>
<td>0</td>
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<tr>
<td>Liabilities</td>
<td>5,370</td>
<td>1,746</td>
<td>5,043</td>
<td>2,679</td>
<td>-2,449</td>
<td>-3,873</td>
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<tr>
<td>Commercial credits</td>
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<td>1,701</td>
<td>1,583</td>
<td>-316</td>
<td>-639</td>
<td>-1,512</td>
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<tr>
<td>Loans</td>
<td>5,212</td>
<td>-273</td>
<td>3,566</td>
<td>2,364</td>
<td>-1,727</td>
<td>-2,261</td>
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<tr>
<td>Currency and deposits</td>
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<td>320</td>
<td>-118</td>
<td>618</td>
<td>-65</td>
<td>-104</td>
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<tr>
<td>Other liabilities</td>
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<td>-2</td>
<td>12</td>
<td>14</td>
<td>-19</td>
<td>5</td>
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<td>SDR allocations</td>
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<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>E. Reserve assets</strong></td>
<td>1,648</td>
<td>3,024</td>
<td>14,190</td>
<td>-367</td>
<td>311</td>
<td>1,057</td>
</tr>
<tr>
<td><strong>F. Errors and omissions</strong></td>
<td>646</td>
<td>-1,043</td>
<td>-562</td>
<td>291</td>
<td>-1,138</td>
<td>259</td>
</tr>
<tr>
<td><strong>Memorandum item</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall balance of payments</td>
<td>1,648</td>
<td>3,024</td>
<td>14,190</td>
<td>-367</td>
<td>311</td>
<td>1,057</td>
</tr>
<tr>
<td>Current account deficit as a % of GDP</td>
<td>2.0</td>
<td>1.7</td>
<td>-1.2</td>
<td>-3.6</td>
<td>-3.7</td>
<td>-1.7</td>
</tr>
</tbody>
</table>

---

**Source:** Central Bank of Chile.

*Corresponds to the sum of the current account and capital account.*
1.47. In September 2014, the external public debt stood at US$4,998 million, equivalent to roughly 2.1% of GDP.

1.5 Merchandise trade and investment flows

1.5.1 Composition of trade

1.48. Merchandise imports grew much faster than exports in the period 2009-2014 (by 69% compared to 38.2%).

1.49. Chile’s merchandise exports mainly consist of commodities, mostly agricultural products and processed minerals. Despite the higher copper prices, the share of mining products in total exports dropped slightly during the period 2009-2014 — 56.4% of Chile’s merchandise exports in 2014 compared to 59.8% in 2009 (Table A1.1 and Chart 1.1). Copper ore and refined copper jointly accounted for 50.1% of the country’s exports in 2014, compared to 53% in 2009. The share of agricultural products in total exports grew slightly during the period under review, from 25.9% in 2009 to 28.8% in 2014. Agricultural exports consist mainly of wine, fruit, salmon and other fish, along with agricultural raw materials, particularly forestry products.

1.50. The share of manufactures in total imports grew slightly during the period reviewed, from 67% in 2009 to 67.9% in 2014. Among these, the leading category continues to be transport machinery and equipment, which accounted for 34.2% of imports in 2014, compared to 35.4% in 2009. The share of fuels in total imports, in contrast, declined from 23.2% in 2009 to 21.2% in 2014. The share of chemical products in total imports remained broadly stable, whereas the share of food products grew (Table A1.2 and Chart 1.1).
Chart 1.1 Merchandise trade by product, 2009 and 2014

(a) Exports

2009

Total: US$55,459 million

(b) Imports

2014

Total: US$76,639 million


1.5.2 Direction of trade

1.51. In 2014, China provided Chile’s main export market, absorbing 24.6% of its exports, compared to 23.5% in 2009. In contrast, the European Union’s share of Chile’s total exports shrank to 14.5% from 17.7% in 2009 (Table A1.3 and Chart 1.2). The proportion of exports sent to the United States grew from 11.2% in 2009 to 12.2% to 2014, and the share absorbed by
Japan rose from 9.2% to 10%. The proportion of exports going to other countries of the American continent declined slightly during the review period, from 21% in 2009 to 19% in 2014.

1.52. During the period under review, China overtook the United States as Chile's main import source. China was Chile's largest provider in 2014, accounting for 20.9% of the total, followed by the United States with 19.8%, and then the European Union, Brazil and Argentina (Table A1.4 and Chart 1.2). The proportion of imports sourced from Argentina contracted by nearly seven percentage points during the period, mainly owing to the suppression of trade in natural gas between the two countries.
1.5.3 Trade in services

1.53. During the period under review, the deficit that Chile traditionally runs in its services trade widened from US$2,010 million in 2009 to US$3,757 million in 2014 (Table 1.5). The gap remains particularly high in the "Other services" category, which includes professional, financial and insurance services.
Table 1.5 Trade in services, 2009-2014

(US$ million)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Exports</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport</td>
<td>4,720</td>
<td>6,394</td>
<td>7,450</td>
<td>6,318</td>
<td>6,087</td>
<td>4,824</td>
</tr>
<tr>
<td>Travel</td>
<td>1,604</td>
<td>1,645</td>
<td>1,889</td>
<td>2,150</td>
<td>2,181</td>
<td>2,252</td>
</tr>
<tr>
<td>Other services</td>
<td>2,169</td>
<td>3,109</td>
<td>3,766</td>
<td>3,918</td>
<td>4,185</td>
<td>3,891</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>8,493</td>
<td>11,149</td>
<td>13,105</td>
<td>12,387</td>
<td>12,472</td>
<td>10,967</td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Imports</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport</td>
<td>4,778</td>
<td>6,571</td>
<td>8,206</td>
<td>7,334</td>
<td>7,107</td>
<td>6,239</td>
</tr>
<tr>
<td>Travel</td>
<td>1,167</td>
<td>1,383</td>
<td>1,624</td>
<td>1,833</td>
<td>1,867</td>
<td>2,136</td>
</tr>
<tr>
<td>Other services</td>
<td>4,558</td>
<td>5,091</td>
<td>6,348</td>
<td>5,965</td>
<td>6,881</td>
<td>6,349</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>10,503</td>
<td>13,029</td>
<td>16,158</td>
<td>14,732</td>
<td>15,694</td>
<td>14,724</td>
</tr>
</tbody>
</table>

Source: Central Bank of Chile.

1.5.4 Foreign direct investment

1.54. Chile continued to receive large FDI flows during the review period. According to information provided by the authorities, between 2009 and 2013 inflows amounted to US$100,856 million, nearly six times the amounts received in 2003-2008 (US$17,455 million). Of the FDI received by Chile in the period, 44.9% was absorbed by the mining sector, 13.4% by the financial services sector, 10.2% by the electricity, gas and water sector, and 4.5% by manufacturing industry (Table 1.6). Chile was also a dynamic investor abroad during the period under review, with outward FDI on the order of US$70,199 million between 2009 and 2013. Chilean investment abroad is channelled into various sectors, chiefly those in the "unassigned" category (45.5% of the total), which is an adjustment category that includes the difference between the total of flows/volumes on the aggregate financial account and the information distributed by sector/country. Other important target areas for investment abroad were commerce (11.5% of the total), manufacturing industry (10.9%), financial services (10.5%), the electricity, gas and water sector (5.4%), and mining (5%).

Table 1.6 Direct investment flows by sector, 2009-2013

(US$ million)

<table>
<thead>
<tr>
<th>Sector</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Total flows</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Outward direct investment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture and fishing</td>
<td>16</td>
<td>39</td>
<td>14</td>
<td>7</td>
<td>63</td>
<td>139</td>
</tr>
<tr>
<td>Mining</td>
<td>140</td>
<td>1,771</td>
<td>1,004</td>
<td>375</td>
<td>245</td>
<td>3,353</td>
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<tr>
<td>Manufacturing industry</td>
<td>1,052</td>
<td>1,292</td>
<td>1,363</td>
<td>2,329</td>
<td>1,613</td>
<td>7,649</td>
</tr>
<tr>
<td>Electricity gas and water</td>
<td>688</td>
<td>617</td>
<td>540</td>
<td>-340</td>
<td>2,380</td>
<td>3,785</td>
</tr>
<tr>
<td>Construction</td>
<td>61</td>
<td>-21</td>
<td>-43</td>
<td>83</td>
<td>56</td>
<td>136</td>
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<tr>
<td>Commerce</td>
<td>276</td>
<td>421</td>
<td>1,273</td>
<td>4,167</td>
<td>1,922</td>
<td>8,059</td>
</tr>
<tr>
<td>Hotels and restaurants</td>
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<td>67</td>
<td>-49</td>
<td>0</td>
<td>0</td>
<td>20</td>
</tr>
<tr>
<td>Transport and storage</td>
<td>-9</td>
<td>202</td>
<td>-86</td>
<td>3,190</td>
<td>1,533</td>
<td>4,830</td>
</tr>
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<td>-2</td>
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<td>0</td>
<td>3</td>
<td>434</td>
<td>448</td>
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<tr>
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<td>3,576</td>
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<td>365</td>
<td>1,504</td>
<td>7,371</td>
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<tr>
<td>Real estate and business services</td>
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<td>372</td>
<td>714</td>
<td>259</td>
<td>-797</td>
<td>1,287</td>
</tr>
<tr>
<td>Other services</td>
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<td>78</td>
<td>644</td>
<td>47</td>
<td>172</td>
<td>997</td>
</tr>
<tr>
<td>Unassigned</td>
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<td>1,035</td>
<td>14,965</td>
<td>11,846</td>
<td>1,897</td>
<td>31,943</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>7,233</td>
<td>9,461</td>
<td>20,252</td>
<td>22,330</td>
<td>10,923</td>
<td>70,199</td>
</tr>
</tbody>
</table>

| **Inward direct investment**  |        |        |        |        |        |             |
| Agriculture and fishing       | 68     | 179    | -4     | -111   | 22     | 154         |
| Mining                        | 7,657  | 9,017  | 17,917 | 12,963 | 2,395  | 45,249      |
| Manufacturing industry        | 421    | 595    | 942    | 2,095  | 671    | 4,724       |
| Electricity gas and water     | 2,337  | 681    | 424    | 2,013  | 4,852  | 10,307      |
| Construction                  | 118    | 126    | 157    | 476    | 125    | 1,002       |
| Commerce                      | 579    | 256    | 131    | 231    | 34     | 1,231       |
| Hotels and restaurants        | 5      | 10     | 9      | 31     | 25     | 80          |
| Transport and storage         | 803    | 17     | 117    | 51     | -118   | 768         |
| Communications                | -1,341 | 1,828  | -548   | 1,839  | 877    | 2,655       |
| Financial services            | 1,236  | 2,702  | 2,771  | 3,602  | 3,236  | 13,547      |
| Real estate and business services | 208    | 1,318  | 473    | -6     | -156   | 1,837       |
| Other services                | -13    | -11    | 717    | 357    | 1,214  | 2,264       |
| Unassigned                    | 1,409  | 3,008  | 339    | 5,104  | 7,181  | 17,041      |
| **Total**                     | 12,887 | 15,725 | 23,444 | 26,542 | 20,258 | 100,856     |

Source: Central Bank of Chile.
1.55. In terms of FDI volumes, inward investment into Chile amounted to US$215,452 million in late 2014 — concentrated mainly in the mining sector (32.4% of the total), financial services (11.6%), the electricity, gas and water sector (7%), manufacturing industry (4.4%), and telecommunications (3.3%) (Table 1.7). The volume of Chilean FDI abroad totalled US$101,933 million in late 2013. Of this, 54% was targeted on sectors in the "unassigned" category, 9% on manufacturing industry, 8.9% on financial services, 8.8% on commerce, 6% on transport and storage, 4.6% on mining, and 4.5% on the electricity, gas and water sector.

Table 1.7 Volume of direct investment by economic sector, 2009-2013

<table>
<thead>
<tr>
<th>Sector</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Total</th>
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<tbody>
<tr>
<td>Outward direct investment</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture and fishing</td>
<td>53</td>
<td>76</td>
<td>71</td>
<td>59</td>
<td>119</td>
<td></td>
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<tr>
<td>Mining</td>
<td>1,373</td>
<td>2,780</td>
<td>3,988</td>
<td>4,251</td>
<td>4,729</td>
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</tr>
<tr>
<td>Manufacturing industry</td>
<td>4,465</td>
<td>5,721</td>
<td>6,515</td>
<td>8,289</td>
<td>9,205</td>
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</tr>
<tr>
<td>Electricity gas and water</td>
<td>2,940</td>
<td>3,132</td>
<td>3,053</td>
<td>2,730</td>
<td>4,574</td>
<td></td>
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<tr>
<td>Construction</td>
<td>167</td>
<td>134</td>
<td>99</td>
<td>180</td>
<td>199</td>
<td></td>
</tr>
<tr>
<td>Commerce</td>
<td>3,498</td>
<td>3,211</td>
<td>4,701</td>
<td>7,839</td>
<td>8,981</td>
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</tr>
<tr>
<td>Hotels and restaurants</td>
<td>6</td>
<td>71</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Transport and storage</td>
<td>1,153</td>
<td>1,202</td>
<td>1,093</td>
<td>4,187</td>
<td>6,107</td>
<td></td>
</tr>
<tr>
<td>Communications</td>
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<td>27</td>
<td>27</td>
<td>29</td>
<td>455</td>
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<tr>
<td>Financial services</td>
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<td>10,257</td>
<td>9,350</td>
<td>8,637</td>
<td>9,129</td>
<td></td>
</tr>
<tr>
<td>Real estate and business services</td>
<td>2,958</td>
<td>3,423</td>
<td>3,990</td>
<td>4,052</td>
<td>2,525</td>
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</tr>
<tr>
<td>Other services</td>
<td>1,74</td>
<td>237</td>
<td>857</td>
<td>684</td>
<td>744</td>
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</tr>
<tr>
<td>Unassigned</td>
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<td>29,905</td>
<td>44,437</td>
<td>57,348</td>
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</tr>
<tr>
<td>Total</td>
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<td>60,386</td>
<td>78,181</td>
<td>98,286</td>
<td>101,933</td>
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</tbody>
</table>

Inward direct investment

<table>
<thead>
<tr>
<th>Sector</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Total</th>
</tr>
</thead>
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<td>America</td>
<td>815</td>
<td>1,017</td>
<td>1,018</td>
<td>880</td>
<td>906</td>
<td></td>
</tr>
<tr>
<td>Of which</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brazil</td>
<td>27,162</td>
<td>35,037</td>
<td>53,380</td>
<td>67,722</td>
<td>69,879</td>
<td></td>
</tr>
<tr>
<td>Colombia</td>
<td>4,448</td>
<td>5,274</td>
<td>6,875</td>
<td>8,643</td>
<td>9,504</td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>10,286</td>
<td>10,651</td>
<td>11,600</td>
<td>14,975</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial services</td>
<td>301</td>
<td>428</td>
<td>605</td>
<td>953</td>
<td>1,199</td>
<td></td>
</tr>
<tr>
<td>Real estate and business services</td>
<td>1,957</td>
<td>2,295</td>
<td>2,609</td>
<td>2,833</td>
<td>2,947</td>
<td></td>
</tr>
<tr>
<td>Other services</td>
<td>80</td>
<td>99</td>
<td>100</td>
<td>139</td>
<td>164</td>
<td></td>
</tr>
<tr>
<td>Unassigned</td>
<td>62,195</td>
<td>78,257</td>
<td>64,881</td>
<td>76,764</td>
<td>74,653</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>127,940</td>
<td>160,612</td>
<td>172,699</td>
<td>206,021</td>
<td>215,452</td>
<td></td>
</tr>
</tbody>
</table>

Source: Central Bank of Chile.

1.56. The main sources of capital investment flows into Chile between 2009 and 2013 were European countries (36.1% of total), the United States (16.7%) and Brazil (2.7%) (Table 1.8). The main destinations for Chilean FDI abroad were European countries (25% of the total), Brazil (15.3%), Peru (10.5%) and Colombia (8.5%).

Table 1.8 Direct investment flows by country, 2009-2013

<table>
<thead>
<tr>
<th>Sector</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outward direct investment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>America</td>
<td>5,852</td>
<td>7,691</td>
<td>3,626</td>
<td>15,281</td>
<td>10,021</td>
<td>42,471</td>
</tr>
<tr>
<td>Of which</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brazil</td>
<td>1,389</td>
<td>819</td>
<td>1,353</td>
<td>4,184</td>
<td>3,029</td>
<td>10,774</td>
</tr>
<tr>
<td>Colombia</td>
<td>11</td>
<td>255</td>
<td>473</td>
<td>3,134</td>
<td>2,105</td>
<td>5,978</td>
</tr>
<tr>
<td>United States</td>
<td>1,432</td>
<td>-1,256</td>
<td>435</td>
<td>765</td>
<td>1,004</td>
<td>2,380</td>
</tr>
<tr>
<td>Peru</td>
<td>745</td>
<td>1,145</td>
<td>732</td>
<td>2,444</td>
<td>2,279</td>
<td>7,345</td>
</tr>
<tr>
<td>Europe</td>
<td>24</td>
<td>5,407</td>
<td>11,840</td>
<td>3,602</td>
<td>-2,504</td>
<td>17,569</td>
</tr>
<tr>
<td>Africa</td>
<td>0</td>
<td>1</td>
<td>70</td>
<td>97</td>
<td>99</td>
<td>265</td>
</tr>
<tr>
<td>Asia</td>
<td>286</td>
<td>1,470</td>
<td>-221</td>
<td>-430</td>
<td>-835</td>
<td>270</td>
</tr>
<tr>
<td>Other</td>
<td>1,070</td>
<td>-4,306</td>
<td>4,937</td>
<td>3,780</td>
<td>1,142</td>
<td>9,623</td>
</tr>
<tr>
<td>Total</td>
<td>7,233</td>
<td>9,461</td>
<td>20,252</td>
<td>22,330</td>
<td>10,923</td>
<td>70,199</td>
</tr>
</tbody>
</table>
1.57. In terms of inward FDI volumes at 31 December 2013, the main source countries were the United States (13.1% of the total), followed by the Netherlands (9.2%), Spain (8.2%) and Canada (5.4%). Other significant investors were Bermuda, the Cayman Islands, the United Kingdom and Brazil. In terms of the volume of Chilean FDI abroad, the leading destination country was Brazil (12.5% of total), followed by Peru (9.7%), Argentina (6.8%), the United Kingdom (6.3%), Colombia (5.9%) and Spain (4.7%) (Table 1.9).

Table 1.9 Direct investment volumes by country, 2009-2013

<table>
<thead>
<tr>
<th>Country</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Inward direct investment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>America</td>
<td>4,949</td>
<td>5,694</td>
<td>12,683</td>
<td>6,463</td>
<td>6,457</td>
<td>36,246</td>
</tr>
<tr>
<td>Of which</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brazil</td>
<td>202</td>
<td>969</td>
<td>150</td>
<td>931</td>
<td>499</td>
<td>2,751</td>
</tr>
<tr>
<td>Colombia</td>
<td>9</td>
<td>293</td>
<td>771</td>
<td>794</td>
<td>-175</td>
<td>1,692</td>
</tr>
<tr>
<td>United States</td>
<td>306</td>
<td>2,716</td>
<td>3,961</td>
<td>6,471</td>
<td>3,422</td>
<td>16,878</td>
</tr>
<tr>
<td>Peru</td>
<td>16</td>
<td>401</td>
<td>64</td>
<td>455</td>
<td>124</td>
<td>1,500</td>
</tr>
<tr>
<td>Europe</td>
<td>4,210</td>
<td>5,031</td>
<td>9,414</td>
<td>12,377</td>
<td>5,362</td>
<td>36,394</td>
</tr>
<tr>
<td>Africa</td>
<td>0</td>
<td>152</td>
<td>-144</td>
<td>5</td>
<td>-11</td>
<td>2</td>
</tr>
<tr>
<td>Asia</td>
<td>1,501</td>
<td>156</td>
<td>724</td>
<td>946</td>
<td>1,025</td>
<td>4,352</td>
</tr>
<tr>
<td>Other</td>
<td>2,228</td>
<td>4,691</td>
<td>767</td>
<td>8,751</td>
<td>7,425</td>
<td>23,862</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>12,887</td>
<td>15,725</td>
<td>23,444</td>
<td>28,542</td>
<td>20,258</td>
<td>100,856</td>
</tr>
</tbody>
</table>

Source: Central Bank of Chile.
1.6 Outlook

1.58. The authorities expect the Chilean economy to recover in 2015, albeit at still moderate rates. The central bank is forecasting GDP growth of between 2.5% and 3.5% for this year, driven mainly by a recovery in domestic demand on the order of 2.6%. Nonetheless, GDP growth will remain below the economy’s medium-term growth rate, which the Monetary Council estimates at between 4% and 4.5%. Both exports and imports of goods and services are expected to grow at moderate rates, and the current-account deficit is forecast to be 1.1% of GDP (Table 1.10). Investment is projected to grow by 1.9% in 2015, in contrast to the negative performance in 2014. Although private investment is forecast to improve somewhat, most of the recovery will be associated with the increase in public investment announced for 2015. Average inflation should fall to 3.4%.29

1.59. The authorities base the higher growth rate forecast for 2015 on the fact that the economy has made a rapid and significant adjustment in 2014, as reflected in the trends of the current account, interest rates and the real exchange rate. External conditions are also expected to be kinder than in 2014, thanks partly to the momentum provided by lower oil prices. They consider that the significant monetary boost, greater fiscal stimulus and the effect of the peso depreciation on activity in the tradable sectors, will provide an additional support.

1.60. The IMF, on the other hand, is projecting a real GDP growth rate of 3.3% in 2015, and a 3.2% rise in the IPC.30

Table 1.10 Prospects for economic growth and the current-account balance

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Annual variation,%</td>
<td></td>
</tr>
<tr>
<td>GDP</td>
<td>1.7%</td>
<td>2.5-3.5%</td>
</tr>
<tr>
<td>National income</td>
<td>1.3%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Domestic demand</td>
<td>-0.7%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Domestic demand (excl. variation in inventories)</td>
<td>0.4%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Gross fixed capital formation</td>
<td>-6.2%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Total consumption</td>
<td>2.4%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Exports of goods and services</td>
<td>1.4%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Imports of goods and services</td>
<td>-5.9%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Current account (% of GDP)</td>
<td>-1.6%</td>
<td>-1.1%</td>
</tr>
<tr>
<td>Gross national saving (% of GDP)</td>
<td>19.7%</td>
<td>20.8%</td>
</tr>
<tr>
<td>Gross national investment (% of GDP)</td>
<td>21.3%</td>
<td>21.9%</td>
</tr>
<tr>
<td>GFAC (% of nominal GDP)</td>
<td>22.0%</td>
<td>21.6%</td>
</tr>
<tr>
<td>GFAC (% of real GDP)</td>
<td>23.8%</td>
<td>23.6%</td>
</tr>
</tbody>
</table>

### Balance of Payments for Goods and Services

<table>
<thead>
<tr>
<th>Category</th>
<th>2014</th>
<th>2015*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current account</td>
<td>-(US$ million)</td>
<td></td>
</tr>
<tr>
<td>Trade balance</td>
<td>-4,150</td>
<td>-2,770</td>
</tr>
<tr>
<td>Exports</td>
<td>7,600</td>
<td>9,020</td>
</tr>
<tr>
<td>Imports</td>
<td>-67,950</td>
<td>-66,580</td>
</tr>
<tr>
<td>Services</td>
<td>-3,300</td>
<td>-3,600</td>
</tr>
<tr>
<td>Income</td>
<td>-10,550</td>
<td>-10,230</td>
</tr>
<tr>
<td>Current transfers</td>
<td>2,100</td>
<td>2,040</td>
</tr>
</tbody>
</table>

*Projected.*

Source: Central Bank of Chile.
2 TRADE AND INVESTMENT REGIMES

2.1 Overview

2.1. The 1980 Political Constitution of the Republic of Chile defines the country as a unitary and democratic republic, organized according to the principle of separation of powers. The administration of the State is geographically decentralized, the territory of the Republic being divided into 15 regions, including the Metropolitan Region, which themselves are divided into provinces (54 in all). For the purposes of local administration, the provinces are divided into communes (346 in total). The objective of the Government and subnational administration is to pursue harmonious and equitable territorial development, based on solidarity between the different regions.

2.2. Executive power rests with the President of the Republic, who is the Head of State and responsible for appointing Ministers of State and other officials. The President is elected by direct universal suffrage for a four-year constitutional term, and may not be re-elected for the ensuing period.

2.3. Legislative power rests with the National Congress, comprising the Chamber of Deputies and the Senate. The Chamber of Deputies consists of 120 deputies directly elected for a four-year term. The Senate consists of 38 members directly elected for an eight-year term, who are renewed alternately every four years. Members of Congress may be re-elected in their posts. Draft legislation to change the number of members of Congress is currently in the third stage of constitutional processing in the National Congress.

2.4. According to the Political Constitution of the Republic of Chile and the Courts Statute Code, judicial power is vested in the Supreme Court of Justice, the 17 regional appeal courts distributed throughout national territory, court presidents and judges, criminal oral trial courts, magistrates courts and guarantee courts. In addition, the judiciary has special family courts, labour-dispute courts, labour and pension rights enforcement courts, courts martial in peace time, and municipal courts of first instance. The Supreme Court consists of 21 judges appointed by the President of the Republic, from a list of five candidates proposed by the court itself and confirmed by a two-thirds majority of the Senate. Members of the Appeal Courts are appointed by the President of the Republic from a shortlist proposed by the Supreme Court.

2.5. Legislative procedures in Chile distinguish between laws that interpret the Constitution, constitutional statute laws (LOCs), qualified quorum laws, ordinary laws, decrees having force of law (DFLs), and decree laws (DLs). Laws interpreting the Constitution clarify the meaning or scope of a concept or an expression contained in the Constitution, and require a
three-fifths majority of currently serving deputies and senators to be passed, amended, or repealed.\textsuperscript{13} LOCs address certain issues that are expressly stipulated in the Constitution\textsuperscript{14} and require a four-sevenths majority of currently serving deputies and senators to be passed, amended or repealed.\textsuperscript{15} Laws interpreting the Constitution and LOCs have to be submitted for constitutional review by the Constitutional Court before they are enacted.\textsuperscript{16} Qualified quorum laws are passed, amended and repealed by an absolute majority of currently serving deputies and senators. Ordinary laws require a majority of the votes cast by members of each chamber of Congress present at the time of voting.\textsuperscript{17} DFLs concerning constitutional matters are issued by the President of the Republic by delegation of congressional authority.\textsuperscript{18} Decree laws are legislative texts on matters pertaining to a specific law that were adopted by the Government in situations of constitutional irregularity, without any involvement of the Legislature.\textsuperscript{19} The Constitution takes precedence over all other laws.

2.6. Draft laws can be introduced by the President of the Republic (in the form of "Messages") or at the initiative of a group of members of Congress ("Motions"). The Constitution gives the President of the Republic the exclusive right to propose draft laws on issues concerning changes to the political or administrative division of the country, or the State's financial or budgetary management.\textsuperscript{20} In this case, members of Congress cannot table any motion or formulate any suggestion. On all other matters, both the President and members of Congress can put forward draft laws, although in certain cases the legislative procedure must originate in one of the two chambers of the National Congress.\textsuperscript{21} Following that, the draft law is scrutinized by the originating chamber, which, in the event of approving it, sends it for revision by the other chamber ("revising chamber"), and the latter may either approve or reject it, or introduce amendments. When the revising chamber rejects a draft law approved by the originating chamber, or the originating chamber rejects the amendments introduced by the revising chamber, a joint committee is set up to formulate a proposal which is put to the vote separately in both chambers. Should the revising chamber approve the draft law, or if the originating chamber approves the amendments introduced by the revising chamber, both chambers approve the proposal of the joint committee, the draft law is considered approved by the National Congress. It is then sent to the President of the Republic who, if he or she approves its content, enacts the text as a law within 10 days.\textsuperscript{22}

2.7. The President of the Republic has the power to conclude, sign and ratify the international treaties he/she deems advantageous for the interests of the country, which must then be submitted for congressional approval.\textsuperscript{23} The President must inform Congress of the content and scope of the treaty in question, as well as any reserves it is intended to confirm or attach to it.\textsuperscript{24} In addition, the President has the exclusive power to cancel a treaty or withdraw from it, for which he/she must consult both chambers of Congress. The measures that the President of the Republic adopts, or the agreements he/she signs, to fulfil a current treaty, does not require new approval by Congress, unless specifically legal matters are involved.\textsuperscript{25}

\textsuperscript{14} See, for example, Articles 8 (paragraph 3), 18, 19 (paragraphs 11, 15 and 24), 38 or 44 of the Political Constitution of the Republic of Chile of 1980 (O.J. 24.10.1980).
\textsuperscript{17} Article 65 of the Political Constitution of the Republic of Chile of 1980 (O.J. 24.10.1980), amended by Law No. 18.825 (O.J. 17.08.1989).
\textsuperscript{22} Viewed at: http://www.bcn.cl/ayuda_folder/glosario\#D.
\textsuperscript{23} Article 32 of the Political Constitution of the Republic of Chile of 1980 (O.J. 24.10.1980).
\textsuperscript{25} Article 54 of the Political Constitution of the Republic of Chile of 1980 (O.J. 24.10.1980), amended by Law No. 18.825 (O.J. 17.08.1989) and Law No. 20.050 (O.J. 26.08.2005).
\textsuperscript{26} Article 63 of the Political Constitution of the Republic of Chile of 1980 (O.J. 24.10.1980).
is not required for treaties signed by the President of the Republic in the exercise of his/her regulatory power.\(^{26}\)

2.8. The National Congress is required to approve or reject the international treaties presented to it by the President of the Republic, before their ratification. Approval of the treaty requires the corresponding quorum in each chamber of Congress, and will be subject to the same procedures as the law. Congress may suggest formulating reserves and interpretive statements to an international treaty during the approval process, provided that this is done in accordance with the provisions of the treaty itself or under the general rules of international law.\(^{27}\)

2.2 Trade policy formulation and objective

2.9. Foreign trade policy is formulated by the Government. The Directorate-General of International Economic Relations (DIRECON), in the Ministry of Foreign Affairs, remains the lead agency responsible for executing and coordinating government policy on international economic relations. Among other things, it promotes and negotiates international treaties on economic issues; participates in international organizations and coordinates Chile's position in these organizations.\(^{28}\) In addition, DIRECON holds regular consultations with the National Congress on trade policy issues.

2.10. Trade policy formulation also involves the interministerial Committee on International Economic Negotiations, which was created in 1995 for the purpose of advising and proposing specific policies on international economic negotiations to the President of the Republic. The committee is formed by the Minister of Foreign Affairs (in the chair), the Minister of Finance, the Minister General Secretary of the Office of the President, and the Minister of the Economy, Development and Tourism.\(^{29}\)

2.11. The decree creating the interministerial committee also established two other supporting bodies: the Negotiators Committee and the Private Sector Participation Committee. The key function of the former is to monitor negotiating processes, for which it maintains permanent contact with the lead negotiators in each case. It also is responsible for preparing the agenda of topics to be reviewed by the interministerial committee, which consists of the Director-General of International Economic Relations of the Ministry of Foreign Affairs (in the chair), a representative of the Finance Minister, a representative of the Minister General Secretary of the Office of the President, a representative of the Ministry of the Economy, Development and Tourism, the Media Director of the Ministerial General Secretariat of the Government, and the coordinators of each negotiating team.\(^{30}\) The Private Sector Participation Committee is a permanent advisory agency whose main function is to keep the private sector informed of the progress of international economic negotiations and to obtain private-sector opinions on the subject. It consists of the Minister of the Economy, Development and Tourism (in the chair), the Minister of Foreign Affairs, the Minister of Finance, the Minister of Agriculture, the Minister General Secretary of the Office of the President, the Director-General of International Economic Relations of the Ministry of Foreign Affairs, two representatives of the business sector, two worker representatives, and three experts on international economic negotiations appointed by the President of the Republic.\(^{31}\) According to the Chilean authorities, this Private Sector Participation Committee is not currently operating.

2.12. In addition, the DIRECON Civil Society Council was created in 2011, as a citizen participation mechanism of a consultative nature, whose main objective is to advise DIRECON on trade negotiations, the implementation of free trade agreements, export promotion services and programmes, and Chile's participation in multilateral economic organizations. This council consists of representatives of non-profit civil society organizations and individuals appointed by the


\(^{27}\) Article 54 of the Political Constitution of the Republic of Chile of 1980 (O.J. 24.10.1980), amended by Law No. 18.825 (O.J. 17.08.1989) and Law No. 20.050 (26.08.2005).

\(^{28}\) Decree having Force of Law (DFL) No. 53 of the Ministry of Foreign Affairs (O.J. 27.04.1979).

\(^{29}\) Decree No. 419 of the Ministry of Foreign Affairs of 7 April 1995 (O.J. 10.05.1995).

\(^{30}\) Ibid., Article 10.

\(^{31}\) Ibid., Article 11.
DIRECON Director-General. The President of the Council is elected by majority of the representatives of the participating organizations.32

2.13. The Chilean Government is collaborating very closely with the private sector to boost exports, particularly of manufactured products. In 2014, PROCHILE, the Foreign Ministry institution responsible for export and investment promotion and tourism development, along with the Industrial Development Corporation (SOFOFA) created the National Export Development Council, as a public-private partnership aimed at increasing Chilean exports, particularly from small and medium-sized enterprises (SMEs). In December 2014, the Public-Private Export Competitiveness Council was set up, chaired by the Minister of the Economy, Development and Tourism, with the aim of generating new investment opportunities in the current low-growth scenario. The objective of this council is to provide a mechanism of permanent collaboration between trade associations and public agencies involved with export-related matters. In particular, the goal is to boost the growth of SMEs, which account for just 2% of total exports, and achieve development based on exports of value-added products, thus promoting diversity and productivity.33

2.14. Other initiatives to expand the export sector are the Services Trade Competitiveness Council, created by the Ministry of Finance, DIRE CON and SOFOFA to exploit the potential offered by the services sector and detect measures that generate uncertainty among exporters; and the Agrifood Export Council, created by SOFOFA and the Ministry of Agriculture to promote the image of Chile as a food-exporting country.34

2.15. Chile views foreign trade as a decisive tool for achieving its economic and social development objectives and is making tremendous efforts at both bilateral and multilateral levels to advance towards those goals. Chile's trade policy primarily focuses on internationalizing the country's economy, strengthening trade promotion and fostering national economic and social development. Chile accordingly considers that conditions conducive to free international trade and the easing of all trade barriers are vitally important if its exports are to gain access to the world's leading markets under equal terms. The country's trade policy is founded on four pillars: the negotiation, implementation, and administration of trade agreements; the development and promotion of exports of goods and services; the promotion of investment; and participation in international economic organizations.

2.16. Chile also attaches importance to regional integration, as one of the key elements of its foreign policy. It has made major efforts to support the development of regional infrastructure, strengthen connectivity, build value chains, promote energy integration, coordinate social policies, reduce poverty, and promote political dialogue and free trade.35

2.3 International trade relations

2.3.1 World Trade Organization

2.17. Chile is a founding member of the World Trade Organization (WTO), and it incorporated the Marrakesh Agreements into national legislation under Decree No. 16 of the Ministry of Foreign Affairs, on 5 January 1995. It took part in the negotiations on telecommunications and financial services after the Uruguay Round. The Fourth and Fifth Protocols to the General Agreement on Trade in Services (GATS) entered into force for Chile on 16 June 1998. Chile is not a signatory to the WTO Information Technology Agreement or the Plurilateral Agreements, although it has had observer status on the Government Procurement Committee since September 1997. It grants at least most-favoured-nation (MFN) treatment to all of its trading partners. Chile's trade policies have been reviewed four times by the WTO Trade Policy Review Body, prior to this review.

2.18. Chile believes that there is a fundamental need for a stronger multilateral trading system, with full legitimacy and based on clearly defined principles and rules on global trade. It also sees the WTO as the only forum capable of resolving problems that bilateral or regional agreements

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33 Information provided by the authorities (PROCHILE).
34 Information provided by the authorities (PROCHILE).
have been unable to settle, such as the use of anti-dumping measures for protectionist purposes, and the abolition of agricultural subsidies.

2.19. Chile hopes that the negotiations subsequent to the Ninth WTO Ministerial Conference held in Bali (Indonesia) in December 2013 will make it possible to conclude the Doha Round as soon as possible, with agreements on all elements of the agenda and a special focus on development.\(^{36}\) It attaches great importance to efforts to promote the Bali Package, which includes trade facilitation and a number of development- and agriculture-related elements. Chile has participated with special interest in the agriculture negotiations, with a view to definitively eliminating export subsidies for agricultural products and substantially reducing trade-distorting domestic support, tariffs and other market-access barriers. Chile believes that the post-Bali work programme should prioritize and promote agriculture-related issues.\(^{37}\) As regards market access for non-agricultural products, Chile supports the elimination of tariff escalation. It is also working to improve trade standards, in particular to avoid the excessive use of anti-dumping measures, eliminate fisheries subsidies\(^{38}\), and revise the dispute settlement provisions.

2.20. Chile played a leading role in negotiations on trade facilitation in the WTO. It submitted both individual and collective drafting proposals for the draft consolidated negotiating text on trade facilitation, and it contributed to the work of the Negotiating Group on Trade Facilitation, acting as facilitator in the final stage of the negotiation of the Agreement. Moreover, on 23 July 2014, Chile presented to the Preparatory Committee on Trade Facilitation its notification of category A commitments\(^{39}\), which included all of the provisions of Section I of the Agreement, apart from those of Article 7.7 concerning authorized operators.\(^{40}\) Chile will apply those provisions when the Agreement enters into force.

2.21. During the review period, Chile submitted a large number of notifications under the various WTO Agreements, a selection of which are listed in Table A2.1.

2.22. Chile recognizes the importance of the WTO dispute settlement mechanism and has participated actively in it throughout its history. Since the previous review of its trade policy, Chile has not taken part as a complainant, but in 2009 it was involved as a respondent in a dispute with Argentina on anti-dumping duties. It also participated as a third party in 12 cases.

2.3.2 Regional trade agreements

2.23. Outside of the WTO international standards, Chile maintains an open trade strategy based on trade agreements, of which it has signed four types based on the degree of commitment and coverage pursued: partial-scope agreements, economic complementarity agreements, free trade agreements and strategic partnership agreements. Nonetheless, that classification is not always valid, because the coverage of the agreements, even within a given type, varies widely from one country or region to another.

2.24. Partial-scope agreements are bilateral accords aimed at eliminating tariffs on a restricted list of products. They tend to be the first step towards broader-scope agreements. Chile has one agreement of this type in force with India, which it has recently renegotiated to incorporate new products, better tariff preferences and specific chapters on technical barriers to trade and sanitary and phytosanitary measures. According to the authorities, this expansion of the agreement is set to be signed shortly.

2.25. Economic complementarity agreements are signed in the framework of the Latin American Integration Association (LAIA), with a view to opening goods market on a reciprocal basis.

\(^{36}\) Joint Statement by the G-15 (WT/MIN(13)/23), presented at the Ninth WTO Ministerial Conference, held in Bali (Indonesia) from 3-6 December 2013.

\(^{37}\) Cairns Group Communiqué (WT/MIN(13)/12), presented at the Ninth WTO Ministerial Conference, held in Bali (Indonesia) from 3-6 December 2013.

\(^{38}\) Ministerial statement on fisheries subsidies (WT/MIN(13)/49), presented at the Ninth WTO Ministerial Conference, held in Bali (Indonesia) from 3-6 December 2013.

\(^{39}\) Category A contains the provisions that a developing country Member designates for application when the Agreement enters into force or, in the case of a least developed country Member, within one year from the date of entry into force. See Article 14 of the Trade Facilitation Agreement (WT/L/940).

\(^{40}\) WTO document WT/PCTF/N/CHL/1 of 23 July 2014.
They have more extensive liberalization objectives than partial-scope agreements. Chile has signed agreements of this type with MERCOSUR and with the Bolivarian Republic of Venezuela, Cuba, Ecuador, Peru and the Plurinational State of Bolivia. During the review period, Chile did not sign any economic complementarity agreement, nor did it amend those already in force.

2.26. Free trade agreements (FTAs) aim to create a free-trade zone that ensures free movement of goods, services and capital, by harmonizing relevant policies and standards. Chile currently has 14 FTAs in force. Since the last review, it has signed agreements with Canada\(^{41}\); China\(^{42}\); Hong Kong, China\(^{43}\); Malaysia\(^{44}\); Thailand\(^{45}\); Turkey\(^{46}\); and Viet Nam.\(^{47}\)

2.27. Strategic partnership agreements are the widest ranging agreements signed by Chile. Apart from provisions on the liberalization of goods and services markets, these agreements contain provisions on other topics not directly related to trade, such as cooperation on scientific, technological and social issues, and so forth. Currently, Chile has three agreements of this type in force, with Japan\(^{48}\); New Zealand, Singapore and Brunei Darussalam (P-4); and the European Union.\(^{49}\) In the agreement with the EU, apart from the provisions on trade and cooperation on a wide range of issues, there is a "democratic clause", which allows either of the parties to take measures and even suspend the broadening of the agreement of the event of a violation of democratic principles.\(^{50}\) In May 2014, negotiations began for a strategic partnership agreement between Chile and Indonesia.

2.28. In addition, Chile and another 11 countries are continuing to negotiate the Transpacific Partnership (TPP), an ambitious project for the integration of the Asia-Pacific region. The negotiations for this agreement began in 2010, based on the previous draft agreement, the 2005 Trans-Pacific Strategic Economic Partnership between Chile, Brunei Darussalam, New Zealand and Singapore. Chile's participation in those negotiations reflects the increasing importance of the Asia-Pacific region as a trading partner, since the region has displayed great economic dynamism and a high degree of trade openness. Thus far, 23 rounds of negotiations have been held, and 15 of the 29 chapters envisaged have been concluded. The draft agreement is based on the "single undertaking" principle, which means that it cannot come into force until the negotiations on all of the other elements in the agreement have been completed. In the interests of transparency, Chile has opened its negotiating process to civil society through the so-called "side room"\(^{51}\), a forum in which all civil-society stakeholders can participate in defining Chile's negotiating stance.

2.29. Chile is also participating actively in the negotiations for the Pacific Alliance. This is a regional integration project that was launched on 28 April 2011, when the Heads of State of Chile, Colombia, Mexico and Peru agreed in the Lima Declaration to move towards the free movement of goods, services, capital and persons; promote greater growth, development and competitiveness of the economies of the parties; and become an economic integration and trade platform, with worldwide projection particularly to the Asia-Pacific region.\(^{52}\) On 6 June 2012, during the Fourth Presidential Summit held in Antofagasta (Chile), the framework agreement was

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\(^{41}\) WTO document WT/REG38/N/1/Add.2-S/C/N/65/Add.1 of 14 January 2014. Strictly speaking, this is an amendment to the Agreement already in force between Chile and Canada. Amendments were made in relation to rules of origin, dispute settlement, customs procedures, and government procurement; and a new chapter on financial services was included, which made it necessary to amend the provisions on investment and cross-border trade in services.

\(^{42}\) WTO document S/C/N/577 of 22 November 2010. This is a supplementary agreement on services and a supplementary agreement on investment, which entered into force on 1 August 2010 and 8 February 2014, respectively.

\(^{43}\) WTO document WT/REG356/N/1-S/C/N/773 of 17 October 2014.

\(^{44}\) WTO document WT/REG330/N/1 of 13 February 2013.

\(^{45}\) Agreement concluded and undergoing parliamentary approval.

\(^{46}\) WTO document WT/REG293/N/1 of 25 February 2011.

\(^{47}\) This agreement entered into force on 1 February 2014. As of 15 March 2015, the WTO has not yet been notified of the FTA between Chile and Viet Nam (WTO document WT/REG/W/91 of 23 March 2015).

\(^{48}\) Chile and Japan have agreed to launch a deepening process to include new products within the scope of the Agreement. Viewed at: [http://www.direcon.gob.cl](http://www.direcon.gob.cl).


\(^{50}\) Viewed at: [http://www.direcon.gob.cl/detalle-de-acuerdos/?idacuerdo=6286#tabs-1](http://www.direcon.gob.cl/detalle-de-acuerdos/?idacuerdo=6286#tabs-1).


\(^{52}\) Presidential statement on the Pacific Alliance, Lima (Peru), dated 28 April 2011, and Pacific Alliance Framework Agreement.
signed establishing the Pacific Alliance, laying its institutional foundations and defining its objectives. On 10 February 2014, at the Eighth Summit of the Pacific Alliance held in Cartagena de Índias (Colombia), the Additional Protocol to the Framework Agreement was signed, complementing and improving the free trade agreements in force between the States parties to the Alliance. This Additional Protocol contains provisions on market access, rules of origin, technical barriers to trade, sanitary and phytosanitary measures, trade facilitation and customs cooperation, government procurement, cross-border trade in services and investment, telecommunications, e-commerce, financial services, maritime services and dispute settlement.

2.30. In short, Chile has signed a large number of trade agreements, making it one of the countries with the largest number of agreements and trading partners (Chart 2.1). This wide-ranging network of trade agreements might give cause for concern; but Chile has demonstrated on several occasions, both individually and as part of collective initiatives, its support for the Transparency Mechanism for Regional Trade Agreements, the Doha Development Agenda, and the multilateral trading system in general.

Chart 2.1 Network of Chile’s trade agreements


2.31. Table A2.2 summarizes the main features of Chile’s regional trade agreements that have entered into force since the last Trade Policy Review of 2009 (not including economic complementarity agreements and partial-scope agreements).

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53 See Article 3 of the Pacific Alliance Framework Agreement.
2.3.3 Other agreements and arrangements

2.32. Chile has been a member of the Asia-Pacific Economic Cooperation (APEC) forum since 1994. The developed-country members of APEC undertook to liberalize trade in goods and services in the Asia-Pacific region by 2010, while developing-country members will do so at the latest by 2020. Chile has undertaken to liberalize its goods and services trade by 2010 in line with the APEC's developed-country members. According to the Chilean authorities, this objective has been fulfilled as an outcome of the trade agreements signed by Chile, which have resulted in an average preferential tariff of roughly 1%, and because Chile maintains open services trade and investment regimes, with very few exceptions.

2.33. Chile is a beneficiary of the Generalized System of Preferences (GSP). During the review period, it received preferences under the schemes respectively operated by Australia, Canada, the Russian Federation, Belarus and Kazakhstan, Japan, New Zealand and Turkey. According to figures provided by the authorities, in 2013 and 2014, Chile issued 6,281 and 5,204 certificates of origin, respectively, for exports of products covered by preferences under the GSP. Although Chile also forms part of the Global System of Trade Preferences among Developing Countries (GSTP), the authorities stated that no certificates of origin have been extended for exports covered by this scheme. Chile did not participate in the third round of GSTP negotiations which concluded in December 2010, nor did it make any offers or assume any commitments under that round.

2.34. In May 2007, Chile was invited to join the Organisation for Economic Co-operation and Development (OECD). In December 2007, it received the roadmap initiating the accession process, which moved forward step by step and required major efforts from Chile to bring its laws and practices into line with OECD standards in various domains. In September 2008, the initial memorandum was received, and in November 2009 Chile sent its final statement to the OECD, which was signed by the Council in December that year. In January 2010, the Agreement on the Terms of Access of the Republic of Chile to the Convention on the Organisation for Economic Co-operation and Development was signed; and Chile formally became an OECD member on 7 May 2010, when it deposited the instrument of accession.

2.4 Foreign investment

2.4.1 Legal framework

2.35. Chile does not have a specific law governing foreign investment. Foreign investment in Chile is regulated by the following two legal instruments: Chapter XIV of the Central Bank's Compendium of Foreign Exchange Regulations and the Foreign Investment Statute (Decree Law No. 600 of 1974, hereinafter DL No. 600). To bring capital into Chile, foreign investors can choose either of these two instruments. Since 1974, most of them have invested in the country under DL No. 600. Up to 2011, a total of US$82,021 million (56.5% of Chile's gross capital inflow) entered Chile through this mechanism. Nonetheless, in recent years DL No. 600 has lost ground to Chapter XIV of the Central Bank's Compendium of Foreign Exchange Regulations, owing to factors such as the removal of exchange controls by the central bank in 2001, the incorporation of investment disciplines in the free trade agreements, Chile's admission to the OECD in 2010, and more recently the tax reform introduced through Law No. 20.780. As of September 2014, the volume of foreign direct investment (FDI) in Chile totalled US$223,372 million.

2.36. In general, Chile grants national treatment to foreign investors and allows them to own up to 100% of a firm's equity in most economic sectors. Nonetheless, there are specific laws that impose restrictions on national treatment or market access in certain sectors, such as coastal shipping, air transport and the communications media. In the fisheries sector, the restrictions are

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56 The list of APEC members is available at: http://www.apec.org/About-Us/About-APEC/Member-Economies.aspx.
57 Information provided by the Chilean authorities.
58 Decree Law No. 600, amended on 16 December 1993 and 16 June 2005 by Law No. 20.026, which itself was amended by Law No. 20.097 of 8 April 2006.
60 Estudios Económicos Estadísticos No. 109, Central Bank of Chile, November 2014.
subject to the principle of international reciprocity. In addition, foreign nationals may not acquire state land located within 10 km from the border and 5 km from the coast.

2.37. The State plays a limited role in the economy, although certain strategic activities are reserved to it, such as the exploration and exploitation of lithium, oil or gas deposits located in maritime zones under national jurisdiction or in areas legally classified as important for national security, and the production of nuclear power for peaceful purposes. However, both national and foreign firms can participate in these sectors in certain circumstances, subject to presidential authorization.

2.38. Chapter XIV of the Compendium of Foreign Exchange Regulations is an administrative record system that functions through the commercial banks and is managed by the central bank. The investment modalities covered by this system are loans, deposits, investments, or capital contributions from abroad, for a minimum amount of US$10,000. The foreign capital entering Chile under Chapter XIV enjoys national treatment; but unlike under DL No. 600, the investor does not sign a contract with the State and does not benefit from the advantages provided in DL No. 600. Instead, the investment is subject to the regime applicable to national investment. The only conditions for adopting this mechanism are the obligation to report and to use the formal foreign exchange market.

2.39. Any foreign natural or legal person, and Chilean citizens with residence and domicile abroad, can invest under DL No. 600. This instrument provides for six investment modalities: convertible foreign exchange, physical assets, various forms of technology, loans associated with a foreign investment, capitalization of foreign loans and debts, and capitalization of profits.

2.40. Under DL No. 600, foreign investors wishing to invest in projects in amounts above US$5 million will need authorization from the Foreign Investment Committee, which is responsible for managing this investment mechanism and for examining and, as the case may be, approving each investment request. During the review period, the Committee has not rejected any request. This Committee consists of the Ministers of the Economy, Development and Tourism (in the chair); Finance; Foreign Affairs; Planning and Cooperation; the line minister of the activity sector related to the investment request, and the Governor of the Central Bank.

2.41. The authorities impose stricter requirements for foreign investment projects in some specific sectors. Examples are the banking and financial sector, the mining sector and the fisheries sector, where the governing bodies have to prepare a report on the investment project in question for the Foreign Investment Committee. Where appropriate, the Environmental Evaluation Service (SEA) evaluates the environmental impact of projects requested.

2.42. The main advantage of the DL No. 600 mechanism is that the authorization to invest consists of signing a standard contract of indefinite duration between the State of Chile and the foreign investor—a contract that defines rights and obligations of both parties, and that the State cannot unilaterally amend or rescind. This contract has no cost for the investor and sets the deadline for the entry of the capital, which in the case of mining investments cannot exceed eight years, and in other sectors three years. The Committee may extend the deadline for mining investments for up to 12 years if prior explorations are necessary. For investments in non-mining projects worth US$50 million or more, the deadline can be extended to eight years if the nature

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63 Decree Law No. 1.939 of 10 November 1977, and DFL No. 4 of the Ministry of Foreign Affairs of 10 November 1967.
65 Article 2 of DL No. 600.
66 In the case of physical goods, technology and the capitalization of profits or credits, the minimum amount is US$2.5 million.
67 According to the Chilean authorities, there are no specific criteria for approving requests. It is sufficient for the investor to demonstrate the origin of the amounts it is intended to invest in Chile, and provide certain background information.
68 These bodies are: the Banking and Financial Institutions Supervisory Authority, the Securities and Insurance Supervisory Authority, the Chilean Copper Commission, and the Fisheries Secretariat, respectively.
69 In contrast, the investor can request the amendment of the foreign investment contract, at any time, to increase the amount of investment, change its purpose, or transfer the contractual rights to another foreign investor.
of the project so requires. Since DL No. 600 does not provide for a special dispute mechanism, any dispute arising in connection with DL No. 600 must be brought before the Chilean courts.

2.43. DL No. 600 guarantees foreign investors the right to repatriate the capital invested one year after entry, and profits as soon as they are generated; it also guarantees access to the formal foreign exchange market. Under DL No. 600, foreign investors are subject to the indirect tax regime and the tariff regime applicable to national investment. Nonetheless, foreign investors opting for this investment mechanism may require their contracts to include a clause establishing that, for the period authorized for the investment, the tax regime in respect of sales and services tax, and the tariff regime applicable to the importation of capital goods not produced in Chile included on the list mentioned in Decree No. 370 of 2007 of the Ministry of the Economy, will be kept unchanged.

2.44. Foreign investors covered by DL No. 600 may opt for a special tax invariability regime, under which the firm's income is taxed at a fixed rate of 42% for up to ten years. The invariability period can be extended to 20 years for industrial and extractive projects worth at least US$50 million. Investors may waive their rights under this option, on a once-only basis, and ask to be subject to ordinary tax laws.

2.45. Under Law No. 20.026, amending DL No. 600, investments in the mining sector worth US$50 million or more can benefit from a 15-year invariability period for the specific tax on mining activity, and also other taxes, including royalties or similar charges and mining exploration and production patents. This special regime applicable to mining cannot be combined with the aforementioned benefits under Articles 7 and 11bis of DL No. 600.

2.46. The Income Tax Law allows foreign investors to reinvest up to 100% of their profits without paying final taxes, including in third companies. Nonetheless, the tax reform contained in Law No. 20.780, of 29 September 2014, will make it impossible to reinvest profits tax free as from 1 January 2017.

2.47. In January 2015, the Chilean Government announced the presentation of a draft law defining a new legal framework for foreign investment in Chile. Under that law, a specialized institution will be set up to promote the country as a foreign investment destination, so as to attract more and better-quality investments. If passed, this new regulation will repeal DL No. 600 as from 1 January 2016, after which no more investment contracts will be signed under this mechanism. Contracts signed before that date will remain fully valid, however.

2.4.2 Bilateral and international investment agreements

2.48. Most of the free trade agreements signed by Chile include an investment chapter, containing disciplines on sectoral liberalization (based on the negative lists method), national treatment, MFN treatment, minimum level of treatment, performance requirements, transfer of capital, expropriation and compensation, and the settlement of disputes between investors and the State.

2.49. Chile also has 35 reciprocal Investment Promotion and Protection Agreements (IPPAs) in force, although in recent years it has opted for negotiating the inclusion of an investment chapter in its trade agreements.

2.50. Since 1991, Chile has been a signatory of the Washington Convention (1965), which set up the International Centre for Settlement of Investment Disputes (ICSID). It is also a member of the Multilateral Investment Guarantee Agency (MIGA) and the Overseas Private Investment Corporation (OPIC). It has also ratified the Inter-American Convention on International

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70 Article 3 of DL No. 600.
71 Currently, all investors have access to the formal exchange market, irrespective of the channel used to bring their capital into Chile.
72 Article 8 of DL No. 600, Ministry of the Economy Decree No. 370, of 2007, replaces the list of capital goods referred to in Article 8 of DL No. 600.
73 Article 7 of DL No. 600.
74 Ibid., Article 11bis.
75 Ibid., Article 7.
76 Information provided by the Chilean authorities.

2.51. Chile has signed a large number of agreements to avoid double taxation. As of November 2014 it had agreements of this type in force with 25 countries; and it also has agreements with Austria, South Africa and the United States which are signed but not yet in force. Chile is currently negotiating agreements to avoid double taxation with Argentina, China, the Czech Republic, Finland and the Netherlands.\footnote{Information provided by the Chilean authorities.}

\footnote{Australia, Belgium, Brazil, Canada, Colombia, Croatia, Denmark, Ecuador, France, Ireland, Malaysia, Mexico, Norway, New Zealand, Paraguay, Peru, Poland, Portugal, Republic of Korea, Spain, the United Kingdom, Russia, Sweden, Switzerland and Thailand. Agreements to avoid double taxation that are currently in force, signed and concluded, can be consulted at: \url{http://www.sii.cl/pagina/jurisprudencia/convenios.htm}.}
3 TRADE POLICIES AND PRACTICES, BY MEASURE

3.1 Measures directly affecting imports

3.1.1 Customs procedures, documents and registration

3.1. Customs procedures are governed by the Customs Ordinance\(^1\), the Organic Customs Law\(^2\) and the Compendium of Customs Regulations\(^3\), together with various regulations and resolutions.\(^4\) The National Customs Service (Customs) is responsible for customs administration in Chile.

3.2. In Chile, only importers of ozone-depleting substances are subject to registration requirements in order to ensure compliance with international commitments under the Montreal Protocol (on the control of such substances).\(^5\) Nevertheless, if the f.o.b. value of imports exceeds US$1,000, the importer must use the services of a customs agent for inward clearance of the goods. Customs agents must be Chilean citizens and accredited by the National Director of Customs.\(^6\)

3.3. Goods imported into Chile may be subject to various customs regimes: definitive import, temporary admission, special storage, temporary admission for inward processing, re-entry, transit, transshipment and redirection (Table A3.1).

3.4. Chile has standardized customs procedures for some of these customs destinations and expects a single window for definitive imports to be up and running in 2017. Transit, transshipment and redirection declarations have been processed electronically in some customs posts since December 2010. At first, customs agents could choose to submit their declarations electronically or manually, but use of the electronic system has now become mandatory in all customs posts.\(^7\) Moreover, a computerized system for control of the special storage, temporary admission and temporary admission for inward processing duty-suspension regimes was introduced into all of Chile's customs posts in 2012.\(^8\)

3.5. Goods to be imported must remain in a customs warehouse while import procedures are being completed, unless these have been done in advance (i.e. before the goods arrive). Before the goods may enter Chile, the customs agent has to forward an entry declaration of customs destination (DIN) or declaration of entry to the Customs.\(^9\) The documents required for preparing the DIN differ depending on the customs destination of the goods, but usually consist of the original transport document declaring the importer to be the consignee of the goods; the original invoice; a note of expenses, if not shown on the invoice; the packing list; the original insurance certificate, copy or photocopy, if the amount concerned is not shown separately on the invoice; and a sworn declaration of the value for transactions exceeding US$5,000 f.o.b. In addition, any permits, certificates or approvals required, as applicable, must be presented before the goods may enter, together with a certificate of origin for imports subject to a preferential agreement.\(^10\)

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\(^1\) Decree Having Force of Law (DFL) No. 30 of the Ministry of Finance of 16 June 2005 (and amendments thereto).

\(^2\) Decree No. 329 of 20 June 1979 (and amendments thereto).

\(^3\) Online information from the National Customs Service viewed at: [http://www.aduana.cl/aduana/site/artic/20070216/pags/20070216135454.html#vtxt_cuerpo_T8](http://www.aduana.cl/aduana/site/artic/20070216/pags/20070216135454.html#vtxt_cuerpo_T8).


\(^5\) The National Customs Service is responsible for administering the Register of Importers and Exporters of Ozone-Depleting Substances (Exempt Resolution No. 5.630 of 17 October 2007).

\(^6\) Law No. 18.853 of 24 November 1989.


\(^8\) Exempt Resolution No. 6139 of 26 October 2011.

\(^9\) The following information must be included in the declaration: the identity of the exporter, the carrier, the importer or consignee and, where applicable, the customs agent; the importer's tax identification number; a description of the goods (Harmonized System code, weight, quantity, unit price); and the customs value (WTO (2009), *Trade Policy Review of Chile*, Geneva).

Some goods require prior control before inward clearance (Table 3.1). The authorities have stated that there is no major difference between an approval, authorization or certificate, and the document’s title depends on the institution issuing it after having verified the incoming product. Such permits are issued irrespective of the origin of the product and, according to the authorities, are approved automatically. Most such permits are required for reasons of human, animal or plant health and in some instances in order to comply with bilateral agreements.

Table 3.1 Goods which require prior control before being cleared to enter Chile, 2014

<table>
<thead>
<tr>
<th>Goods</th>
<th>Body responsible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firearms, ammunition, explosives and inflammable or asphyxiating chemical substances</td>
<td>Directorate-General of Mobilization of the Armed Forces (Law No. 17.798 O.J. 21.10.72)</td>
</tr>
<tr>
<td>Facilities for the manufacture, storage or deposit of the aforementioned goods</td>
<td>Directorate-General of Mobilization of the Armed Forces (Law No. 17.798 O.J. 21.10.72)</td>
</tr>
<tr>
<td>Enriched, fissile or radioactive elements or materials, radioactive substances, devices or tools that emit ionizing radiation</td>
<td>Chilean Nuclear Energy Commission, Decree Min. Econ. No. 323 (O.J. 18.07.74)</td>
</tr>
<tr>
<td>Maps, charts and other items showing international borders and Chile’s frontiers</td>
<td>Directorate of Borders and Frontiers DFL No. 5 (O.J. 04.08.67)</td>
</tr>
<tr>
<td>Written or audiovisual material relating to martial arts for teaching purposes, without exception, irrespective of the person, institution or entity undertaking the transaction</td>
<td>Directorate-General of Mobilization of the Armed Forces (Art. 5 of Law No. 18.356)</td>
</tr>
<tr>
<td>Alcohol, alcoholic beverages and vinegar</td>
<td>Agriculture and Livestock Service (Art. 1 of Law No. 18.164)</td>
</tr>
<tr>
<td>Plant products and products that may be dangerous to plants, including machinery for agricultural and forestry use, in conformity with SAG Resolution No. 2979/2001</td>
<td>Agriculture and Livestock Service (Art. 1 of Law No. 18.164)</td>
</tr>
<tr>
<td>Animals or birds, products byproducts and waste of animal or plant origin</td>
<td>Agriculture and Livestock Service (Art. 1 of Law No. 18.164)</td>
</tr>
<tr>
<td>Fertilizers and pesticides</td>
<td>Agriculture and Livestock Service (Art. 1 of Law No. 18.164)</td>
</tr>
<tr>
<td>Food products or byproducts of animal or plant origin</td>
<td>Agriculture and Livestock Service (Art. 1 of Law No. 18.164)</td>
</tr>
<tr>
<td>Hydrobiological resources in any state of growth, including ornamental species</td>
<td>Undersecretariat of Fisheries (Decree No. 175 of 1980 of the Ministry of the Economy, Development and Reconstruction)</td>
</tr>
<tr>
<td>Food products of any type</td>
<td>Health Service (Art. 2 of Law No. 18.164)</td>
</tr>
<tr>
<td>Toxic substances or substances that are dangerous to health</td>
<td>Health Service (Art. 2 of Law No. 18.164)</td>
</tr>
<tr>
<td>Pharmaceutical or food products for medical or cosmetic use</td>
<td>Health Service (Art. 2 of Law No. 18.164)</td>
</tr>
<tr>
<td>Narcotics and psychotropic substances that cause addiction</td>
<td>Health Service (Art. 2 of Law No. 18.164)</td>
</tr>
<tr>
<td>Fisheries products</td>
<td>National Fisheries Service (DFL of 15.11.83)</td>
</tr>
<tr>
<td>Species of wild fauna and flora protected by CITES</td>
<td>Administrative authority as defined in Article IX of the Convention</td>
</tr>
<tr>
<td>Human remains or ashes from their incineration</td>
<td>Ministry of Health (Sanitary Code (DFL No. 725/1968), (Decree No. 357/1970 of the Ministry of Health EALT)</td>
</tr>
<tr>
<td>Worn clothing; used toys; used footwear; used vehicles</td>
<td>Agriculture and Livestock Service Art. 1 of Law No. 18.164 SAG Resolution No. 1101/24.02.12</td>
</tr>
<tr>
<td>Wastage and waste of batteries and accumulators; waste of zinc, lead, antimony, beryllium, cadmium, chromium, pharmaceutical products or organic solvents</td>
<td>Ministry of Health Sanitary Code (DFL No. 725/1968), Exempt Resolution No. 714/2002 of the Ministry of Health</td>
</tr>
</tbody>
</table>


Once a DIN has been accepted for processing, the National Customs Service may check the documents, conduct a physical inspection or assess the value of the goods in order to verify the information declared. The percentage of transactions subject to checking of the documents or physical inspection did not change significantly during the review period; it represented 6% of the total in 2010 and 5% in 2014. The National Customs Service may selectively check that the declarations have been completed and forwarded correctly. After the DIN has been approved and the necessary inspections completed, the goods may be withdrawn from the customs area after
the duty, taxes and other charges payable upon importation and for other customs operations have been paid. Storage and transport charges also have to be paid.\(^{11}\)

3.8. Shipments are inspected on the basis of risk profiles, although random checks are also carried out. The Customs Inspection Department draws up the risk management plans, which may vary from one customs post to another; their purpose is to reinforce customs inspection at the busiest posts in Chile where the risk is greatest. Border inspection has improved following implementation of these plans. For example, thanks to the efforts made to combat cigarette smuggling, in 2013 462,004 cartons were seized, a 99% increase over the previous year (2012). If these cigarettes had been sold legally on the domestic market, US$18 million more in duty would have been collected. In 2014, the number of cartons seized again rose (552,120 cartons) and the duty foregone amounted to US$22 million. The plan for controlling the drugs traffic also showed satisfactory results in 2013, when 3,736 tonnes of illicit substances were seized, a 25% increase compared to 2012. This was owing to improvements in the analysis and planning procedures among the various customs posts in Chile and the utilization of non-invasive technology such as X-ray machines. The aim of the Integrated Value Plan, which has been in force for over a decade, is to lessen tax evasion in import transactions by identifying the risks associated with under-valuation, and to draw up procedures to verify the prices declared by the companies concerned, and in 2013 it resulted in some US$5 million being collected, a 16% increase over 2012.\(^{12}\)

3.9. Chile has made progress in drawing up a risk management model based on the conduct of operators involved in trade. To do so, it started to design a model for classifying importers, exporters, customs agents and warehouse operators which allows them to be effectively controlled and is based on selectivity criteria (for example, complaints made by the Customs or customs fines not paid). In 2014, this model was further developed by incorporating new variables and information.\(^{13}\)

3.10. During the period under review, a number of legal amendments were introduced in order to give due procedural guarantees and these have had a noticeable impact on the procedures for appealing against decisions by the National Customs Service; a judicial body has been set up in Chile, separate from the Customs authority, to deal with any claims. Until 2009, appeals against decisions by the National Customs Service could be made in the first instance to a regional director or the administrator of the respective Customs, and a further appeal could be made to the National Director of Customs against the latter's decision; the Director's ruling was final and applied to all the Customs in Chile.\(^{14}\) Pursuant to Law No. 20.322 of 27 January 2009, which strengthened and improved the tax and customs justice system, Tax and Customs Courts (TTA) were created as independent judicial bodies to hear disputes that might arise in the various territorial jurisdictions. Appeals against decisions by the TTAs can be made to the Court of Appeal in the second instance. In 2014, 18 TTAs were functioning.\(^{15}\) Importers may present two types of appeal: (1) an appeal for review if there is disagreement with a decision by the Customs, and (2) a special appeal claiming violation of rights when a person considers that his rights have been violated as a result of an act or omission by the Customs. The Law also allows for the possibility of making an appeal directly to the Customs in the first instance, although such a procedure is not mandatory, or an appeal may be made directly to the Tribunals. During the review period, the National Customs Service also dealt with 4,318 pending cases that had been submitted under the appeals procedure in effect prior to the creation of the TTAs.

3.11. Compliance with technical regulations, for both imported and Chilean products, is verified after the products have been put up for sale, except for imports of food products, beverages, medicines, arms and radioactive substances, which are controlled at the border.

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\(^{11}\) Article 94 of the Customs Ordinance (DFL No. 30).


\(^{13}\) Idem.

\(^{14}\) Title VI of the Customs Ordinance (DFL No. 30).

3.1.2 Customs valuation

3.12. Customs valuation procedures in Chile are governed by the Regulations on the import of goods into Chile, which have been amended in order to bring procedures into line with the WTO Customs Valuation Agreement, and by the Rules for application of the Agreement on Article VII of the General Agreement on Tariffs and Trade 1994, the Customs Ordinance and other decisions.18

3.13. The National Customs Service (the Customs) is the body responsible for verifying and determining the customs value of imported goods. This is determined using the valuation methods established in the WTO Agreement on Customs Valuation. The transaction value is usually used to determine the value of the goods. It is the importer’s responsibility to provide the necessary documents and information for checking that the value declared corresponds to the transaction value. If this information is not available, the Customs uses the other valuation methods specified in the Agreement in order to verify the value declared. According to information furnished by the authorities, during the review period, the transaction value was followed for 99.99% of imports.

3.14. If the Customs has grounds for doubting the truth or accuracy of the value declared by the importer or of the substantiating documents, it allows the goods to be withdrawn while the value is being determined subject to payment of the import taxes applicable. The importer then has ten days in which to forward the documents to the Customs and rectify the value declared. Once the value has been determined, using one of the valuation methods in the WTO Customs Valuation Agreement, the Customs informs the importer of the estimated value and the valuation method used. If the importer does not agree with the procedures, he may lodge an appeal against the decision.

3.15. Importers have the right to appeal against any act or decision by the National Customs Service.19 Appeals must be made to the Regional Director or Administrator of Customs. The interested party may also appeal to the TTAs, which act independently of the National Customs Service and the Internal Revenue Service.20

3.16. Used goods are valued according to the transaction value or the other valuation methods specified in the WTO Customs Valuation Agreement. If the importer is in possession of information on the actual price of the used goods, he may value them directly. If the price paid is unknown or doubtful, prices previously accepted by the Customs and contained in official documents are used, for example, import declarations, residual price certificates, faxes, valuation rulings at the second instance, or other documents. The prices shown in international or national specialized catalogues or reviews available in Chile or in other similar databases may also serve as a basis for valuation.

3.1.3 Rules of origin

3.17. Chile does not apply any non-preferential rules of origin.21 It applies preferential rules of origin under the regional and bilateral free trade and other preferential agreements it has signed, as well as for granting unilateral preferences.22

3.18. Rules of origin differ from one agreement to another but include general and specific rules. Goods are generally considered to be originating if: (a) they have been wholly obtained in the territory of one of the parties; (b) they have been the subject of a change in tariff classification in the territory of one party or if the value of the inputs does not exceed a specified percentage of the ex-factory price of the product or its f.o.b. value; or (c) they have been produced in the territory of one of the parties using originating materials. For production using non-originating materials, the percentage is determined according to a formula that may vary depending on the agreement. For example, in the agreements with Malaysia and Viet Nam, the figure

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17 Decree No. 1.134 of 20 June 2002.
18 WTO document G/VAL/N/1/CHL/2 of 25 February 2014.
19 Customs Ordinance and WTO document G/VAL/N/2/CHL/1 of 25 February 2014.
21 WTO document G/RO/N/6 of 19 December 1995.
22 WTO document G/RO/N/124 of 17 October 2014.
is 40%, whereas in the agreement with Turkey it depends on the type of product.\textsuperscript{23} In some agreements, however (for example, those with Malaysia and Viet Nam), there is a "\textit{de minimis}" clause which allows goods that have not been the subject of a change in tariff classification to be considered as originating if the value of all the non-originating inputs used in production, which have not been the subject of the required change in tariff classification, does not exceed 10\% of the f.o.b. value of the good.\textsuperscript{24} In addition to these "general" rules, the agreements also provide specific rules of origin. Origin may also be conferred through the principle of accumulation, which allows producers in one of the signatory countries to use raw materials from another signatory without foregoing the origin of the final product.

3.19. The level of restriction and the complexity of rules of origin vary according to the agreement and proof of origin is always required. In most cases, this consists of a certificate of origin for the goods. There are some exceptions which allow the possibility of certifying origin by means of a commercial document such as an invoice. These differences make it difficult to apply the agreements and may become a barrier to trade or mean that an agreement is not applied. The existence of divergent rules of origin may also lead to higher production costs for those countries which have signed numerous trade agreements, as is the case for Chile, particularly when the principle of accumulation does not exist among the various regional agreements.\textsuperscript{25}

3.1.4 Tariffs

3.1.4.1 Structure and levels

3.20. Chile’s customs tariff is based on the 2012 version of the Harmonized Commodity Description and Coding System (HS 2012). In January 2014, it comprised 7,785 eight-digit lines (compared to 7,715 in 2009) (Table 3.2). Ad \textit{valorem} duty applies to all imports, with the exception of some agricultural products. The agricultural products subject to the price band system are wheat, wheat flour and sugar (41 eight-digit lines in the HS 2012).\textsuperscript{26} Chile does not apply any seasonal tariffs.

Table 3.2 Structure of MFN tariffs, 2009-2014

<table>
<thead>
<tr>
<th></th>
<th>2009 (HS 07)</th>
<th>2014\textsuperscript{a} (HS 12)</th>
<th>2014\textsuperscript{b} (HS 12)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of tariff lines</td>
<td>7,715</td>
<td>7,785</td>
<td>7,785</td>
</tr>
<tr>
<td>Non-\textit{ad valorem} tariffs (% of all tariff lines)</td>
<td>0.1</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Non-\textit{ad valorem} tariffs without AVEs (% of all tariff lines)</td>
<td>0.0</td>
<td>0.5</td>
<td>0.0</td>
</tr>
<tr>
<td>Tariff quotas (% of all tariff lines)</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Duty-free tariff lines (% of all tariff lines)</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Average of lines exceeding zero (%)</td>
<td>6.0</td>
<td>6.0</td>
<td>6.2</td>
</tr>
<tr>
<td>Arithmetic average</td>
<td>6.0</td>
<td>6.0</td>
<td>6.2</td>
</tr>
<tr>
<td>Agricultural products (WTO definition)</td>
<td>6.1</td>
<td>6.0</td>
<td>7.1</td>
</tr>
<tr>
<td>Non-agricultural products (including petroleum, WTO definition)</td>
<td>6.0</td>
<td>6.0</td>
<td>6.0</td>
</tr>
<tr>
<td>Agriculture, hunting, forestry and fishing (ISIC 1)</td>
<td>6.0</td>
<td>6.0</td>
<td>7.0</td>
</tr>
<tr>
<td>Mining and quarrying (ISIC 2)</td>
<td>6.0</td>
<td>6.0</td>
<td>6.0</td>
</tr>
<tr>
<td>Manufacturing (ISIC 3)</td>
<td>6.0</td>
<td>6.0</td>
<td>6.1</td>
</tr>
<tr>
<td>Domestic tariff peaks (% of all tariff lines)\textsuperscript{c}</td>
<td>0.0</td>
<td>0.0</td>
<td>0.5</td>
</tr>
</tbody>
</table>

\textsuperscript{23} Appendix II to Annex V to the Free Trade Agreement between Chile and Turkey. Viewed at: http://www.economy.gov.tr/index.cfm?sayfa=tradeagreements&bolum=fta&country=CL&region=0.

\textsuperscript{24} The agreements also specify the processes and operations that do not suffice to confer origin, which include: cleaning, painting, polishing, washing, cutting or packaging, activities and operations considered to be processing or transformation.


\textsuperscript{26} In 2009, the same agricultural products (wheat, wheat flour and sugar) were subject to the price band system; however, the number of lines concerned was eight (eight-digit lines in HS 02). The reason for the increase in the number of lines is the change in the tariff nomenclature. The following are the lines in HS 2012: wheat 10019100, 10019111, 10019112, 10019113, 10019119, 1001921, 1001922, 1001923, 1001929, 1001931, 1001932, 1001933, 1001939, 1001941, 1001942, 1001943, 1001949, 1001951, 1001952, 1001953, 1001959, 1001961, 1001962, 1001963, 1001969, 1001971, 1001972, 1001973, 1001979, 1001991, 1001992, 1001993, 1001999; wheat flour: 11010000; sugar: 17011300, 17011400, 17011200, 17019100, 17019910, 17019911, 17019920, and 17019990.
In January 2009, there were three ad valorem rates: 0%, 6% and 12.5%. The 12.5% rate, which applied to poultry meat (12 tariff lines in HS 2007) was reduced to 6% in 2012.\footnote{This rate applied to fresh, chilled or frozen cuts and offal of chickens and turkeys (Chile's 2009 tariff).} In 2014, therefore, Chile only had two rates: 0% and 6%, not taking into account tariffs resulting from application of the price band system. Chile's tariff structure is practically homogenous inasmuch as the 6% rate applies to 99.6% of the lines, while the 0% rate only applies to the remaining 0.4% of the lines. In other words, the 0% rate only applies to 35 tariff lines (in the eight-digit HS 2012), including machinery and some means of transport such as aircraft and boats for leisure or fishing (Table A3.2).

In 2014, the average MFN rate was 6%, the same as in 2009 (Table 3.2). Leaving out the price band system, in 2014 the average tariff on both agricultural products (WTO definition) and non-agricultural products was 6%. In 2009, the average tariff on agricultural products (WTO definition) was 6.1% because of the 12.5% rate that applied to 12 tariff lines corresponding to certain agricultural products, mainly poultry meat and edible offal of poultry. Average tariff protection for agricultural products, taking into account the ad valorem equivalents of duty on products subject to price bands, is not clear-cut because it could rise or fall depending on international prices. Nevertheless, the tariff resulting from application of price bands may not be higher than the bound tariff. If the bound tariff rate is used for products subject to price bands as an approximate equivalent of the ad valorem duty, therefore, the general arithmetic average rate would be 6.2% in 2014 and 7.2% for agricultural products.\footnote{For the purposes of this calculation, the bound tariff is taken as the approximate value of the applied tariff as the tariffs resulting from application of price bands may not exceed the bound tariff.} According to the authorities, in 2014 application of the price band always resulted in a reduction, and the MFN rate on the products concerned was 0%.

### Price band system

Chile still applies a price band system based on international reference prices for imports of wheat, wheat flour and sugar (Table 3.3). Under this system, using a formula, a specific duty is added to the MFN ad valorem tariff when the reference price for the product concerned falls below the lower threshold (“floor”) of the price band; a tariff reduction applies when the reference price exceeds the upper threshold (“ceiling”) of the band.\footnote{Law No. 19.897 of 25 September 2003 and Supreme Decree No. 831 of the Ministry of Finance of 4 October 2003.}

More specifically, under this mechanism the increase or reduction in the ad valorem tariff is determined on the basis of the difference between the reference price, which is calculated every two months (wheat and wheat flour) or monthly (sugar) using the average daily international prices for wheat and sugar recorded on the most important markets\footnote{The most important market for wheat is pan-Argentine wheat for 16 December to 15 June and Soft Red Winter No. 2 wheat for 16 June to 15 December. For refined sugar, the most important market is futures contract No. 5 for white sugar on the London Exchange and for unrefined sugar it is contract No. 11 for unrefined sugar on the New York Exchange (Articles 8 and 12 of Supreme Decree No. 831 of 26 September 2003).} and the “floor” and “ceiling” rates in the price bands. These “floor” and “ceiling” rates were set by law in 2003 and were reviewed towards the end of 2014, although this did not lead to any changes; the band started to be reduced annually from 2007 onwards.\footnote{Law No. 19.897 and Supreme Decree No. 831 of 26 September 2003.}
Table 3.3 Products subject to price bands

<table>
<thead>
<tr>
<th>Product (HS 2002)</th>
<th>Floor and ceiling rates for wheat according to the period of validity</th>
<th>Floor price US$</th>
<th>Ceiling price US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat flour (HS 1101.0000)</td>
<td>16.12.2007 until 15.12.2008</td>
<td>126</td>
<td>146</td>
</tr>
<tr>
<td></td>
<td>16.12.2010 until 15.12.2011</td>
<td>120</td>
<td>140</td>
</tr>
</tbody>
</table>

Table 3.3 Products subject to price bands (continued)

<table>
<thead>
<tr>
<th>Product</th>
<th>Floor and ceiling rates for sugar according to the period of validity</th>
<th>Floor price US$</th>
<th>Ceiling price US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cane sugar (HS 1701.1100)</td>
<td>1.12.2003 until 30.11.2007</td>
<td>310</td>
<td>339</td>
</tr>
<tr>
<td>Beet sugar (HS 1701.1200)</td>
<td>1.12.2007 until 30.11.2008</td>
<td>304</td>
<td>332</td>
</tr>
<tr>
<td>Sugar containing added flavouring or colouring matter (HS 1701.9100)</td>
<td>1.12.2008 until 30.11.2009</td>
<td>298</td>
<td>325</td>
</tr>
<tr>
<td>Cane sugar, refined (HS 1701.9910)</td>
<td>1.12.2009 until 30.11.2010</td>
<td>292</td>
<td>319</td>
</tr>
<tr>
<td></td>
<td>1.12.2010 until 30.11.2011</td>
<td>286</td>
<td>313</td>
</tr>
<tr>
<td></td>
<td>1.12.2011 until 30.11.2012</td>
<td>269</td>
<td>294</td>
</tr>
<tr>
<td></td>
<td>1.12.2012 until 30.11.2013</td>
<td>253</td>
<td>276</td>
</tr>
<tr>
<td></td>
<td>1.12.2013 until 30.11.2014</td>
<td>238</td>
<td>259</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Product</th>
<th>Floor and ceiling rates for sugar according to the period of validity</th>
<th>Floor price US$</th>
<th>Ceiling price US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beet sugar, refined (HS 1701.9920)</td>
<td>1.12.2003 until 30.11.2007</td>
<td>310</td>
<td>339</td>
</tr>
<tr>
<td>Other (HS 1701.9990)</td>
<td>1.12.2007 until 30.11.2008</td>
<td>304</td>
<td>332</td>
</tr>
</tbody>
</table>

Source: Supreme Decree No. 831 of 26 September 2003.

3.25. The President determines the amounts of the increases and reductions by means of a supreme decree issued by the Ministry of Finance six times each year (over the period from 16 December to the following 15 December) for wheat and 12 times a year for sugar (over the year from 1 December to 30 November of the following year). The mechanism for determining increases and reductions has not changed since the previous review in 2009. The specific duties applicable to imports of wheat, refined sugar and raw sugar correspond to the difference between the floor rate and the reference price for each product, multiplied by a factor of one plus the ad valorem tariff. The tariff reduction is the difference between the reference price and the ceiling rate for each product multiplied by a factor of one plus the ad valorem tariff. For wheat flour, the duties or reductions determined for wheat apply, multiplied by a factor of 1.56.

3.26. Under Chile’s legislation, in 2014 the President of the Republic had to evaluate the methods and criteria for applying the price band system, taking into account the situation on international markets, the needs of industrial sectors and consumers, as well as Chile’s trade commitments. As a result of this evaluation, it was decided that the floor and ceiling rates for products subject to price bands should be permanent and those in effect from 2015 onwards are those which were in force in December 2014.

3.1.4.3 Tariff bindings

3.27. Chile bound its entire tariff during the Uruguay Round. Most tariff lines, with the exception of certain agricultural products and another six tariff lines (1.5% of total tariff lines) were bound at 25%. Agricultural products were bound at 31.5% and comprise 99 tariff lines (eight-digit HS 2012). These include several dairy products, wheat and wheat flour, oilseeds and fruits, and vegetable fats and oils. The rates applicable to cane or beet sugar (six lines in the eight-digit HS 2012) were bound at 98% after a rectification under Article XXVIII of the GATT. Some of these products, for example, wheat, wheat flour and sugar, bound at a higher level than usual, are also subject to the price band system. Goods bound at rates of less than 25% consist of: bone ash at 0% (one line); some boats at 3% (three lines); plant materials for carving at 15%.

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32 Article 1 of Supreme Decree No. 831 of 26 September 2003.
33 Specific duty = (Floor – reference price) * (1 + ad valorem tariff) (Supreme Decree No. 831 of 4 October 2003).
34 Tariff reduction = (Reference price – Ceiling) * (1 + ad valorem tariff) (Supreme Decree No. 831 of 4 October 2003).
35 Article 10 of DFL No. 31 of 22 April 2005.
36 Supreme Decree No. 1936 of 15 December 2014 and Supreme Decree No. 831 of 4 October 2003.
(one line); and some turbines 23% (three lines). The MFN tariff of 6% currently applied to bone ash is above the bound rate of 0%. The authorities have indicated that this is a mistake and will be rectified.

### 3.1.4.4 Tariff quotas

3.28. Chile has an MFN tariff quota of 60,000 tonnes annually for refined cane or beet sugar (subheadings 1701.9910, 1701.9920 and 1701.9990 in the HS) shared by Argentina (21,000 tonnes annually), Guatemala (16,700 tonnes annually), Brazil (9,700 tonnes annually) and other countries (12,600 tonnes annually). According to the authorities, during the review period these quotas were not utilized because the MFN tariff was 0% owing to application of the price band system (Table 3.4).

#### Table 3.4 Tariff quotas, 2009-2014

<table>
<thead>
<tr>
<th>Tariff subheading</th>
<th>Description</th>
<th>Year</th>
<th>Volume of the quota</th>
<th>Volume imported*</th>
<th>In-quota tariff %</th>
<th>Out-of-quota tariff %</th>
</tr>
</thead>
<tbody>
<tr>
<td>MFN</td>
<td>Cane or beet sugar and chemically pure sucrose, in solid form</td>
<td>2009</td>
<td>60,000</td>
<td>34,508c</td>
<td>0</td>
<td>Price band</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2010</td>
<td>60,000</td>
<td>n.a.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2011</td>
<td>60,000</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2012</td>
<td>60,000</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2013</td>
<td>60,000</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2014</td>
<td>n.a.</td>
<td>n.a.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preferential quotas</td>
<td>Other, containing added flavouring or colouring matter; cane or beet sugar and chemically pure sucrose, in solid form</td>
<td>2009</td>
<td>15,000</td>
<td>11,228e</td>
<td>0</td>
<td>Price band</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2010</td>
<td>15,000</td>
<td>n.a.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2011</td>
<td>15,000</td>
<td>8,000e</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2012</td>
<td>15,000</td>
<td>8,000e</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2013</td>
<td>n.a.</td>
<td>n.a.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2014</td>
<td>n.a.</td>
<td>n.a.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1701.91.00</td>
<td>Other, containing added flavouring or colouring matter</td>
<td>2009</td>
<td>30,000</td>
<td>3,314e</td>
<td>0</td>
<td>Price band</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2010</td>
<td>30,000</td>
<td>n.a.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2011</td>
<td>30,000</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2012</td>
<td>30,000</td>
<td>3,025e</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2013</td>
<td>30,000</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2014</td>
<td>n.a.</td>
<td>n.a.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

n.a. = Not available.

- a Corresponds to in-quota imports.
- c Information provided by the authorities.

Source: Law No. 19.897 of 25 September 2003, viewed at: http://www.aduana.cl/aduana/site/edic/base/port/contingente.html; and information provided by the authorities.

3.29. Chile also has preferential tariff quotas under certain regional agreements (Table A3.3). It has a quota of 30,000 tonnes annually for products in the subheading 1701.9100 of the HS and a further 15,000 tonnes for tariff subheadings 1701.91 and 1701.99 of the HS, which must have as their country of origin the Plurinational State of Bolivia, Costa Rica and/or El Salvador, as provided in the regional agreements. According to the authorities, the distribution of these preferential quotas has changed since 2009: the 15,000 tonnes quota for tariff subheadings 1701.91 and 1701.99 of the HS is now given annually to the Plurinational State of Bolivia, Colombia and Honduras, and the 30,000 tonnes for subheading 1701.9100 of the HS goes to Colombia.40

3.30. The sugar imported under preferential tariff quotas must be used as an input in the manufacture of food products for the domestic market and the processing must also involve a

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38 Idem.
39 Economic Complementarity Agreement No. 22, Chile-Bolivia, and the Free Trade Agreement between Chile and Central America (in force for Costa Rica since 1999 and for El Salvador since 2003) (Exempt Resolution No. 4.062 of 29 October 2003).
40 Exempt Resolution No. 8.834 of 5 December 2008.
change in tariff heading. Each importer may use up to 20% of the total tariff quota. Quotas are allocated by means of an invitation to apply issued by the National Customs Service. The attribution is a percentage of the total sugar actually processed and used as an input for the industrial processing of food products intended for the domestic market by each of the producers. For each producer, the percentage or participation in the use of the sugar is calculated on the basis of the total utilization declared by all producers, using a formula published in the Official Journal.

3.1.4.5 Tariff concessions

3.31. In general, all goods imported into Chile must pay import duty, except for the goods expressly declared exempt pursuant to a law. Section 0 of Chile's customs tariff lists the goods that may be imported with total or partial exemption from duty for certain purposes or uses. Such exemptions apply to imports of goods for use, inter alia, by government authorities, foreign service officials, international organizations, educational and social welfare organizations, religious communities and air and maritime transport companies, as well as to donations, samples of goods of no commercial value and certain automobile parts.

3.32. The ad valorem duties specified in various headings in Chapter 0 of the customs tariff apply provided that they are lower than those determined for the same tariff headings in the customs tariff. If this is not the case, the rates determined for each tariff line in Chapters 1 to 97 of the said tariff apply. As Chile's customs tariff has continued to reduce some of the exemptions in Chapter 0, these duties have now lost importance.

3.33. Since 2008, a 0% tariff has applied to the import of certain capital goods. Capital goods and components, spare parts, replacement parts and accessories for such goods which may be eligible for such exemption are included in a list drawn up in a decree by the Minister of Finance. Interested parties may request the Ministry of Finance to include a capital good in the list or to exclude it. A technical commission examines the requests.

3.34. The payment of customs duty on capital goods may be deferred for a maximum period of seven years. This facility also applies to the tax on the imports of automobiles of a c.i.f. value not exceeding US$12,039.50 (an amount which is currently being updated), provided that the automobile is used for public passenger transport (taxis).

3.35. Chile also gives tariff concessions in connection with the free zones.

3.1.4.6 Preferential tariffs

3.36. Since 28 February 2014, Chile has allowed a zero tariff on all products from least developed countries (LDCs), except in the case of wheat, wheat flour and sugar.

3.37. The important role played by tariff preferences in Chile's foreign trade continued to increase during the period under review. Trade agreements with the following came into force for Chile as of 2009: Australia; Colombia; Ecuador; Hong Kong, China; Malaysia; Peru; Turkey; and Viet Nam. Agreements also entered into force with Canada (important amendment of a previous agreement, WT/REG38/N/1) and China (complementary agreements on services and investment, S/C/N/577). In addition, Chile has signed trade agreements with: the Plurinational State of Bolivia; Canada; China; Cuba; EFTA; the European Union; India; Japan; the Republic of Korea; Mercosur; Mexico; the Pacific 4 (P-4); Panama; the United States; the Bolivarian Republic of Venezuela; the European Free Trade Association; Switzerland; and Guatemala.

42 Exempt Resolution No. 4.062 of 29 October 2003, amended by Exempt Resolution No. 2.897 of 5 July 2005.
43 Article 103 of the Customs Ordinance.
44 Section 0 – Special Customs Treatment. Viewed at: https://www.aduana.cl/aduana/site/artic/20111222/asocfile/20111222114144/22_seccion_0.pdf.
45 Law No. 20.269 of 27 June 2008.
46 The 0% tariff applies ad hoc to capital goods which meet the definition in Law No. 18.634.
48 Law No. 20.690 of 28 September 2013 and WTO document G/C/W/695-WT/COMTD/N/44 of 14 April 2014.
and Central America.\textsuperscript{49} Chile also grants tariff preferences to certain countries under economic complementarity agreements signed within the LAIA framework. In all, Chile has signed 24 trade agreements with 62 economies.\textsuperscript{50}

3.38. The preferential tariffs were examined in the nomenclature provided to the Secretariat.\textsuperscript{51} For those cases in which the preferential tariffs are higher than the MFN tariff, which is possible because Chile was continuing its unilateral liberalization process, the MFN tariff has been used. The average preferential tariff in the agreements signed by Chile ranges from 0% to 1% and in many agreements the percentage of duty-free lines is over 95% of the entire tariff (Table 3.5).

<table>
<thead>
<tr>
<th>WTO categories</th>
<th>Total</th>
<th>Agricultural products</th>
<th>Non-agricultural products (excluding petroleum)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of lines</td>
<td>Average (%)</td>
<td>Duty-free lines (%)</td>
</tr>
<tr>
<td>Canada</td>
<td>HS 96</td>
<td>5,852</td>
<td>0.1</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>HS 96</td>
<td>5,851</td>
<td>0.2</td>
</tr>
<tr>
<td>El Salvador</td>
<td>HS 96</td>
<td>5,855</td>
<td>0.3</td>
</tr>
<tr>
<td>Mexico</td>
<td>HS 96</td>
<td>5,852</td>
<td>0.1</td>
</tr>
<tr>
<td>EFTA - Iceland</td>
<td>HS 02</td>
<td>7,902</td>
<td>0.7</td>
</tr>
<tr>
<td>EFTA - Liechtenstein</td>
<td>HS 02</td>
<td>7,902</td>
<td>1.0</td>
</tr>
<tr>
<td>EFTA - Norway</td>
<td>HS 02</td>
<td>7,902</td>
<td>1.0</td>
</tr>
<tr>
<td>EFTA - Switzerland</td>
<td>HS 02</td>
<td>7,902</td>
<td>1.0</td>
</tr>
<tr>
<td>China</td>
<td>HS 02</td>
<td>7,902</td>
<td>0.2</td>
</tr>
<tr>
<td>Honduras</td>
<td>HS 02</td>
<td>7,902</td>
<td>0.0</td>
</tr>
<tr>
<td>P-4</td>
<td>HS 02</td>
<td>7,902</td>
<td>0.0</td>
</tr>
<tr>
<td>Panama</td>
<td>HS 02</td>
<td>7,902</td>
<td>0.0</td>
</tr>
<tr>
<td>European Union</td>
<td>HS 02</td>
<td>7,903</td>
<td>0.1</td>
</tr>
<tr>
<td>Australia</td>
<td>HS 07</td>
<td>7,714</td>
<td>0.6</td>
</tr>
<tr>
<td>Guatemala</td>
<td>HS 07</td>
<td>7,705</td>
<td>0.8</td>
</tr>
<tr>
<td>Malaysia</td>
<td>HS 07</td>
<td>7,715</td>
<td>0.2</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>HS 07</td>
<td>7,715</td>
<td>0.1</td>
</tr>
<tr>
<td>Turkey</td>
<td>HS 07</td>
<td>7,715</td>
<td>0.2</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>HS 12</td>
<td>7,785</td>
<td>0.8</td>
</tr>
</tbody>
</table>

Source: WTO Secretariat estimates based on data provided by the authorities.

3.1.5 Other charges affecting imports

3.39. Chile’s National Customs Service collects fees for providing certain services. The customs regulations determine the fees payable to the Customs Service for inspection to assess the value, which is conducted if the destination documents submitted do not contain the information needed to enable the customs officer to verify the accuracy of the application. The amount is fixed according to the customs destination, the extent of the service provided and the work involved.\textsuperscript{52} The Customs also collects a fee for storing goods entering Chile under the temporary admission regime. The amount depends on the length of time the goods are to remain in Chile.

\textsuperscript{49} Although this is described as a multilateral agreement, it is in fact a series of agreements between Chile and each Central American country, because firstly a general agreement between Chile and the regional bloc was negotiated and, subsequently, through the negotiation of bilateral protocols, the special provisions opening up trade with each of the countries in the region were defined. At present (2014), all the bilateral protocols are in force. The first protocol which came into force was that with Costa Rica (14 February 2002), followed by El Salvador (1 June 2002), Honduras (19 July 2008), Guatemala (23 March 2010) and Nicaragua (19 October 2012).

\textsuperscript{50} Information provided by the authorities.

\textsuperscript{51} Only the tariff preferences provided by the Secretariat were examined.

\textsuperscript{52} Article 85 of the Customs Ordinance.
3.40. Value added tax (VAT) at a rate of 19% applies on the domestic sale and import of goods and services.\textsuperscript{53} VAT on imported goods is calculated on the basis of the customs value plus the import duty.\textsuperscript{54} Both domestic and imported goods may be exempt from VAT depending on their use or destination. Domestic or imported components or spare parts used in manufacturing or assembly which enter or re-enter Chile from free zones are exempt from VAT. Imports of capital goods used in investment projects covered by the regime specified in the Foreign Investment Statute (Decree Law No. 600) are also exempt from VAT.\textsuperscript{55}

3.41. There is a 50% surcharge over the general or preferential tariff, as applicable, on imports of used goods. Ambulances, road cleaning vehicles and other specialized vehicles are exempt from payment of this surcharge.

3.42. Additional taxes are payable on some domestic and imported goods (Table 3.6). The goods subject to these additional taxes are the same as those in 2009, but since the previous review in 2009, there has been a change in the rates applicable to certain goods: the applied rate on cigars increased from 51% in 2009 to 52% in 2014; there was a slight increase in the \textit{ad valorem} rate on cigarettes from 60.4% in 2009 to 60.5% in 2014 and an additional specific tax per unit was added; the rate on processed tobacco rose from 57.9% in 2009 to 59.7% in 2014 and the tax on gasoline rose from 4.5 UTM/m\textsuperscript{3} in 2009 to 6 UTM/m\textsuperscript{3} in 2014.

\textbf{Table 3.6 Indirect taxes, December 2014}

<table>
<thead>
<tr>
<th>Tax on beverages</th>
<th>Product</th>
<th>Rate (%)</th>
<th>Tax base</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value added tax (VAT)</td>
<td>All goods</td>
<td>19</td>
<td>Customs value plus import duty, Selling price at all transaction levels</td>
</tr>
<tr>
<td>Value added tax (VAT)</td>
<td>Articles made of gold, platinum and ivory; jewellery, natural or synthetic precious stones; fine furs; rugs and fine tapestries; caviar; air or compressed gas guns</td>
<td>15</td>
<td>Customs value plus import duty, Selling price at all transaction levels</td>
</tr>
<tr>
<td>Value added tax (VAT)</td>
<td>Pyrotechnical articles (fireworks), unless for industrial, mining or agricultural use</td>
<td>50</td>
<td>Customs value plus import duty, Selling price at all transaction levels</td>
</tr>
<tr>
<td>Tax on tobacco products</td>
<td>Cigars</td>
<td>52.0</td>
<td>Consumer price, Consumer price</td>
</tr>
<tr>
<td>Tax on tobacco products</td>
<td>Cigarettes</td>
<td>0.0010304240 UTM\textsuperscript{a} per unit plus 30% tax on the consumer price, including tax per packet</td>
<td>Consumer price, Consumer price</td>
</tr>
<tr>
<td>Tax on tobacco products</td>
<td>Processed tobacco</td>
<td>59.7</td>
<td>Consumer price, Consumer price</td>
</tr>
<tr>
<td>Tax on fuels</td>
<td>Gasoline</td>
<td>6 UTM\textsuperscript{a}/m\textsuperscript{3}</td>
<td>Customs value plus import duty plus VAT, Producer price, including VAT (first sale)</td>
</tr>
<tr>
<td>Tax on fuels</td>
<td>Diesel</td>
<td>1.5 UTM\textsuperscript{a}/m\textsuperscript{3}</td>
<td>Customs value plus import duty plus VAT, Producer price, including VAT (first sale)</td>
</tr>
</tbody>
</table>

\textsuperscript{a} The Unidad Tributaria Mensual (UTM) (monthly tax unit) is an economic unit used for taxation purposes and adjusted monthly according to the CPI (Section 1).


\textsuperscript{53} Online information from the IRS viewed at: [http://www.sii.cl/portales/inversionistas/imp_chile/impuestos_iva.htm](http://www.sii.cl/portales/inversionistas/imp_chile/impuestos_iva.htm).

\textsuperscript{54} Decree Law No. 825 of 1974 on the tax on sales and services, replaced by Decree Law No. 1.606, published on 3 December 1976 and updated on 5 June 2007 (hereinafter the Law on the tax on sales and services).

\textsuperscript{55} Article 12 of Law No. 825 of 1974 (as amended).
3.1.6 Import prohibitions, restrictions and licensing

3.1.6.1 Import prohibitions

3.43. Chile imposes some import prohibitions in order to protect the environment and human, animal and plant health, as prescribed in the country’s legislation and its international commitments. The prohibitions apply irrespective of the origin of the goods. Chile prohibits imports of used vehicles\(^{56}\) and motorcyles, as well used and retreaded tyres (except for wheel-mounted tyres).\(^{57}\) According to the authorities, the prohibition remains in force for road safety reasons and to protect health and the environment. Some products are not subject to this prohibition.\(^{58}\) The import of used tyres is prohibited in order to prevent introduction of the *aedes albopictus* mosquito into Chile, which transmits diseases such as dengue and yellow fever.

3.44. The import of products containing asbestos, dangerous goods such as some pesticides for agricultural use, toys and articles for children containing toluene, adhesives with a volatile solvent base remains prohibited. Furthermore, for animal and plant health reasons, Chile may impose temporary prohibitions, as is the case for live swine.\(^{59}\)

3.45. Pursuant to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), Chile prohibits the import of animals or plants in danger of extinction. It prohibits the import of toxic and hazardous waste pursuant to the Basel Convention and of ozone-depleting controlled substances and products containing CFCs in accordance with the Montreal Protocol (Annexes A, B and Group II in Annex C).

3.46. The Ministry of Finance is empowered to prohibit, by means of a supreme decree, imports of goods coming from or originating in countries that have imposed trade restrictions on Chile.\(^{60}\) The authorities have indicated that this provision has never been applied.

3.1.6.2 Import restrictions and licensing

3.47. The Constitutional Organic Law of the Central Bank does not allow the establishment of quotas for imports (or exports), and therefore Chile does not apply quantitative restrictions.\(^{61}\)

3.48. Chile does not have any import licensing regime either.\(^{62}\) Nevertheless, the import of certain products requires approval, authorization or a certificate from an official body to be submitted at any customs destination. The authorities have indicated that these documents are approved automatically.

3.1.7 Anti-dumping, countervailing and safeguard measures

3.1.7.1 Overall legal framework

3.49. There have been important changes to the legal framework for contingency measures during the period under review, as regards both anti-dumping and countervailing duty legislation and that on safeguards. The intent of these measures is to bring the legislation closer to the spirit of the WTO Agreements and with Chile’s position, as expressed at the WTO, that anti-dumping measures should not be used to restrict trade.

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\(^{56}\) Article 21 of Law No. 18.483 of 28 December 1985.


\(^{58}\) These include: concrete-mixer trucks, ambulances, trucks for use by firefighters and for road and highway cleaning, armoured vehicles, caravans and vehicles for transporting prisoners, vehicles of Chilean citizens who have resided abroad for one year or more and are returning to Chile, and vehicles for use in free zones.

\(^{59}\) WTO document G/SPS/N/CHL/473 of 23 May 2014.

\(^{60}\) Article 88 of the Constitutional Organic Law of the Central Bank of Chile.

\(^{61}\) Idem.

\(^{62}\) WTO documents G/LIC/N/3/CHL/4 of 17 March 2009; G/LIC/N/3/CHL/5 of 17 September 2010; G/LIC/N/3/CHL/6 of 16 September 2011; G/LIC/N/3/CHL/7 of 18 March 2013.
3.50. Chile’s legal framework comprises Law No. 18.525 of 30 June 1986 and amendments thereto, and Ministry of Finance Decree No. 1.314 of 22 March 2013 establishing the implementing Regulations for Law No. 18.525. It also includes the WTO Agreement on Implementation of Article VI of the GATT 1994 (Anti-Dumping Agreement), Agreement on Subsidies and Countervailing Measures (SCM Agreement), Article XIX of the GATT 1994 and Agreement on Safeguards, which have force of law pursuant to Supreme Decree No. 16 of the Ministry of Foreign Affairs (RREE) of 17 May 1995, together with the provisions on contingency measures contained in the various trade agreements.

3.51. Among the legal changes introduced during the review period are Ministry of Finance Decree No. 1.314 of 22 March 2013 consolidating and replacing Decree No. 575 of 17 June 1993, which established the implementing Regulations for Article 11 of Law No. 18.525. and Ministry of Finance Decree No. 909 of 17 June 1999 containing the implementing Regulations for applying safeguard measures. Decree No. 1.314 is also known as the Anti-Distortion Regulations and has been notified to the WTO.

3.52. Law No. 20.514 of 22 June 2011 extends the validity of safeguard measures from one to two years and fixes the total period of application of the measure, including the provisional application period, the initial measure and its extension, at four years. The Law also provides that, if a measure exceeds one year, including its provisional application period, the measure in effect must be reviewed each year, taking into account the situation of the industry affected and the rules laid down in the international agreements in force.

3.53. The changes introduced by Decree No. 1.314 concerning anti-dumping and countervailing measures are intended to limit their use still further by shortening the maximum period for an investigation. This is in addition to another important aspect of Chile’s anti-dumping and countervailing measures regime, namely, that measures may only last for one year and may not be renewed. The changes affecting safeguards in Law No. 20.514 of 22 June 2011, however, appear to go in the opposite direction, as the new regulations extend their possible application period from one to two years, the same as for the renewal period. Although these time-limits are still lower than those in the WTO Agreement on Safeguards, their extension is contrary to the aim of lessening the protection given by anti-dumping and safeguards measures amendments. It has been sought to offset the potentially trade restrictive effects of the extension by requiring annual review of the measure when its application period exceeds one year.

3.54. The National Commission responsible for investigating distortions in the price of imported goods (CNDP), created by Law No. 18.525, is the competent authority for anti-dumping, subsidy and safeguards investigations. The CNDP is composed of the National Economic Prosecutor, who chairs the Commission, two representatives of the Central Bank of Chile, a representative each from the Ministries of Finance, Agriculture, the Economy, and Foreign Affairs, respectively, and by the National Director of Customs. The Central Bank is responsible for the CNDP’s Technical Secretariat. The Commission’s decisions are adopted by a majority of votes cast and, in the case of a tie, the Chair has the casting vote.

3.55. The investigation procedure commences with the submission of a complaint or request to the CNDP from the domestic industry affected; the latter must prove that prices have been distorted and that this is causing it actual or imminent material injury. The CNDP verifies and establishes whether there is a distortion causing or threatening to cause injury to the domestic industry. It may initiate an investigation ex officio, but this is infrequent. The President of the
Republic decides which goods are to be subject to such duties, and their amount and duration, following a report from the CNDP. The duties may not exceed the margin of the distortion and their duration may not exceed one year.

3.56. Within 60 days from the initiation of the investigation, the CNDP may recommend to the President of the Republic that provisional duties be applied. In the case of provisional anti-dumping measures, at the request of exporters representing a significant percentage of the trade involved and subject to a recommendation by the Commission, the period of application may not exceed six months. Where the CNDP, in the course of an investigation, considers or examines whether a duty lower than the margin of dumping would be sufficient to remove injury, the above-mentioned maximum periods of four or six months may be extended to six and nine months, respectively. Investigations into dumping or subsidization must be concluded within nine months of the date of publication of the notice of initiation. This is one of the changes introduced by the new regulations. Previously, the investigation had to be concluded within one year and at the latest 18 months after its initiation.

3.57. If the investigation shows that there are price distortions and these are causing actual or imminent material injury to the domestic industry, the CNDP issues a resolution recommending to the President of the Republic the application of definitive anti-dumping or countervailing duties. The duties must not exceed the margin of the distortion and may not be imposed for more than one year. The President may decide not to follow the CNDP's recommendation and refrain from imposing anti-dumping or countervailing duties or may impose duties lower than those recommended, but is not empowered to impose duties higher than those recommended by the CNDP. The duties may not be renewed and may only be extended if the CNDP carries out a new investigation and finds it necessary to recommend the application of new duties. The Commission may at any stage, provided that it has valid grounds to do so, recommend to the President of the Republic, through the Ministry of Finance, that the measures in effect be modified or removed prior to their expiry date.

3.58. When the investigation has been completed, if the CNDP decides that there is no distortion in the price of the goods concerning which it requested provisional measures, or that distortions do exist but do not cause actual or imminent material injury to the national economy, the persons affected by the provisional measures may apply for the refund of such payments within a period of 90 days. This also applies when the provisional duties exceed the definitive duties. Current interest shall accrue on the amounts to be refunded. The initiation and termination of the investigation, together with all preliminary and final determinations by the CNDP, shall be published by means of the relevant notifications in the Official Journal and in reports on the CNDP's sessions which, once approved, are published and may be viewed on the CNDP's website.

3.59. Chile’s legislation permits the application of definitive duties retroactively under certain circumstances. Anti-dumping or countervailing duties may be applied retroactively for the period for which provisional measures have been applied, when the CNDP's final determination with regard to injury is that: (a) the imports subject to investigation have caused material injury; or (b) the imports subject to investigation have caused a threat of material injury in circumstances where, in the absence of a provisional measure, that determination would have been of material injury. Where the definitive anti-dumping or countervailing duties applied retroactively are higher than the duties paid in respect of the provisional measure, the difference shall not be collected. Where they are less, the difference shall be refunded.

3.60. There are also circumstances in which it is possible to apply a retroactive provisional duty. If there are massive imports, definitive anti-dumping or countervailing duties may be applied to products subject to those definitive measures which have been imported within the 90 days prior to the date of entry into force of a provisional measure, when the Commission determines that in the case of anti-dumping duties: (i) there is a history of dumping in relation to the product subject to the measure which caused injury or the importer was, or should have been, aware that the exporter practised dumping and that such dumping would cause injury; and (ii) the injury is

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66 The Anti-Distortion Regulations define massive imports as imports of the product being investigated, from the date of initiation of the investigation to the date of entry into force of a provisional measure, which in light of their timing, volume and other circumstances, such as a rapid build-up of inventories of the imported product, are likely to seriously undermine the remedial effect of the definitive anti-dumping or countervailing duty.
caused by massive imports of the subsidized product in a relatively short time. In the case of countervailing duties, the CNDP must determine that: (i) there are critical circumstances; (ii) there is injury which it would be difficult to repair caused by massive imports in a relatively short time of a product benefiting from subsidies granted inconsistently with the provisions of the GATT 1994 and the Agreement on Subsidies and Countervailing Measures; and (iii) the retroactive application of definitive countervailing duties is necessary to preclude the recurrence of such injury.

3.61. Chile's legislation has no provision for the application of anti-circumvention measures.

3.62. Between January 2009 and October 2014, Chile initiated eight anti-dumping investigations (in comparison with three during the period 2003-2008); seven of these concerned imports from Argentina: three related to imports of broken maize, one to food preparations for animals containing a minimum 20% of maize, another to imports of wheat flour, one to poultry meat, and another to imports of autoadhesive materials. An investigation was also initiated into imports of melamine resin boards from Austria. Three of these investigations led to provisional duties, and in two of the cases these were subsequently confirmed by definitive duties.\(^{67}\) The third case was closed without the imposition of definitive duties.\(^{68}\) In addition to the cases mentioned, definitive duties were imposed in connection with an investigation initiated in 2008 also concerning wheat flour from Argentina.\(^{69}\) The other five investigations terminated without the imposition of either provisional or definitive duties.

3.63. At 30 June 2014, Chile did not have any anti-dumping investigations under way and did not apply any definitive or provisional anti-dumping duties.\(^{70}\) The situation was the same at the end of March 2015.

3.64. Chile did not initiate any subsidy investigation during the period under review. In January 2015, no countervailing duties were in effect and no investigations under way in relation to subsidization.

3.65. There are provisions on non-application of anti-dumping measures between the parties in some of the RTAs signed by Chile, for instance those concluded with Canada and EFTA. Other agreements confine themselves to reaffirming the provisions of the WTO Anti-Dumping Agreement (for example, the P-4 and the agreements with the United States and China) or do not contain any provisions on this subject (agreement with Japan).

3.66. In May 2009, Argentina requested consultations with Chile on the anti-dumping measures adopted in January 2009 in connection with imports of wheat flour from Argentina, which led to the application of definitive duty of 30.3% by Chile.\(^{71}\) The dispute remained at the consultations stage.

### 3.1.7.3 Safeguard measures

3.67. At the written request of a domestic industry, or on its own initiative, the CNDP may initiate a safeguards investigation to determine whether or not there is serious injury or threat of injury to the domestic industry in question. Safeguards investigations must be concluded within 90 days as of their initiation. Within this period, the CNDP must decide whether, in the light of the information available, it can be concluded that a product has been imported in such increased quantities and under such conditions as to cause or threaten to cause serious injury to the domestic industry that produces like or directly competitive products. If this is the case, it has to issue a resolution recommending to the President of the Republic the imposition of tariff surcharges. The President adopts a final decision by means of a Ministry of Finance decree. The President may decide not to follow the CNDP's recommendation and refrain from imposing the safeguard measure or may

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\(^{67}\) The cases subject to both provisional and definitive duties were those on imports of wheat flour from Argentina (2009 and 2011), which resulted in the application of provisional duties of 22.2% and 9.7%, respectively, and then definitive anti-dumping duties of 17% and 9.7%, respectively.

\(^{68}\) In the case of broken maize from Argentina, a provisional duty of 10.8% was imposed, but no definitive duties were applied. WTO document G/ADP/N/252/CHL of 28 March 2014.

\(^{69}\) The definitive duty of 30.3%, the same as the provisional duty previously determined, was imposed for one year as of 7 January 2009.

\(^{70}\) WTO document G/ADP/N/259/CHL of 13 October 2014.

\(^{71}\) WTO document in the G/DS393 series.
impose duties lower than those recommended, but is not empowered to impose duties higher than those recommended by the CNDP.

3.68. Chile’s legislation allows that, in emergencies where any delay would cause damage which it would be difficult to repair, and within 30 days of the initiation of an investigation, the CNDP may request the President of the Republic to apply provisional tariff surcharges. The CNDP’s decision must be based on a preliminary determination of clear evidence that increased imports have caused or are threatening to cause serious injury.

3.69. Chile does not apply quantitative safeguard measures. Safeguard measures may only be adopted in the form of tariff surcharges and these must be ad valorem, the use of specific tariffs not being permitted. There are also certain restrictions regarding the proposed surcharge and if, when added to the tariff in effect, it exceeds the tariff bound in the WTO, the approval of three quarters of the members of the CNDP is required. Surcharges may be applied provisionally if the CNDP so decides within a period not exceeding 30 days as of the initiation of the investigation. Provisional measures may not be imposed for more than 200 days.

3.70. As a result of the changes introduced by Law No. 20.514 of 22 June 2011, which extended the total period of validity of safeguard measures, they may now not be imposed for more than two years (previously it was one year), including the period of application of the provisional measure. Definitive safeguard measures may be extended by the President for a period not exceeding two years (prior to the legal amendment, this time-limit was one year), at the request of the domestic industry seeking the measure, following a favourable report from the CNDP, which may also initiate an examination of the extension ex officio and recommend its application. The measure may not remain in effect for more than four years (previously two years). As mentioned above, the Law also provides that, where a safeguard measure is applied for more than one year, including the period of application of the provisional measure, the measure in effect must be reviewed annually, taking into consideration the situation of the domestic industry affected. A timetable for its gradual dismantling must also be drawn up. The CNDP may at any time recommend that the application of tariff surcharges be modified or annulled prior to their expiry date.

3.71. The Law gives the possibility of compensation for application of a safeguard measure. When so agreed, the President of the Republic may, through a Supreme Decree of the Ministry of Finance and for the period of application of the measure, lower tariffs or accelerate the tariff reduction process provided in the corresponding trade agreement. Furthermore, the Law also gives the President of the Republic authority, through a Supreme Decree of the Ministry of Finance, to raise the tariffs applicable to goods from other countries when no agreement on adequate compensation under a safeguard measure has been agreed by this country in respect of Chilean goods.

3.72. Between January 2009 and October 2014, Chile initiated four safeguards investigations (in comparison to three over the period 2003-2008): one related to powdered milk and Gouda cheese; another to broken maize; one to grain corn; and another to pigmeat; all were notified to the WTO. Of these, three were initiated at the request of the interested party and another (broken maize) ex officio. In three cases, provisional surcharges were imposed (powdered milk and Gouda cheese, broken maize and grain corn). In one case, the result was the application of definitive surcharges (grain corn), but only for a period of five months. In the case of pig meat, no provisional or definitive surcharges were imposed. In December 2014, no safeguard measures were in effect and no investigations were being conducted.

3.73. Chile also has safeguard provisions in the RTAs it has signed. These usually cover various types of safeguard. There are bilateral safeguards, which only apply to trade between the parties and are normally imposed only during the tariff reduction period. The agreements also include safeguards to protect sensitive sectors such as agriculture and textiles; their use is governed by the corresponding agreement and they are subject to special procedures and to limits on the type

72 WTO documents G/SG/N/6/CHL/12 of 18 September 2009; G/SG/N/6/CHL/13, G/SG/N/7/CHL/10, G/SG/N/11/CHL/6 of 2 May 2012; G/SG/N/6/CHL/14, G/SG/N/8/CHL/6 of 23 April 2013; and G/SG/N/6/CHL/15 of 6 June 2013, respectively.
73 The provisional surcharges applied were 15% for powdered milk and Gouda cheese; 10.8% for broken maize; and 9.7% for grain corn.
74 The definitive surcharge was 10.8%.
of measure that may be utilized. Application of the safeguard measures provided in trade agreements is governed, in a suppletive manner, by the rules in Law No. 18.525 and its implementing Regulations and by Law No. 20.514 of 22 June 2011. Where there is inconsistency between these rules and those contained in the aforementioned agreements, the latter shall prevail to the extent of the inconsistency.

3.74. During the period under review, Chile made use of the bilateral safeguard mechanism provided in the P-4 Agreement and applied a 3% tariff surcharge on imports of butter and Gouda cheese from New Zealand for a period of 18 days (from 12 to 30 June 2014).

3.75. Some of the RTAs signed by Chile also contain provisions exempting one or more parties from the imposition of global safeguard measures adopted within the WTO framework, although in the most recent RTAs signed by Chile there are no such exceptions. Exempting preferential partners from application of a global measure such as a global safeguard may have trade-distorting effects for the trading partners that are not affected by the measure.

3.1.8 Standards and technical regulations

3.1.8.1 Legal and institutional framework

3.76. The legal framework for the drafting and application of technical regulations, standards and conformity assessment procedures remained unchanged during the period under review. The system for applying these measures in Chile is transparent and open, in accordance with the requirements of its legislation. The measures are drafted on the basis of principles of non-discrimination and transparency and recourse to international standards. Through its regulatory agencies and in accordance with the Transparency Law, in force since 2008, Chile is required to publish on its website all the technical regulations and conformity assessment procedures in effect. Nonetheless, Chile also has a Technical Regulations Gateway intended to centralize this information, making it easier for potential new exporters to find information on access to its market. During the review period, Chile prepared and notified a large number of technical regulations. Between January 2009 and the end of December 2014, it submitted 209 new notifications of technical regulations to the WTO in comparison with 53 between January 2003 and January 2009. Chile also forwarded 65 addenda to notifications over this period, together with seven corrigendums.

3.77. Chile’s legislation on technical regulations includes: the Agreement on Technical Barriers to Trade (TBT Agreement), which came into force in Chile in May 1995 pursuant to Supreme Decree No. 16 of the Ministry of Foreign Affairs of 17 May 1995; Law No. 19.912 of 4 November 2003, which creates a mechanism for compliance with the notification commitments under the TBT Agreement; Decree No. 77 of the Ministry of the Economy of 14 June 2004, which lays down the requirements to be met by competent institutions when drafting, adopting and applying technical regulations and conformity assessment procedures; Decree No. 308 of 15 February 2008, amending the aforementioned Decree; and the series of RTAs signed by Chile. In this connection, most of the RTAs signed by Chile include a chapter on technical regulations, standards and conformity assessment procedures, covering rules in areas such as: transparency, equivalence, technical and regulatory cooperation and creation of a TBT committee.

3.78. Decree No. 77 of the Ministry of the Economy of 14 June 2004 constitutes the basic regulations for all agencies involved in preparing technical regulations and conformity assessment procedures and lays down the principles that should govern the drafting of technical regulations. They must, as far as possible, be based on domestic or international regulations, not create unnecessary barriers to trade, and be founded on operational criteria. MFN and national treatment principles also have to be taken into account when drafting technical regulations.

3.79. The Regulations Department in the Directorate-General of International Economic Relations (DIRECON), within the Ministry of Foreign Affairs, is responsible for administering the TBT Agreement, acting as the enquiry point for matters relating to technical regulations and conformity assessment procedures and making notifications to the WTO. The National Standardization Institute (INN) is in charge of drafting technical regulations, applied on a voluntary basis.
3.80. The role of the National Commission on Technical Barriers to Trade, chaired by the DIRECON, is to comply with the commitments in the TBT Agreement and to coordinate Chile’s position in the relevant trade negotiations among participating bodies.75 In the course of this review, the authorities stated that, although there was currently no formal working group with the private sector, work on preparing technical regulations was conducted in cooperation with the private sector and, in general, all regulatory aspects were coordinated. The authorities indicated that each of the regulatory agencies has internal mechanisms for coordination with the private sector when drafting technical regulations and conformity assessment procedures. Some examples of these are the Ministry of Health’s Committee on Food Health Regulations and the Ministry of Agriculture’s Round Table on Meat. The authorities have also pointed out that an Export Competition Council has recently been created, under the Ministry of the Economy, and DIRECON acts as its technical secretariat. One of this Council’s aims is to eliminate the trade barriers faced by the export sector.

3.81. During the period under review, two concerns or complaints regarding Chile’s technical regulations were brought before the WTO Committee on Technical Barriers to Trade. The first concerned the nutritional labelling requirement for foodstuffs76, and was a concern expressed by Canada, Mexico and the United States. The other was a concern expressed by the United States concerning the Protocol of the Electricity and Fuels Supervisory Authority (SEC) on printers.

3.82. Chile is a member of various international organizations involved in standardization and related activities: the International Organization for Standardization (ISO), the Inter-American Metrology System (SIM), the Panamerican Standards Commission (COPANT), the International Accreditation Forum (IAF), the International Laboratory Accreditation Cooperation (ILAC), the Inter-American Accreditation Cooperation (IAAC), the International Bureau of Weights and Measures (BIPM) and the Codex Alimentarius. It is also an associate member without voting rights in the MERCOSUR Standardization Association (AMN).

3.1.8.2 Technical regulations

3.83. Technical regulations are issued at Central Government level in the form of laws, decrees or resolutions. They are drafted by the government authorities responsible for regulating their respective areas of competence, for example, the Ministries of the Economy, Health, Agriculture, Transport and Telecommunications, Housing and Urban Planning, and the SEC. Those technical regulations in the form of laws have to be approved by Congress.

3.84. In accordance with the procedures set out in Decree No. 77 of 2004 (regulatory powers of the Executive) and the amendments thereto in Decree No. 308 of 2010, where technical regulations and/or conformity assessment procedures are required and relevant international standards exist or are shortly to be finalized, the ministries or agencies empowered to adopt them shall use such international standards or their relevant parts as a basis for their technical regulations or procedures, unless these institutions consider that they would be an ineffective or inappropriate means of fulfilling the legitimate objectives pursued. It is also provided that technical regulations and/or conformity assessment procedures should not be more trade-restrictive than is necessary to fulfil a legitimate objective, taking account of the risk non-fulfilment would create. Such legitimate objectives include national security requirements, protection of human health or

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75 The National Commission on Technical Barriers to Trade is composed of: DIRECON in the Ministry of Foreign Affairs (which chairs the Commission); the Ministry of Agriculture through the Agriculture and Livestock Service (SAG), the Office for Agricultural Research and Policy Development (ODEPA) and the Chilean Food Quality and Safety Agency (ACHIPIA); the Ministry of Public Works and the Supervisory Authority for Sanitary Services (SISS); the Ministry of the Environment; the Ministry of the Economy through the Undersecretariat of the Economy, the National Consumer Service (SERNAC), the National Fisheries Service (SERNAPESCA) and the Undersecretariat of Fisheries (Subpesca); the Ministry of Energy and the Electricity and Fuels Supervisory Authority (SEC); the Secretariat General of the President’s Office (SEGPRES); the Ministry of Defence; the Ministry of Health and the Public Health Institute (ISP); the National Standardization Institute (INN); the Ministry of Transport and Telecommunications; the Ministry of Housing; the Ministry of Mining; and the Chilean Copper Commission (Cochilco). This is not an exhaustive list and is open to other members.

76 Proposed amendment to the Food Health Regulations, Supreme Decree No. 977/96, which contains provisions on the nutritional composition of food and on food advertising, in accordance with Law No. 20.606. It seeks to inform consumers of the energy, sugar, sodium and saturated fat content of foods in order to encourage them to avoid unnecessary, excessive intake, which can lead to obesity and related non-communicable diseases. WTO document G/TBT/N/CHL/282 of 22 August 2014.
safety, animal or plant life or health, or the environment, or the prevention of misleading practices. The rules provide that technical regulations shall be drafted, adopted and applied in such a way that imported products are accorded treatment no less favourable than that accorded to like products of national origin and to like products originating in any other country. The same provisions apply to conformity assessment procedures.

3.85. Concerning the procedure to be followed, the rules state that the ministry or body having regulatory authority shall publish, in the form of a notice in the national media or on its website, the draft of the technical regulation or conformity assessment procedure that it intends to adopt. This notice shall include at least an extract from the draft technical regulation or conformity assessment procedure and shall state where the text can be consulted in full. At the same time, a copy of the extract and the draft regulation shall be sent to the DIRECON. The notice shall be published long enough in advance of the adoption of the measure to enable anyone to submit comments in writing during a period of at least 60 days, except in cases of emergency relating to safety, health, environmental protection or national security. Decree No. 77 also provides that, except in cases of emergency, the technical regulations and conformity assessment procedures notified to the WTO may only be issued by the competent authorities at the end of a period of at least 60 days following their notification to the WTO. The ministry or authority empowered to regulate must examine the comments and take into account the written comments received internally and from other WTO Members.

3.86. After they have been approved, technical regulations and conformity assessment procedures are published in the Official Journal and on the websites of the competent regulatory agencies. Technical regulations and/or conformity assessment procedures must provide for a period of at least six months between their adoption and their implementation. There is no centralized mechanism for reviewing or abolishing technical regulations. Nevertheless, it is customary practice for the competent agencies to review technical regulations and conformity assessment procedures on a regular basis in order to amend or repeal them, as appropriate. All domestic and imported goods must comply with the corresponding technical regulations.

3.87. Technical regulations and/or conformity assessment procedures must include the following information, as appropriate: (a) identification of the product, including its classification in the Harmonized Commodity Description and Coding System (HS) and the purpose of the measure; (b) the specifications and characteristics of the product, method or process established in the regulation in accordance with its purpose; (c) conformity assessment methods; (d) the data and other information to be displayed on the products or else on their containers or packaging and their marking requirements; (e) the extent of their consistency with international standards and guidelines used as a basis in their formulation; and (f) mention of the institution or institutions responsible for enforcing the regulations. Any technical regulations and/or conformity assessment procedures adopted shall be substantiated by documentary support, for example, the technical grounds for the decision adopted; detailed information on the process for receiving comments; a description of the amendments made to the original proposal as a result of the comments received; and the replies to the comments received. There should also be a description of the possible impact on the domestic market, the costs of implementation and the costs of supervision, as well as of the impact on small and medium-sized enterprises, as appropriate. This description should be at least in qualitative terms if it is not possible in quantitative terms.

3.88. Pursuant to the Transparency Law, every regulatory agency must publish its current technical regulations and conformity assessment procedures. In addition, the DIRECON has a Chilean Technical Regulations Gateway, which is administered in coordination with the various agencies. In December 2014, Chile had a total of around 910 technical regulations and conformity assessment procedures in force, of which approximately 221 had been adopted since January 2009.

3.89. As mentioned above, between January 2009 and the end of December 2014, Chile submitted 281 notifications to the WTO Committee on Technical Barriers to Trade, of which 209 were new notifications and the remainder addenda or corrigendums. Of the 209 notifications of new measures 73 concerned technical regulations and 136 conformity assessment procedures. Five of these notifications involved both technical regulations and conformity assessment procedures. Three of them were emergency measures. The purpose of most of the measures notified was to protect human health and safety and they mainly concerned foodstuffs, home appliances, building materials, vehicles, toys, pharmaceutical and cosmetic products, inter alia.
The government authorities which participated in drafting the measures notified included the Ministries of Health, the Economy, Housing and Urban Planning, Transport and Telecommunications, and the Environment.

3.1.8.3 Standards

3.90. The National Standardization Institute (INN) is responsible for drafting Chilean technical standards (NCh), whose use is voluntary, and for disseminating them. The INN is a private-law, non-profit-making foundation set up by the Chilean Economic Development Agency (CORFO), with the aim of boosting the development of Chile's production, promoting the drafting and use of Chilean standards, coordinating the National Metrology Network and accrediting conformity assessment bodies. It is also the INN's role to assist in ascertaining the need for new standards.77

3.91. The internal procedure for drafting Chilean standards is set out in Chilean Standards NCh1, following criteria internationally accepted by the ISO and the International Electrotechnical Commission (IEC). In Chile, there has been a noticeable degree of standardization in the areas of construction, foodstuffs, health, safety, quality of life and risk prevention. The INN considers that, as a voluntary procedure, standardization has the advantage of lowering technical barriers to trade and making the best use of production resources in companies as they have better information available to choose the safest and most suitable products. Standards may also be of service to the regulatory authorities, which use them to complement technical regulations.78

3.92. Both the INN and the public and private sectors may decide when it is necessary to draw up a standard. Any government or private body may ask the INN to draw up one or more standards, using one of the following two procedures: the traditional and the associative nucleus procedures. In the traditional system, the INN remains responsible for the whole process of drawing up the standard, from preparation of the preliminary draft up to its approval by the INN Council. The cost of drafting a standard depends on the complexity of the subject. In the associative nucleus procedure, the body associated with the INN, with the latter's technical support, assumes responsibility for obtaining background material and preparing the preliminary draft of the standard, and finances some of the costs of the standardization procedure, from the public consultation stage up to approval of the standard by the INN Council.

3.93. In the traditional system, when the necessary financing has been obtained, a technical committee is set up to prepare the preliminary draft of the standard. If international standards exist, they are adapted; if there are none, regional standards, those of other countries or companies in the same sector are consulted. Once the standard has been prepared, the draft is put up for public consultation and made available on the INN website (http://www.inn.cl). Comments received as a result of the public consultation are again forwarded to the technical committee, which takes a decision and prepares the final text, and this is forwarded to the INN Council for approval. After approval, the Chilean Standard is sent to the competent ministry (ministries) for a decision on whether to include it among the technical regulations or to replace references to previous versions therein. Unless some legal provision makes it mandatory, the "officialized" standard is voluntary. In general, this is the case for standards whose main objective is to protect the health and/or safety of persons, goods, animals or plants. Chart 3.1 summarizes the procedure for adoption of a standard.

77 Online information from the INN viewed at: http://www.inn.cl/normalizacion/portada/index.php.
78 Idem.
3.94. The INN keeps a catalogue of Chilean standards, together with information on standards under consideration, which can be viewed on its website. At December 2014, there were over 3,300 Chilean standards.

### 3.1.8.4 Conformity assessment

3.95. In Chile, conformity assessment includes mandatory mechanisms defined by the competent regulatory authority, which set out the requirements to be met by the conformity assessment bodies involved, and a voluntary accreditation system for conformity assessment bodies, administered by the INN.

3.96. As a general rule, for both imported and domestic products, compliance with technical regulations is verified after the products have been placed on the market. Nevertheless, for the import of certain products, mostly foodstuffs, beverages, medicines, weapons, radioactive substances, electrical goods and fuels, verification takes place at the border. In most cases, conformity assessment is the responsibility of bodies accredited by the INN, although in some cases, the ministry or government authority that issued the technical regulation performs the inspection using its own infrastructure. The government authorities which recognize INN accreditation include the Agriculture and Livestock Service (SAG), the Ministries of the Economy, Housing and Urban Planning, Labour and Social Welfare, the National Service for Women, the Public Health Institute (ISP), Sanitary Services Supervisory Authority (SISS), the National Customs Service, the National Training and Employment Service (SENCE), the Undersecretariat of Fisheries and Aquaculture (SubPesca), the National Fisheries Service (SERNAPESCA) and the Electricity and Fuels Supervisory Authority (SEC). A declaration of conformity by the supplier is not acceptable.

3.97. The preparation and application of conformity assessment procedures defined by the competent regulatory authority follow the same stages and time-limits as technical regulations.

3.98. The INN, as the accreditation body, operates the national accreditation system, which accredits conformity assessment bodies that comply with internationally accepted requirements and the relevant regulations and directives. The different types of conformity assessment body which may request accreditation include bodies: certifying systems, products and persons, inspection bodies, testing laboratories, calibration laboratories, clinics and providers of proficiency tests. Accreditation is given for a four-year period. The INN keeps a list of bodies accredited and this is available on its website. At December 2014, 1,268 accreditations were in effect.

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79 The INN’s website is: [http://www.inn.cl](http://www.inn.cl).
3.99. Chile has no mutual recognition agreements (MRA) for technical regulations with its trading partners. The SEC does, however, recognize the results of tests and certification by a list of organizations from 14 countries (Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, Norway, Sweden, Switzerland, the United Kingdom and the United States). It also has multilateral recognition agreements (MLA/MRA) on accreditation of: quality management and environmental management systems certification bodies (MLA in the IAF and MLA in the IAAC), testing laboratories, clinical and calibration laboratories (MRA in the ILAC and MLA in the IAAC). The INN has requested the extension of its MLA to accreditation of product and inspection certification bodies.

3.1.8.5 Metrology

3.100. In Chile, metrology is governed by Supreme Decree No. 215 of 2009 of the Ministry of the Economy, Development and Reconstruction (which recognizes the INN as the coordinating and supervisory body for laboratories designated as belonging to the National Metrology Network (RNM)), and Supreme Decrees No. 347 of 2007, No. 775 of 1999, No. 487 of 2000, No. 096 of 2001, No. 076 of 2003, No. 158 of 2010, No. 188 of 2010 and No. 116 of 2012, all issued by the Ministry of the Economy, Development and Reconstruction. These decrees specify the values for mass, temperature, force, length and pressure standards, and designate the laboratories responsible for chemical metrology of minerals, electric metrology, liquid flow metrology and for microbiology and food chemistry metrology.

3.101. The authority responsible for developing and maintaining national measurement standards is called the RNM and has been recognized by the State for the purpose of developing and administering the system of metrological guarantees to ensure that measurements made in Chile are comparable and traceable to the International System of Units (SI), and are accepted by other countries.

3.102. The RNM is built around the following bodies: the Ministry of the Economy, Development and Tourism (MEFT), the INN and the institutes appointed. The MEFT, representing the Chilean State, is responsible for appointing the laboratories composing the RNM, once they have met the requirements laid down by the INN, in their specific area of metrology. The INN is the coordinating and supervisory authority for laboratories belonging to the RNM so it also has the task of administering the public funds transferred for its development. The institutes appointed are those laboratories which, either on their own or as part of a larger structure, have been recognized as responsible for all or part of an area of metrology, by means of a supreme decree issued by the MEFT. Their function is to ensure that measurements made in Chile can be traced to the SI. Its main activities are: dissemination of the SI units to accredited laboratories, industry, education and lawmakers; undertaking research on metrology and developing new and improved measurement standards and methods; and participating in comparisons at the international level. The institutes appointed provide calibration models services to calibration laboratories and reference material to testing laboratories. They also act as pilot laboratories for proficiency testing at the national level.

3.1.9 Sanitary and phytosanitary measures

3.103. According to information provided by the authorities, Chile's legislative framework for food safety, animal and plant health has not undergone any major changes since 2009. Chile has no single law governing the sanitary and phytosanitary system and the drafting of sanitary and phytosanitary (SPS) measures is the responsibility of a number of authorities (Table 3.7).

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80 Online information from the National Metrology Network (RNM) viewed at: [http://www.metrologia.cl/link.cgi/Empresa/MarcoLegal/327](http://www.metrologia.cl/link.cgi/Empresa/MarcoLegal/327).
81 Idem.
82 All the legislation governing animal health in Chile may be viewed online at: [http://www.sag.gob.cl./ambitos-de-accion/sanidad-animal/107/normativas](http://www.sag.gob.cl./ambitos-de-accion/sanidad-animal/107/normativas).
Table 3.7 Principal laws governing the sanitary and phytosanitary system, 2014

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<tr>
<th>Animal health</th>
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<tr>
<td>Regulations on Certification and Other Sanitary Requirements for the Import of Hydrobiological Species S.D. Minecon No. 72-11.</td>
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<td>Regulations on the First Import of Species-Decree No. 730 of 4 May 1996.</td>
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<th>Plant health</th>
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<td>Regulations on Seeds and Fruit Plants-Supreme Decree No. 195 of 1979.</td>
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<td>Decree establishing regulations on the authenticity of varieties-Supreme Decree No. 104 of 1983.</td>
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<th>Food and other safety</th>
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<tr>
<td>Sanitary Regulations on Foodstuffs-Decree No. 977 of 1996 (last amended on 7 October 2014).</td>
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<tr>
<td>Law No. 19.937 of 31 December 2008 establishing a new structure for the sanitary authority, different management methods and strengthening participation by the public.</td>
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Source: Information provided by the authorities.

3.104. The main institutions in charge of drafting and applying SPS measures are still the Ministries of Agriculture (through the SAG); ACHPIA and ODEPA; Health (through its regional centres); the Economy (through the Undersecretariat of Fisheries and SERNAPESCA); and the Ministry of Foreign Affairs through the DIRECON. These bodies are responsible for applying SPS measures within their sphere of competence both as regards the domestic market and imports and exports. The DIRECON chairs the national commission for coordination of sanitary and phytosanitary measures. The SAG is the national notification and enquiry service for the purposes of the SPS Agreement. The Ministry of Health regulates the import of food for human consumption. Food must undergo sanitary controls and laboratory analysis based on risk criteria.

3.105. The authorities have indicated that the procedure for drafting and notifying SPS measures is governed by the "Recommended procedure for implementing the transparency obligations of the SPS Agreement". The process of preparing SPS measures starts with the need to update a measure or with a particular sanitary occurrence. Drafts of SPS measures are drawn up by technical committees, which look at the background information and take into account the relevant international standards. SPS measures in Chile are based on scientific evidence and, in general, on the international regulations in the International Plant Protection Convention (IPPC), the World Organisation for Animal Health (OIE) and the Codex Alimentarius, all organizations to which Chile belongs. Most of the SPS measures notified to the WTO over the period 2009-2014 were based on international standards. If a risk assessment reveals the need for more stringent regulations than the international ones, however, the regulation is drafted internally.

3.106. SPS drafts are put up for public consultation and simultaneously notified to the WTO. There is a 60-day period for consultation, unless a request is made to extend this period or if it is an emergency or trade facilitation measure. The comments received are examined and taken into account if there is a good reason. SPS measures are enacted by means of a resolution, decree, regulation or other relevant legal instrument issued by the competent authority. The measures are published in the Official Journal and available on the website of the competent authority.

3.107. During the period under review (2009-2014), Chile submitted 201 notifications to the WTO’s SPS Committee, excluding addenda. The aim of over half the notifications was to protect

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84 WTO document G/SPS/7/Rev.3 of 20 June 2008.
85 Documents in the WTO series G/SPS/N/CHL/- from 1 January 2009 to 11 December 2014.
86 In the case of the SAG, for example, SPS measures are enacted in the form of a resolution.
87 Online information from the SAG viewed at: [http://www.sag.gob.cl](http://www.sag.gob.cl); online information from the Ministry of health viewed at: [http://www.minsal.cl](http://www.minsal.cl); online information from SERNAPESCA viewed at: [http://www.sernapesca.cl](http://www.sernapesca.cl).
plant health and the others concerned animal health and food safety. During this period no WTO Member presented any new complaints against Chile in the SPS Committee.\textsuperscript{88}

3.108. The SAG defines the general and specific sanitary and phytosanitary requirements to be met when importing livestock or plant products.\textsuperscript{89} The general requirements concern the first import and transit of animals and poultry, the recognition of disease-free countries and zones and the approval of facilities. The specific requirements define, by species and/or by product, the sanitary status applicable to: the country or zone of origin, the determination of origin, the animal or the product, as well as preshipment handling measures. All imports of animal or plant products into Chile must have a sanitary or phytosanitary certificate issued by the competent sanitary authority in the country of origin.\textsuperscript{90} The import or transit of animals, livestock and plant products must be through ports authorized by the SAG where compliance with the sanitary and phytosanitary regulations is verified.\textsuperscript{91} Imports of plants and plant products also have to comply with the SAG's phytosanitary requirements, which are contained in specific regulations published in the Official Journal in the form of resolutions.

3.109. The SAG applies a post-entry quarantine system (CPE) for the purpose of conducting phytosanitary tests in order to detect the presence of diseases and so prevent their entering Chilean territory. The plant materials currently subject to the CPE are plants or parts of plants that are intended for planting or grafting.\textsuperscript{92} Plants and seeds are subject to quarantine (CPE) depending on the phytosanitary status in their country of origin based on a risk assessment in accordance with the IPPC. Likewise, all animals imported, irrespective of their origin, must be put in quarantine.

3.110. Where there are no specific provisions or requirements for a livestock or plant product, an application must be submitted to the SAG for an import permit; the SAG examines the application and, depending on the outcome, decides whether a risk assessment or a pest risk analysis needs to be carried out in order to determine the requirements for importing the product.\textsuperscript{93} Depending on the risk the SAG decides whether import may be authorized and determines the phytosanitary requirements, which must be put up for public consultation for a period of 60 days, notified to the WTO and then published in the Official Journal. According to information furnished by the authorities, 173 resolutions concerning some 790 species were issued from 2009 to 2014.

3.111. The SAG is in charge of determining the rules and procedures for import and release of living modified plant organisms, under regulated conditions, whether produced in Chile or abroad and intended for release into the environment. The SAG's regulations in this respect cover both export and safeguard measures for the residue, byproducts and waste. Throughout the whole procedure, the SAG monitors the seed banks in Chile which have living modified plant organisms in order to ensure their full traceability.

3.112. In Chile, the release of living modified plant organisms into the environment for propagation is permitted, subject to authorization by the SAG.\textsuperscript{94} An application has to be submitted to the SAG for the import of transgenic seeds. This is given after a risk assessment and following a favourable report from the competent authority in the country of origin stating that release into the environment in that country had had no negative effects. For import to be authorized, there must be a SAG-authorized collection point where the transgenic material can be stored. Likewise, living modified plant organisms developed in Chile may be released into the environment, subject to authorization by the SAG, if a risk assessment has been conducted and it has been found that the tests carried out prior to its release into the environment had no negative effects. Authorizations to import and release living modified plant organisms, whether imported or

\textsuperscript{88} Viewed at: \url{http://spsims.wto.org/web/pages/settings/country/Selection.aspx}.
\textsuperscript{89} The procedure for importing agricultural products and the requirements are described online at: \url{http://www.sag.cl/ambitos-de-acccion/productos-agricolas}; \url{http://defensa.sag.gob.cl/regmercado}; and \url{http://www.sag.gob.cl/ambitos-de-acccion/informacion-por-productos-exigencias-sanitarias-especificas}.
\textsuperscript{90} Law No. 18.164 of 17 September 1982.
\textsuperscript{91} Online information from the SAG viewed at: \url{http://www.sag.gob.cl/ambitos-de-acccion/puertos-habilitados}.
\textsuperscript{92} Viewed at: \url{http://www.sag.gob.cl/ambitos-de-acccion/cuarentena-posentrada}.
\textsuperscript{93} The pest risk analysis is based on the International Standard for Phytosanitary Measures (ISPM) No. 11 of the IPPC Secretariat. Viewed at: \url{http://www.sag.gob.cl/ambitos-de-acccion/productos-agricolas}.
\textsuperscript{94} Resolution No. 1.523 of 14 July 2001 (last amended on 26 October 2010).
developed in Chile, are issued on a case-by-case basis depending on the species and the genetic modification incorporated.

3.113. Chile currently allows the import of transgenic seeds for the purposes of multiplication and subsequent exportation, but their import for marketing purposes, industrial use or consumption on the domestic market is not authorized.\textsuperscript{95} The use of transgenic maize grain for animal feed is authorized in Chile only when its use for animal and human consumption has been approved in the country of origin and/or another country.\textsuperscript{96}

3.114. In Chile, the competent authority for animal health for hydrobiological species and the safety of food of aquatic origin is SERNAPESCA, responsible for verifying compliance with the fishing and aquaculture regulations, providing services to facilitate their correct implementation and ensuring sanitary management so as to contribute towards the sustainability of this sector and the protection of hydrobiological resources and their environment.

3.2 Measures directly affecting exports

3.2.1 Customs procedures, documents and registration

3.115. Customs procedures for exports are governed by the Customs Ordinance\textsuperscript{97}, the Organic Customs Law\textsuperscript{98}, the Compendium of Customs Regulations\textsuperscript{99}, and various regulations and resolutions.\textsuperscript{100}

3.116. With the exception of goods of an f.o.b. value of less than US$2,000\textsuperscript{101}, in general, exporters must submit to the National Customs Service, through a customs agent, the single export document - acceptance for processing (DUS-AT), which must contain all the information required\textsuperscript{102}, including the customs regime that will apply when the goods leave Chile.\textsuperscript{103} Goods must leave the country under one of the following customs destinations: export, re-export or temporary exit.\textsuperscript{104} The documents used as a basis for completing the DUS-AT are: the shipping instructions, the transport and freight documents, a copy of the commercial invoice issued and, where applicable, the resolution or document authorizing the destination, quality certificates, the

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\textsuperscript{95} WTO (2009), \textit{Review of the Trade Policy of Chile}, Geneva.
\textsuperscript{96} Resolution No. 3.970 of 1997 and Resolution No. 1.248 of 2013.
\textsuperscript{97} DFL No. 30 of the Ministry of Finance of 16 June 2005 (and amendments thereto).
\textsuperscript{98} Decree No. 329 of 20 June 1979 (and amendments thereto).
\textsuperscript{99} Online information from the National Customs Service viewed at: http://www.aduana.cl/aduana/site/artic/20070216/pags/20070216135454.html#vtxt_cuerpo_T8.
\textsuperscript{100} Online information from the National Customs Service viewed at: http://www.aduana.cl/otras-leyes/aduana/2007-02-15/102245.html.
\textsuperscript{101} Section 2.1.2 of Chapter 4 of the Compendium of Customs Regulations lists all the situations in which the services of a customs agent are not required in order to complete the DUS. In such circumstances, the DUS is completed by the Customs, based on the background information provided by the exporter when presenting the goods in the primary customs zone.
\textsuperscript{102} Name of the consignee or exporter, address, municipality, customs post, port of loading, type of cargo, means of transport, code of the region of origin, port of unloading, country of destination, name of the transport company, name of the ship, number of the voyage, authorizations, volume of the goods, f.o.b. value, gross weight, type and quantity of containers, \textit{inter alia}.
\textsuperscript{103} Article 72 of the Customs Law.
\textsuperscript{104} Compendium of Customs Regulations, section 2.1.1 of Chapter 4 Exit of Goods.
approvals and/or authorizations required. These approvals, certificates, endorsements and/or authorizations may be obtained electronically using the single window for foreign trade.

3.117. The customs agent is responsible for completing and forwarding the DUS electronically to the National Customs Service. Once the DUS has been accepted for processing, this means that the goods have been submitted to Customs and are authorized to enter the customs area (primary zone) and be shipped abroad. There may be a physical inspection or verification of the documents. The goods to be inspected are selected according to a risk-profile-based assessment. The authorities have indicated that in 2014, 3.92% of the DUS-AT processed were reviewed. Once the Customs has accepted the DUS, the goods must be loaded within 25 days from the date of its acceptance for processing. After the DUS has been accepted, it has to be legalized. This means that the customs destination has been formalized and all the legal and regulatory procedures allowing the goods to leave Chile legally have been completed, following which the relevant declaration is drawn up. The procedures for preparing the DUS-Legalization and its submission to the National Customs Service for legalization of the operation are very similar to those for presentation of the DUS-AT.

3.118. The integrated foreign trade scheme (SICEX), which will allow transactions for the export, import and transit of goods to be conducted electronically, was used, for the export module, under a pilot plan which started in the second half of 2013 and was extended to all export transactions in 2014. The SICEX is administered and coordinated by the Ministry of Finance. For the first phase of the project, the participating entities are: the National Customs Service; SERNAPESCA; the ISP; the Chilean Copper Commission (COCHILCO); the SAG; the Internal Revenue Service (IRS); and the Secretariat-General of the Republic. Other government bodies involved in foreign trade procedures will be integrated into the gateway in the course of the project. Currently, products listed in the “Catalogue of SICEX products” can be exported using the SICEX and more products will be added until all exportable products are included. The SICEX gateway can be used to prepare an export declaration, request authorizations from the competent government services, apply for the certificates to be submitted at the destination for the transaction concerned, and undertake all the necessary customs procedures, including submission of the DUS-AT for processing, modification and legalization.

3.119. Exporters whose exports' f.o.b. value is US$50 million or more annually have to inform the Central Bank.

3.2.2 Export taxes and duties

3.120. Chile does not impose any taxes or other duties on exports. Exports are generally exempt from VAT, as are the domestic raw materials used to manufacture them.

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105 The following goods require approval, certificates or endorsement for their export: firearms; ammunition; explosives and inflammable or asphyxiating chemical substances and the facilities for their manufacture; storage or deposit (Directorate-General of Recruitment and Mobilization of the Armed Forces); enriched fissile or radioactive elements or materials, radioactive substances, devices or tools that emit ionizing radiation (Chilean Nuclear Energy Commission); works by Chilean or foreign artists (Directorate of Libraries, Archives and Museums of the Ministry of Education); plant products (SAG); written or audiovisual material relating to martial arts for teaching purposes (Directorate General of Mobilization of the Armed Forces); specimens of wild fauna or their byproducts; certified bean seeds (SAG); fisheries products; meat of Southern king crabs, crabs, crayfish and false abalone; graciliaria seaweed (SERNAPESCA); species of wild fauna and flora protected under the CITES (administrative authority defined in accordance with Article IX of the Convention); and pharmaceutical products (ISP) Chilean Customs, Compendium of Customs Regulations, Annex 40. Viewed at: http://www.aduana.cl/aduana/site/artic/20070222/pags/20070222114703.html.
106 Compendium of Customs Regulations, Chapter 4 (Section 3.10(f)).
107 For further details see Section 8 of Chapter 4, Exit of Goods, in the Compendium of Customs Regulations.
108 Decree No. 1.049 of the Ministry of Finance of 5 November 2010; Exempt Resolution No. 611 of the Ministry of Finance and the National Customs Service of 5 February 2014; viewed at: http://www.sicexchile.cl/portal/preguntas-frecuentes and information provided by the authorities.
110 Article 112 of the Customs Ordinance.
111 Paragraph 4 of Article 12 of Decree No. 825 of 1974 (as amended).
3.121. Exporters have the right to recover the VAT paid when purchasing goods or using services for their export activities, as well as that on imported goods used to manufacture products to be exported. Exporters of services may also recover VAT paid on services to persons not domiciled or resident in Chile provided that the service is declared an export in a resolution issued by the National Customs Service. The service must be provided in Chile to persons not domiciled or resident in Chile and be used exclusively abroad, except those services provided for goods in transit through Chile. The service provider must have its operations (and not only provide the service) in Chile, and have its residence or domicile in Chile, or provide the service through a company covered by the rules in the Income Tax Law.

3.2.3 Export prohibitions and restrictions and licensing regimes

3.122. Chile does not in general prohibit exports, and does not apply an export licensing regime or quotas. Such measures are only imposed in order to ensure compliance with international agreements signed by Chile, for example, the Montreal Protocol or CITES, or to protect culture, the environment or human health. The products which may not be exported include anthropological, archaeological, ethnic, historical and paleontological objects and items; pehuen or Chilean pine (araucario araucana); and psychotropic substances.

3.2.4 Support for exports

3.123. As notified to the WTO, over the period 2009-2013 Chile did not grant any export subsidies for agricultural products. Nevertheless, in order to promote its exports, Chile still offers exporters tariff and tax concessions.

3.124. Exporters can usually obtain the reimbursement of the customs duties and other taxes paid on the import of raw materials, semi-processed goods, components or spare parts if these inputs are incorporated into or used to manufacture the goods exported. Exporters taking advantage of this benefit may not, for the same product, be eligible for the simplified drawback system for taxes on non-traditional minor exports. Between January 2009 and December 2014, Chile refunded US$121 million under the general drawback system.

3.125. Chile still applies the simplified drawback system for taxes on non-traditional minor exports. Under this system, non-traditional exports containing at least 50% of imported inputs are eligible for reimbursement of 3% of the f.o.b. value of the goods exported. Each year, the MEFT publishes the list of products not eligible for this programme and the maximum amount of the value of exports, by tariff heading, that may benefit from drawback. The two drawback systems remain in place, as the procedures for obtaining reimbursement are more straightforward under the simplified system. The general law on drawback requires full accounting records and this is complicated for small companies, which therefore prefer the simplified system. The amount reimbursed under the simplified system did not change to any great extent during the period under review, ranging from US$2.61 million in 2010 and US$4.56 million, reaching a total of US$20.59 million over the period 2009-2014 (up to 31 October).

3.126. In addition to these tariff concessions, the temporary admission for inward processing regime (DATPA) allows companies producing goods for export to import raw materials, semi-processed goods and components and spare parts from abroad without paying import duties or other taxes or VAT. The authorities consider the DATPA to be export support. The beneficiaries

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112 Decree Law No. 825 of 31 December 1974 (last amended in 2014).
115 The ISP is responsible for controlling the export of psychotropic substances (Article 5, Decree No. 405/63 of the Ministry of Health).
116 WTO documents G/AG/N/CHL/32 of 12 May 2010; G/AG/N/CHL/35 of 27 May 2011; G/AG/N/CHL/39 of 14 May 2012; G/AG/N/CHL/41 of 21 June 2013; and G/AG/N/CHL/45 of 6 August 2014.
118 Information provided by the authorities.
120 Decree No. 54 of 29 April 2009; Decree No. 69 of 6 April 2010; Decree No. 43 of 28 April 2011; Decree No. 40 of 8 May 2012; and Decree No. 41 of 14 June 2013.
have 180 days in which to carry out the authorized processing, working or other finishing processes and export the final goods obtained, a period which may be extended by the National Director of Customs when justified. Over the period 2009-2014, 59 companies took advantage of the DATPA. The goods finished in accordance with this regime may be imported into Chile subject to payment of all the corresponding duties on the raw materials, without taking into account the higher value that may have been obtained as a result of the processing.

3.127. In order to promote development in remote provinces and to take advantage of Chile’s favourable geographical position for trade, export centres may be set up established for the entry, storage and marketing of goods in the provinces of Arica and Parinacota. Chilean goods and foreign goods originating in or coming from other South American countries may go into these centres. As long as the goods remain in an export centre, they are deemed to be abroad and therefore no import duties, taxes or other levies are imposed. Sale of domestic goods to these centres is deemed to be export. Goods which enter an export centre may be: exhibited, wrapped, unwrapped, labelled, repackaged and marketed. The goods may imported into the rest of Chile, subject to the general import regime, or sent back abroad, free of any taxes or levies.122

3.2.5 Export financing and guarantees

3.128. The Chilean Economic Development Agency (CORFO) is a State agency which provides Chilean companies with support and continues to implement a guarantee programme for foreign trade. In 2010, the following export credit programmes were abolished: "Financing for Chilean exporters" and "Financing for foreign buyers".

3.129. The programme to cover or guarantee bank loans granted to exporters (COBEX) against the risk of non-payment, which was implemented by CORFO, only applied to exporters with annual sales of up to US$30 million and those which could prove that they had orders from foreign buyers. The COBEX was reformed in 2010. Currently, the CORFO foreign trade guarantee (COBEX) programme gives a guarantee for loans to finance: investment or working capital for micro, small and medium-sized enterprises engaged in foreign trade, both as exporters and importers, whereas previously it was only given to exporters. The guarantees may be in pesos, euros or dollars or in foreign exchange derivative operations (in order to offset changes in the dollar rate). COBEX also guarantees investment projects in indigenous areas. The guarantees cover up to a certain percentage which depends on the scale of the company and the specific features of the transaction. CORFO gives the company a partial guarantee vis-à-vis the financial institution (bank or cooperative association) in order to obtain a loan, and serves as backing if the company fails to pay back the loan. The amount of the credit and the cover provided by CORFO increased between 2011 and 2013 (Table 3.8).

Table 3.8 CORFO foreign trade guarantee operations (COBEX), 2011-2014
(US$ thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of operations</th>
<th>Amount of the credit</th>
<th>Amount of the cover</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>1,548</td>
<td>283,852</td>
<td>116,157</td>
</tr>
<tr>
<td>2012</td>
<td>1,865</td>
<td>319,209</td>
<td>129,964</td>
</tr>
<tr>
<td>2013</td>
<td>2,393</td>
<td>326,987</td>
<td>134,007</td>
</tr>
<tr>
<td>2014</td>
<td>2,715</td>
<td>282,099</td>
<td>116,079</td>
</tr>
</tbody>
</table>

Source: Information provided by the authorities.

3.130. The percentage of the guarantee given under the COBEX framework depends on the level of annual sales measured in terms of development units (UF): for microenterprises (up to 2,400 UF) and small enterprises (sales of 2,401 UF to 25,000 UF) it is a maximum of 60%; for medium-sized (sales of 25,001 UF to 100,000 UF) and large enterprises (sales of over 100,001 UF up to 450,000 UF) it is 40%. There is, however, a maximum amount of cover by company for the COBEX and the investment and working capital programme (FOGAIN), namely: 5,000 UF for microenterprises, 7,000 UF for small enterprises; 9,000 UF for medium-sized enterprises; and 23,000 UF for large enterprises.

122 DFL No. 1 of 11 September 2001 approving the revised, coordinated and consolidated text of Law No. 19.420, latest version of 2 May 2013.
3.131. CORFO acts as a second-tier bank, channelling funds through commercial banks, which evaluate the projects and lay down specific terms for the loan. Interested parties may obtain a loan directly from the banks or financial institutions which offer this guarantee and request a loan with the CORFO foreign trade guarantee.

3.132. The small business credit guarantee fund (FOG APE) is a government fund intended to guarantee a fixed percentage of the capital loan, leasing operations and other financing mechanisms offered by public or private financing institutions, *inter alia*, to exporters that do not have guarantees or sufficient guarantees to submit financing applications. Only exporters which have exported an f.o.b. value of US$16.7 million or less, on average, over the preceding two calendar years are eligible for the guarantee. The financing guaranteed by the fund may not usually exceed a total of 3,000 UF, or its equivalent in foreign currency, per enterprise. Nevertheless, the Banking Supervisory Authority may authorize a higher amount, which under no circumstances may exceed 5,000 UF per exporter or 80% of the balance for each financing operation. These amounts did not change during the period under review.

### 3.2.6 Export promotion

3.133. The Directorate of Export Promotion (ProChile) in the Ministry of Foreign Affairs remains responsible for promoting the export of goods and services. Its role is to facilitate and accompany the internationalization of Chilean exporters and those with export potential. It accomplishes this through various tools and services provided to exporters through a national network of 15 regional ProChile offices located in the various regions of Chile. It also has an external network of 53 trade offices.

3.134. ProChile's activities focus on three essential areas: support for the internationalization of small, medium-sized and innovative enterprises; participation in international fairs; promotion of specific products through programmes such as: Flavours of Chile (support for the export of Chilean foods and beverages abroad) and Chilean Wine Tour (involved in promoting Chilean wine abroad); and the creation and launching of sectoral trademarks, for example, Pisco Chile, Chilean Salmon or Fruits from Chile, to make a particular sector well-known. It also offers guidance and training services to exporters, undertakes market surveys and furnishes information on market opportunities to potential exporters.

3.135. ProChile also administers specific cofinancing programmes to promote exports, called competitive funds. These are the Agriculture and Forestry Fund, which finances activities to boost the export of fresh and processed foodstuffs, forestry products, products of the sea, etc.; the Industries Fund, to promote the export of non-food manufactures; and the CONTACTChile Fund, aimed at the services sector. These Funds have different programmes through which ProChile offers non-reimbursable co-financing to exporters in order to finance any activity needed to boost exports. The funds available are used according to need and in the light of priorities, so in some cases the programmes are not utilized every year. The total annual financing granted by ProChile over the period under review ranged from US$6.5 million in 2010 to US$12.5 million in 2012.

### 3.3 Other measures affecting production and trade

#### 3.3.1 Incentives

3.136. Chile implements a series of programmes intended to promote investment and employment in remote areas, support micro, small and medium-sized enterprises, promote innovation and develop new industries. These programmes grant tax concessions and financing for investment and technological development and also support business management.
3.3.1.1 Support for remote areas

3.137. Three programmes whose objective is regional development were notified to the WTO as subsidies, namely: tax credit for investment in certain provinces, exemption from tax in free zones, and the Fund for the Promotion and Development of Remote Areas. The duration of these programmes has been extended, but they did not undergo any major changes during the review period and still offer the same advantages.

3.138. The aim of the Tax Credit for Investment in the Provinces of Arica and Parinacota (Region I) Programme is to promote investment in these provinces. It would appear that the benefits afforded by this Programme have not changed since the previous review in 2009, although its duration has been extended. In 2008, the period given for benefiting from the Programme was until the end of 2011 and the credit could be recovered up to 2034; currently, the time-limit for benefiting from this Programme is until the end of 2025 and the credit can be recovered up to 2045. Under this Programme, companies investing in these provinces are given an income tax credit. The amount is 30% for investment in Arica, except if the investment project is in tourism, in which case the credit is 40%. In Parinacota province, investors receive a 40% credit. Only taxpayers whose investment projects exceed 500 UTM monthly are eligible for this Programme. In 2011, the minimum investment values were 2,000 UTM for projects in Arica and 1,000 UTM for projects in the Parinacota province.

3.139. The Programme of Incentives for the Economic Development of the Regions of Aysen and Magallanes and for the province of Palena (also called the Austral Plan) is still in force. Until 31 December 2025, enterprises investing in these regions are eligible for an income tax credit that may be amortized up to 2045. The percentage of this credit depends on the amount invested. Investment projects for a minimum of 200,000 UTM may obtain a tax credit of up to 32% of the value of fixed physical assets. Investments of 200,000 to 200,500 UTM are eligible for a tax credit of 15% and larger investments for a 10% tax credit.

3.140. The tax and customs regime for the municipalities of Porvenir and Primavera in Tierra del Fuego province (Region XII Magallanes and Chilean Antarctica), which has been in force since 1992, will remain in effect until 2036. This regime allows mining, manufacturing, fishing, transport and tourism companies producing goods or services that include a minimum of 25% of local content (including labour) to obtain exemption from income tax, VAT and import duty.

3.141. The free zones of Iquique (Region I) and Punta Arenas (Region XII) were set up in 1977 and continue to operate. Management companies and firms setting up in these zones are exempt from income tax, VAT and import duty and other charges. Any type of activity may be carried on in the free zones, but mining, fishing and financial services firms are not eligible for this regime. The sale or transfer of goods from the free zone to Chilean customs territory is considered to be importation and is therefore subject to payment of tariffs, VAT and other import taxes. Persons selling domestic goods to firms in the zones in which inputs have been directly incorporated or consumed (such as raw materials, semi-finished articles, components or parts) amounting to a c.i.f. value of 10% or more of the sales value of the goods may also obtain reimbursement of the duties and other customs levies paid when importing the inputs. The preferential regime applied in the Primary Free Zone of Iquique extends to manufacturers established in the Alto Hospicio Sector of the Municipality of Iquique (Decree Law No. 1.055 of 1975).

3.142. Industrial manufacturing companies established in Arica and not taking advantage of the free zone regime and producing goods different from the foreign raw materials, parts or components used to make them, or whose production process results in an irreversible

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127 WTO documents G/SCM/N/186/CHL of 27 October 2009; G/SCM/N/220/CHL of 27 July 2011; and G/SCM/N/253/CHL of 17 February 2014.
128 DFL No. 1 of 11 September 2001 approving the revised, coordinated and consolidated text of Law No. 19.420 latest text of 2 May 2013.
transformation of the foreign raw materials, parts or components may sell the finished goods outside Region I or Region XV in the rest of Chile and, only up to 31 December 2025, may request reimbursement of the duties, taxes and other customs levies paid when importing the foreign raw materials, parts or components utilized.  

3.143. Extension free zones have been created around the free zones of Iquique and Punta Arenas, that is to say regions adjoining the delimited border of the free zone. The extension free zones were set up in order to be able to import duty free goods that could not be imported free of duty from the free zones of Iquique and Punta Arenas.  

The Ministry of the Economy draws up a list, which may be amended, of the goods which may not be imported duty free from free zones. Goods not appearing on this list may be imported from the free zone in order to be used or consumed in the extension free zones.  

The import of foreign goods (including those produced in Chilean free zones) into extension free zones is subject to a flat-rate tax of 0.53% of their c.i.f. value. This tax is used as a credit against the taxes and tariffs to be paid on the import of the goods in question into the rest of Chile.

3.144. In addition to the aforementioned free zones, there is also an industrial free zone that produces inputs, components and spare parts for the mining industry established in the municipality of Tocopilla (Region II), under a regime in force until 2016 or 2021. Companies established in this zone are exempt from payment of income tax and imported goods do not have to pay duties, taxes or other levies.

3.145. As well as the tax incentives mentioned above, Chile has other support programmes intended to foster the development of deprived regions in the far north and south of the country and to boost employment. This is the case for the Fund for the Promotion and Development of Remote Areas, which provides non-reimbursable financing to small and medium-sized enterprises interested in investing in these regions. The Fund only provides financing for small and medium-sized producers of goods and services in the construction, machinery, equipment, special animal feed and small-scale fishing sectors. The annual amount of investment may not exceed 50,000 UF and between 2012 and 2025 inclusive, the funds provided may not exceed 20% of the cost of the investment. The Fund is determined for one year at a time and approved each year in the Finance Law.

3.146. In order to boost employment in regions in the far north (Regions I and XV) and the far south (Regions X, XI and XII), employers or contractors may receive a subsidy equivalent to 17% of the taxable remuneration, up to a maximum of Ch$182,000 per month for each employee over the period 2012-2025.

3.147. With the aim of enhancing competitiveness and diversifying production in Chile, CORFO implements a number of programmes to promote investment, innovation and training of human resources. These include the programme on bonuses for the purchase of capital goods for remote regions and the provinces of Palena and Chiloé. Under this programme, financing is given to small or medium-sized investors, producers of goods and services, which purchase capital goods, with sales not exceeding 40,000 UF, for investment or re-investment projects, while investment must not exceed 50,000 UF. Likewise, under the support programme for investment in production for recovery (IPRO), COFRO cofinances projects to promote investment in the services sector. With this line of credit, CORFO finances up to Ch$30 million of the cost of the

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133 DFL No. 1 of 11 September 2001 approving the revised, coordinated and consolidated text of Law No. 19.420, latest text of 2 May 2013, and Article 27 of DFL No. 2 approving the revised, coordinated and consolidated text of DFL No. 341 of 1977 of the Ministry of Finance on free zones, last amended by Law No. 20.655 of 1 February 2013.

134 Article 21 of DFL No. 2, approving the revised, coordinated and consolidated text of DFL No. 341 of 1977 of the Ministry of Finance on free zones, last amended by Law No. 20.655 of 1 February 2013.

135 Article 11 of Law No. 18.211 of 23 March 1983 (last amended on 2 March 2015).

3.3.1.2 Support for micro, small and medium-sized enterprises

3.148. Chile has several business support programmes, most of them administered by CORFO. The aim of these programmes is to support the development of micro, small and medium-sized enterprises. The definition of such enterprises according to size is the same for all sectors and programmes.\textsuperscript{142} The programmes offered by CORFO are very varied and are introduced, removed or modified in response to the needs of the market. Many of them, however, offer financing to set up a company or a commercial activity, innovate, improve management, develop supplier networks, encourage the association of companies and boost the creation and transfer of technology (Table A3.4).

3.149. In addition to the CORFO programmes, micro and small enterprises which do not have sufficient surety to seek a loan from a commercial bank may obtain guarantees through the FOGAPE, which was created in 1980.\textsuperscript{143} This is a government fund intended to guarantee a fixed percentage of loans, leasing operations and other financing mechanisms offered by public or private financing institutions to micro and small enterprises that do not have guarantees or sufficient guarantees to submit financing applications.\textsuperscript{144} The financing guaranteed by the Fund may not usually exceed 3,000 to 5,000 UF or its equivalent in foreign currency per enterprise. For financing exceeding 3,000 UF, however, the amount of the guarantee falls from 80% to 50%. Pursuant to the law, the Banking Supervisory Authority may increase the maximum amount to 5,000 UF. During the period under review, two transitional changes were made to the FOGAPE which have enabled larger firms to take advantage of the Fund.\textsuperscript{145} In 2014, there were 48,753 FOGAPE operations amounting to 28 million UF and total guarantees of 22 million UF. The services sector, especially trade, transport and communications (63.2%), followed by construction (15.0%) and agriculture and fishing (14.2%) made the greatest use of the Fund.\textsuperscript{146}

3.150. Moreover, through the Investment Guarantee Fund (FOGAIN) complementary risk coverage is given for loan operations, including financial leasing. The purpose of this programme is to provide coverage for financial intermediaries which grant long-term financing to companies that are not covered by the FOGAPE (Table A3.4).

3.3.1.3 Other programmes

3.151. CORFO also provides financing for research and development projects to any type of company whose purpose is to promote innovation and transfer of technology (Table A3.4). In 2008, a tax incentive was created for investment in research and development.\textsuperscript{147} This incentive is also administered by CORFO and consists of a credit against first category income tax, corresponding to 35% of payments related to research and development contracts certified by CORFO and a tax rebate linked to the remaining 65% of the amount invested, which may be deducted as a necessary cost in order to reduce the credit.\textsuperscript{148}

3.152. Furthermore, CORFO administers a number of support programmes for specific sectors such as fishing, mining and renewable energy (Table A3.4). For example, the 2012-2030 National Energy Strategy makes support for renewable energy a priority and, with this in mind, project or up to Ch$40 million for projects associated with CORFO’s innovation or strategic programmes (i.e. programmes to boost competitiveness in a particular sector).\textsuperscript{141}

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\textsuperscript{142} A micro-enterprise is considered to be a company whose net sales range from 0 to 2,400 UF; for a small enterprise net sales must amount to 2,400 to 25,000 UF; a medium-sized enterprise has net sales ranging from 25,000 to 100,000 UF; and large enterprises are those whose sales exceed 100,000 UF. For further information view online at: http://www.sii.cl/estadisticas/empresas_tamano Ventas.htm.

\textsuperscript{143} Decree Law No. 3.472 of 1980.

\textsuperscript{144} Idem. (last amended on 8 November 2014).

\textsuperscript{145} Law No. 20.318 of 23 December 2009.

\textsuperscript{146} Viewed at: http://www.fogape.cl/upload/DOC/Presentación resultados Octubre 2012(1).pdf and information provided by the authorities.

\textsuperscript{147} Law No. 20.241 of 19 January 2008.

the Ministry of Energy, through CORFO, is organizing a competition for cofinancing the construction of a concentrated solar power plant. As a result of this competition, in which both Chilean and foreign companies may participate, a subsidy of up to US$20 million will be granted.149

3.153. Chile also has support programmes for agriculture, which have been notified to the WTO Secretariat (Section 4).150

### 3.3.2 Competition policy and price control

#### 3.3.2.1 Overview

3.154. During the period under review, Chile introduced legal and administrative measures to reinforce the activity and powers of its competition bodies, such as the reform of the regulatory-institutional framework for competition, including the amendments introduced by Law No. 20.361 of 13 July 2009. Despite this progress, further efforts are needed to achieve levels of implementation consistent with the degree of opening and liberalization of its economy. This is particularly important to ensure that this process, in a relatively small market such as Chile's, does not result in the consolidation of monopolies and smother competition. For the time being, Chile's competition policy is designed to prevent abuse of a dominant market position, but not concentration as such, and action by the competent bodies has continued to focus on combating international cartels, where they have obtained a large measure of success. Nevertheless, Chile still lacks legislation requiring pre-notification of mergers and acquisitions and their examination depends on action by the National Economic Prosecutor's Office (FNE) and its detection capability, and therefore some important transactions may not be controlled.

3.155. Chile's competition policy focuses on economic impact, especially market power. If a case of market power is identified, the potential gains in terms of efficiency are examined, but where such power is not found to exist the potential anti-competitive effects are not usually investigated. According to the OECD, however, the legislation does not provide the means to identify and assess the analytical factors based on economic aspects or an overall procedure to define markets.151 There is neither presumption of a dominant position as an indicator of domination nor a threshold whereby to evaluate market concentration, nor any reference to barriers to entry nor an indication of the scope of an efficiency argument. To make good these gaps, internal guidelines have been published (see below), although the competition authorities are not obliged to follow their guidelines or to take account of precedents.

#### 3.3.2.2 Regulatory and institutional framework

3.156. The principal bodies in charge of monitoring implementation and compliance with Chile's competition regulations are the FNE and the Competition Tribunal (TDLC). The FNE acts as a specialized service for conducting investigations concerning free competition, while the TDLC is the jurisdictional body responsible for resolving any disputes arising.

3.157. The FNE was created by Decree Law No. 211 and is the national authority responsible for safeguarding free competition. As such, it safeguards and promotes competition in all markets and production sectors of Chile's economy. It is a decentralized government service with its own legal status and its own resources, independent of but nevertheless subject to oversight by the President of the Republic through the MEF. The National Economic Prosecutor is the director of the service and not only heads the Office but also represents the FNE at the legal and extrajudicial levels.152

3.158. The FNE seeks to safeguard the efficient operation of markets for goods and services and therefore investigates any fact, act or agreement which prevents, restricts or distorts free

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150 WTO documents G/AG/N/CHL/34 of 27 May 2011; G/AG/N/CHL/37 of 4 May 2012; G/AG/N/CHL/40 of 10 June 2013; and G/AG/N/CHL/43 of 6 August 2014.


152 Online information from the FNE viewed at: [http://www.fne.gob.cl](http://www.fne.gob.cl).
competition or tends to have such an effect. It may initiate investigations at the request of a party or ex officio. It combats collusive practices or abuse of a monopolistic position and examines mergers which affect or might affect the efficient functioning of markets or consumers' well-being. Following its investigations, when it considers necessary, the FNE may request the TLDC to adopt the appropriate measures or penalties to prevent or remedy the anti-competitive effects of the conduct or facts investigated. The FNE also plays an advisory role and draws up technical reports at the request of the TDLC or as part of its own promotion activities. In cases examined by the TDLC and the courts, the FNE may act as a party, representing the general public economic interest. It may also defend or contest rulings by the TDLC before the Supreme Court of Justice. It is not empowered to seek information from individuals and may only use public information in its investigations.

3.159. At the international level, the FNE plays an active part in various international forums dealing with competition policies, for example the OECD Competition Committee, the International Competition Network (ICN), the United Nations Conference on Trade and Development (UNCTAD) and the APEC Competition Policy and Law Group.

3.160. The TDLC is a special and independent collegiate court which deals exclusively with matters relating to free competition. Its task is to prevent, remedy and penalize acts contrary to free competition, but it remains subject to oversight by the Supreme Court. The TDLC was created by Law No. 19.911 of 14 November 2003 and started to operate on 13 May 2004. It initiates procedures upon request by the National Economic Prosecutor or by any individual person using the relevant notifications or applications. The TDLC may initiate procedures ex officio.

3.161. The TDLC is empowered to rule on contentious proceedings concerning acts or facts that may violate the Law and can adopt the necessary measures or penalties to prevent or remedy their anti-competitive effects. The measures available to the TDLC include the amendment or termination of contracts, orders to modify anti-competitive conduct, the dissolution of companies and the imposition of fines. Appeals against decisions by the TDLC may be made to the Supreme Court of Justice. The TDLC may also be consulted in the course of non-contentious proceedings regarding acquisitions and mergers and has the authority to lay down general rules on competition for a particular sector of the market and to propose to the President of the Republic amendments to laws or regulations which it considers contrary to free competition.

3.162. Decree Law No. 211 of 1973 is the principal legal instrument dealing with competition policy in Chile. It has been amended on various occasions over the years, the most important amendment having been introduced by Law No. 19.911 of 14 November 2003. Its current text was revised, coordinated and consolidated by DFL No. 1 of 2005 of the Ministry of the Economy, and is known as the Competition Law, the most recent text being that of 10 October 2009, which includes the amendments introduced by Law No. 20.361 of 13 July 2009. These amendments reinforced the investigative powers given to the FNE and introduced new powers to combat cartels, for example the possibility of granting immunity or clemency to any who provide evidence on the existence of cartels and the authority to conduct searches. The TDLC was also given greater independence and the express authority to impose corrective measures ex officio. The maximum fines for offences were also increased and changes to the scope of offences introduced.

3.163. The Competition Law is relatively simple and has a single general provision which contains the fundamental rules on conduct that affects competition. As noted by the OECD, even though Chile's Government regards the principal goal of its competition law as being to promote economic efficiency, with the expectation that in the long run this maximizes consumer welfare, the Law does not state this goal explicitly, or indeed any other. The Law defines as unlawful and anti-competitive "any act or agreement that prevents, restricts or hinders free competition, or tends to produce such effects", including practices such as price fixing, limiting production, assigning market quotas or zones, abuse of a dominant position and predatory or unfair competition practices whose object is to attain, maintain or increase a dominant position.

153 Online information from the TDLC viewed at: http://www.tdlc.cl/Portal.Base/Web/VerContenido.aspx?ID=696&GUID. It is composed of three lawyers and two economists, appointed by the President, the Supreme Court of Justice and the Council of the Central Bank, following a public competition.

Market concentration is not considered to be an anti-competitive practice in itself, so mergers do not require prior notification and no limits are set on market share. Companies are free to engage in market concentration provided that this does not prevent, restrict or hinder competition or tend to produce such effects.

3.164. The Competition Law is universal, that is to say it applies to all Chilean or foreign individuals or companies, and to the State itself. It does not establish any immunity or exclusion and applies to foreign trade activities to the extent that they affect competition in the Chilean market.

3.165. The legislation on safeguarding competition also includes Law No. 20.169 of 2007, or Law regulating Unfair Competition. The Law defines as unfair competition conduct that is not covered by other legal provisions, including free-riding on the reputation of third parties, disseminating false information on the characteristics or price of goods or services offered, defamation of third parties and the misuse of legal action in order to hamper the operations of a competitor. The competition authorities only examine unfair practices whose aim is to achieve, maintain or increase a dominant position. Proceedings against other practices have to be brought before the civil courts, which are empowered to take action against acts of unfair competition, including cessation or prohibition of the act, a declaratory ruling that it is an unfair act, the elimination of its effects and compensation for damage. The courts forward their ruling to the National Economic Prosecutor (FNE), who may request the TDLC to impose a fine. In addition, the regulatory framework for safeguarding competition includes the cooperation agreements signed by the FNE with competition authorities in 10 countries, as well as the provisions in the RTAs signed by Chile, 13 of which include a chapter on competition issues, with varying degrees of detail and coverage.

3.3.2.3 Enforcement

3.166. The FNE has responsibility for investigating anti-competitive conduct, either following a complaint or ex officio. There are several stages in an investigation (admissibility, conduct of the investigation, examination and collection of background information) and its termination leads to one of the following decisions by the National Economic Prosecutor: submission of requests (petitions) to the TDLC; consultation procedures at the TDLC (non-contentious proceedings); agreement or conciliation; extrajudicial agreement forwarded to the TDLC; or termination or closing of the investigation following cessation of the conduct. The FNE does not have the authority to impose fines or order cessation of practices, but must turn to the TDLC or the Supreme Court for this. In 2013, as in previous years, the FNE's efforts continued to focus on improving the investigation procedure and stepping up action to combat cartels.

3.167. Between 2009 and the end of July 2014, the FNE forwarded to the TDLC and the Supreme Court a total of 67 requests regarding cases of restriction of free competition in various sectors. The investigations concerned several forms of conduct, for which three specialized departments were created during this period: cartels, unilateral abuse and mergers.155

3.168. In recent years, there has been an increase in the FNE's investigations, particularly those ex officio. Between 2010 and 2012, the FNE opened 62 new cases concerning violations of the Competition Law. In 2013, it opened 47 new cases of possible violations of Decree Law No. 211, 31 of which were initiated ex officio and 16 following complaints. It also continued with 50 cases in all and closed 12 investigations pending from 2010, 2011 and 2012. In 2013, it forwarded five requests to the TDLC (relating to pharmaceuticals, brewing and

155 To illustrate this breakdown, during the review period cartels in the following areas were examined: compressors, poultry market, association of gynaecologists, buses and asphalt. Abuse of a dominant position on the part of a number of companies was also investigated, including some State-owned companies, in the goods and services sectors: Unilever, CCU (beer), State railway company, Santiago Chamber of Commerce, Andina and Coca-Cola, Claro S.A., Telefónica Móvil S.A. Lastly, mergers such as: LAN/TAM, Abbott/CFR (pharmaceutical industry), Nestlé/SOPROLE (milk), Nestlé/Pfizer (foodstuffs), OTT television channels, Oben Holding/BOPP Chile and Pack Film (cable television) were examined.
professional services, *inter alia*); three consultations\(^ {156} \); two extra-judicial agreements; five conciliations; and two resolutions on closure of the investigation following cessation of the conduct. At 31 December 2013, the TDLC was examining nine requests from the FNE.

3.169. In a case relating to cartels in the poultry market and for the first time since it was set up, in September 2014 the TDLC’s ruling ordered the dissolution of a business association: the Poultry Producers’ Association, which brought together these companies and promoted and coordinated agreement among them. The TDLC accepted the request by the FNE submitted at the end of 2011 and imposed on the poultry firms Agrosuper, Ariztía and Don Pollo fines totalling around US$61 million for having joined a cartel which had controlled production quotas for poultry meat in Chile’s poultry industry for at least ten years. For the first time since its creation, the TDLC imposed on two of these three companies the highest fine provided by Decree Law No. 211, which has been 30,000 Annual Tax Units UTA) since 2009. At the same time, the TDLC determined that Agrosuper must put up for a legal opinion any merger it wished to carry out in the poultry market.

3.170. The case against the poultry firms was initiated following a request from the FNE in November 2011. Prior to that, the FNE had undertaken an investigation which found that the accused firms had for at least a decade applied an agreement to limit their production and so control the volumes produced and put on the domestic market, allocating production and marketing quotas. The FNE calculated that the economic injury caused by this practice amounted to a minimum of US$1.5 billion. In this case, the FNE for the first time utilized the intrusive powers it had been given by law since 2009, in order to search the premises and confiscate documents so as to obtain information during the investigation.

3.171. The TDLC has the authority to impose preventive measures to halt any merger. Over the period January 2009 to 30 September 2014, the TDLC initiated a total of 103 contentious proceedings. The busiest year was 2009, with 25 cases.

3.172. Of the contentious cases examined by the TDLC during the period under review, about 40% of the cases judged concerned abuse of a dominant position, 19% collusion, 13% unfair competition, and the remainder related to other practices. The markets most affected by unfair competition were telecommunications, transport, pharmaceuticals and fuels (Chart 3.2).

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\(^ {156} \) Consultation by the FNE requesting the issuing of rules concerning free entry of telecommunications companies into buildings and condominiums, submitted on 27 June 2013; consultation by the FNE on the proposal to issue legal requirements and/or regulations to regulate transfer of ownership of bulk liquid gas tanks, submitted on 3 December 2013; and consultation by the FNE regarding joint action by banks and financial institutions in Transbank S.A., submitted on 27 December 2013.
Chart 3.2 Contentious proceedings: conduct recognized and judged by the TDLC at 30 September 2014

Contentious cases - conduct recognized by the TDLC

- Predatory pricing 3.0%
- Act of authority 11.0%
- Abuse of a dominant position 43.0%
- Barriers to entry 7.0%
- Unfair competition 12.0%
- Collusion 14.0%
- Merger 1.0%
- Non-compliance with a resolution 7.0%
- Refusal of contract 2.0%
- Practices

Contentious cases - conduct judged by the TDLC

- Predatory pricing 3.0%
- Abuses of a dominant position 40.0%
- Unfair competition 13.0%
- Collusion 19.0%
- Barriers to entry 7.0%
- Act of authority 10.0%
- Act of authority 10.0%
- Non-compliance with a resolution 5.0%
- Refusal of contract 2.0%
- Practices

Markets

- Food 8.0%
- Fuels 6.0%
- Other 35.0%
- Other 44.0%
- Concessions 9.0%
- Pharmaceuticals 5.0%
- Welfare 4.0%
- Transport 7.0%
- Distribution 9.0%
- Telecommunications 17.0%
- Markets

- Food 4.0%
- Fuels 7.0%
- Concessions 5.0%
- Pharmaceuticals 9.0%
- Distribution 6.0%
- Telecommunications 12.0%
- Welfare 4.0%
- Transport 9.0%

a Other mainly includes financial services, port services, clothing and footwear, education, entertainment, toys, the electrical sector, health, the airport sector, etc.

Source: TDLC.
3.173. The average duration of contentious proceedings resulting in a ruling was 673 calendar days (1¾ years) in 2013, lower than the average for 2012 (750 days), but slightly higher than the historical average (629 days).\footnote{Audit Report by the President of the Competition Tribunal, Don Tomás Menchaca Olivares, 12 May 2014. Viewed at: http://www.tdlc.cl/UserFiles/P0001/File/CUENTAS PUBLICAS TDL/Cuenta Publica 2014.pdf.}

\subsection*{3.3.2.4 Mergers}

3.174. Control of mergers is not explicitly addressed in Chilean law; there are no specific provisions in the Competition Law and no pre-notification or notification requirement for a merger. This type of operation has been controlled through a semi-voluntary de facto system of notification in which mergers may be brought before the TDLC by those involved, by the FNE or by third parties, in the form of contentious or non-contentious proceedings, either before or after the merger has occurred. The OECD considers that the absence of a legal framework may give rise to legality and consistency issues and expose the system to legal uncertainty for enforcers, businesses and ultimately for consumers and society. The OECD therefore suggests that, as a priority, Chile's Competition Law should establish a formal and binding merger control regime.\footnote{OECD (2014), \textit{Assessment of Merger Control in Chile}, 2010. Viewed at: http://www.oecd.org/daf/competition/chile-merger-control-2014-en.pdf.}

3.175. The authorities have sought to make good the absence of binding regulations by issuing operational guidelines. In this connection, in October 2006, the FNE published internal guidelines on the review of horizontal mergers, which clarified the criteria used to evaluate planned or completed mergers, at the request of either third parties, the TDLC or ex officio. The guidelines set a maximum time-limit of 60 days for the FNE to review mergers. In March 2009, the TDLC adopted Resolution No. 12, which determined the relevant information to be submitted for such a review. During the period under review, the FNE sought to reinforce this policy, issuing new internal guidelines for the examination of mergers in October 2012 and guidelines for the review of vertical restrictions in June 2014. According to these guidelines, vertical restrictions as such are not forbidden, allowing that they may be pro-competition if they raise assignative and production efficiency and enable buyers and sellers to lower their transaction costs, optimize investment and eliminate price distortions which might arise from the prevalence of externalities. Nevertheless, it is admitted that vertical restrictions may also weaken the intensity of competition within the same vertical structure (intra-product competition) or among rival vertical structures (inter-product competition). In this respect, even though they may in the end be efficient for parties applying them, vertical restrictions can be undesirable from the standpoint of social welfare. The FNE therefore decided that the conformity of a vertical restriction with free competition regulations would depend on the respective weighting of the efficiencies, the risks and the anti-competitive effects inherent in it.\footnote{FNE (2014), \textit{Guide for the Examination of Vertical Restrictions}, June 2014. Viewed at: http://www.fne.gob.cl/wp-content/uploads/2014/06/Gu%C3%BA restricciones Verticales.pdf.}

3.176. Despite the absence of legislation, the competition authorities continued to undertake several investigations into mergers and acquisitions during the period under review, mostly in the transport, telecommunications, retail sale, electricity, financial and health services sectors. The majority of these investigations, however, were undertaken ex officio by the FNE and were not referred to the TDLC, so they are not binding. A merger may be reviewed by the TDLC, through either a consultation procedure or contentious proceedings. The consultation must be initiated by the parties, the FNE or third parties with a legitimate interest in the merger. The TDLC may not initiate a review ex officio. The consultation procedure is governed by Articles 18(2) and 31 of the Competition Law, as well as the TDLC Resolution on mergers. Article 18(2) empowers the TDLC to determine the conditions to be met by mergers so that they comply with the Competition Law.\footnote{In the context of a merger, this provision has been interpreted as allowing the TDLC to approve the operation, on certain terms, or to reject it if the terms are not sufficient to prevent the emergence of anti-competitive risks.} The consultation procedure may take place at any time, either before or after the merger. If it takes place before, it is of a suspensive nature, pursuant to the TDLC's Resolution on parallel procedure. If it takes place afterwards, the consultation allows a non-contentious review.

3.177. Since it was set up in 2004 until the end of 2014, the TDLC had only issued rulings in 18 cases of mergers, resulting from 14 consultations, 1 contentious procedure and 3 procedures
for extrajudicial approval of the agreement. Two of these operations were submitted for consultation ex post by the parties; in both cases, the TDLC decided that any future operation involving the same companies should be notified in advance.

3.178. One of the most important mergers examined by the TDLC during the period under review was that between the Chilean airline LAN and the Brazilian airline TAM, which was approved by the TDLC in September 2011, subject to a number of conditions. The airlines lodged an appeal with the Supreme Court against the TDLC’s decision, but it was rejected. The merger between LAN and TAM and the subsequent creation of the new airline LATM came into effect in June 2012 (Section 4.5.3.1).

3.179. A study carried out by the OECD in 2014 concluded that Chile’s current regime for controlling mergers lacks transparency, legal certainty and predictability, which are key elements for an effective merger control system. It indicates that the main reasons for Chile’s current situation are: the absence of specific legal provisions on merger control, the lack of clear jurisdictional criteria, the reliance on general antitrust procedures which were not designed for merger control purposes, and the absence of streamlined merger review powers between the FNE and the TDLC.161

3.180. Noting that merger control constitutes an essential component of an effective competition system, the OECD report analyses these issues and suggests possible ways forward for consideration by Chile for the adoption of a more effective and transparent merger control regime. The first recommendation is that merger control should be included in Chile’s Competition Law and form part of its competition policy. The second is to define what transactions are subject to merger control and to establish a clear merger notification system, for which Chile should identify appropriate notification thresholds. The third recommendation is that merger review powers should be clearly assigned by law to a competent authority (currently both the FNE and the TDLC undertake this task) so that the merger review procedure is efficient, transparent, predictable and collaborative. The fourth recommendation is that merger control rules include a clear substantive test for reviewing mergers under which the impact of the merger on competition can be better assessed. The fifth recommendation is that sanctions or constraint measures be introduced for the infringement of statutory obligations and that these sanctions be distinct from sanctions for anticompetitive conduct in general (for example, the introduction of criminal liability).162

3.3.2.5 Price control

3.181. The Chilean State does not have any overall power to regulate or control the prices of goods or services. Price regulation is based solely on the provisions in the Competition Law or some of the laws governing public services. In general, this is the case for those activities where it is deemed that there is a natural monopoly in order to avoid abuse of a dominant position by private operators. These sectors include local basic telephony, electricity, and drinking water and sewage services. The maximum rates which drinking water and wastewater services companies may charge are fixed by the Sanitary Services Supervisory Authority (SSIS). The fixing of rates for basic telephony and electricity are discussed in Section 4.

3.3.3 State trading, State-owned enterprises and privatization

3.182. Chile has notified the WTO that Comercializadora de Trigo S.A. (COTRISA) is the only State trading enterprise.163 It is a public limited company, created by public deed on 16 November 1986, whose purpose is to buy, sell, package, store, transport, distribute, deliver and trade, on its own account or on behalf of others, all types and grades of wheat and other cereals, and in general, to carry out all transactions that may be necessary or conducive to its corporate purpose. COTRISA’s corporate purpose allows it to operate mainly with the following products: wheat (HS code 1001 and subheadings); maize (HS code 1005 and subheadings); rice (HS code 1006 and subheadings); and other cereals (generally tariff headings in Chapter 10). The authorities have indicated that COTRISA operates in such a way as to mitigate the distortions that are at the root of the current structural flaws in the cereals markets, wheat in particular,

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162 Idem.
163 WTO document G/STR/N/15/CHL of 25 September 2014.
and that undermine the negotiating power of the small producers. The duration of the company is indefinite. COTRISA enjoys no special privileges and is governed by the Law on Public Limited Companies.\textsuperscript{164}

3.183. COTRISA implements the Wheat Purchase Programme (PCT), a government policy of support for the agricultural sector whose aim is to establish an equitable link between the import price of wheat and the domestic market price. COTRISA also provides paid grain packaging and storage services, as well as grain quality certification. COTRISA is authorized to engage in foreign trade transactions, but cannot establish and/or determine import/export levels or prices. By September 2014, COTRISA had only exported once, with export prices being determined at public auction. COTRISA has so far not engaged in any import transactions.

3.184. According to Chile’s notification to the WTO, COTRISA’s strategic objectives for the period 2014-2018 are: (a) to draw up and implement an investment plan for silo installations; (b) to develop the capacity of the COTRISA Central Laboratory so that it can operate as an arbitration laboratory for both maize and wheat\textsuperscript{165}; (c) to enhance the transparency of commercial decisions pertaining to the cereals markets; (d) to redefine the PCT for wheat for small producers; and (e) to seek to maintain the current value of the COTRISA financial fund.

3.185. Pursuant to the Constitution, in Chile the creation of State-owned enterprises or State participation, whether as a majority or minority shareholder, in the management or ownership of companies (firms with State participation) must be authorized by law adopted by a qualified quorum. State-owned enterprises are subject to the regulations applicable to private firms and oversight by the competent State agencies (Comptroller’s Office, Supervisory Authorities, \textit{inter alia}). There is no special law setting out specific procedures for creating a State-owned enterprise. The law creating an enterprise determines the specific procedures for its establishment.

3.186. At the end of 2014, there were 32 State-owned enterprises in Chile (Table 3.9), 3 of which were in the process of being liquidated. Some of them play a key role in Chile’s economy, for example, the National Copper Corporation (CODELCO), the world’s largest copper producer. Other important entities include the State Bank of Chile, the National Petroleum Company (ENAP) and the National Mining Company (ENAMI). Other companies owned by the State or in which it has a share are active in sectors such as port infrastructure, urban and interurban land transport, postal services, communication media, defence, gaming, free zones and supplies for remote areas. Most of the port management companies have been put out to concession. Of the 32 companies in the State sector (State-owned enterprises created by law or companies with State participation), 22 are overseen by the State-owned enterprises system (SEP, www.sepchile.cl).\textsuperscript{166}

\textsuperscript{164} Idem.

\textsuperscript{165} Law No. 20.656 of 2 February 2013, which governs commercial transactions in agricultural products, makes it mandatory to analyse samples. The special regulations on wheat, adopted in October 2014 within the framework of Law No. 20.656, cover the form in which the quality of wheat bought and sold must be analysed and determined and include the methodologies to be used by calibration laboratories for their work. The legislation gives wheat producers an arbitration system in case of disagreement concerning the quality analyses carried out. Arbitration is the responsibility of arbitrating testing laboratories accredited in a public register kept by the SAG, although Chile does not at present have such laboratories, except COTRISA’s Central Laboratory for analysis of grain quality, which has taken on this task.

\textsuperscript{166} The companies administered by the SEP are: EFE, Empresa de Correos de Chile, Empresas Portuarias de Arica, Antofagasta, Coquimbo, Iquique, Valparaíso, San Antonio, Talcahuano-San Vicente, Puerto Montt, Chacabuco, and Austral, ECONSSA, Empresa de Servicios Sanitarios Lago Peñuelas S.A., METRO S.A., ZOFRI, Polla Chilena de Beneficencia S.A., COTRISA, Sociedad Agrícola Sacor SpA, being liquidated, SASIPA, Casa de Moneda de Chile S.A. and ENACAR, being liquidated. Viewed at: http://www.sepchile.cl/fileadmin/ArchivosPortal/SepChile/Documentos/Memorias/MemoriaSEP2013/empresas.html.
### Table 3.9 List of State-owned enterprises, December 2014

<table>
<thead>
<tr>
<th>Enterprise</th>
<th>Ownership structure (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporación Nacional del Cobre de Chile (CODELCO)</td>
<td>100% Treasury</td>
</tr>
<tr>
<td>Empresa Nacional de Minería (ENAMI)</td>
<td>100% Treasury</td>
</tr>
<tr>
<td>Empresa Nacional del Petróleo (ENAP)</td>
<td>100% Treasury</td>
</tr>
<tr>
<td>Televisión Nacional de Chile (TVN)</td>
<td>100% Treasury</td>
</tr>
<tr>
<td>Banco Estado de Chile (BECH)</td>
<td>100% Treasury</td>
</tr>
<tr>
<td>Astilleros y Maestranzas de la Armada (ASMAR)</td>
<td>100% Treasury</td>
</tr>
<tr>
<td>Empresa Nacional de Aeronáutica (ENAER)</td>
<td>100% Treasury</td>
</tr>
<tr>
<td>Fábrica y Maestranzas del Ejército (FAMAE)</td>
<td>100% Treasury</td>
</tr>
<tr>
<td>Puerto Madero Impresores S.A.</td>
<td>Treasury 69.26% and Private 30.74%</td>
</tr>
<tr>
<td>Empresa de los Ferrocarriles del Estado (EFE)</td>
<td>100% Treasury</td>
</tr>
<tr>
<td>Empresa de Correos de Chile</td>
<td>100% Treasury</td>
</tr>
<tr>
<td>Empresa Portuaria Arica (under a concession)</td>
<td>100% Treasury</td>
</tr>
<tr>
<td>Empresa Portuaria Iquique (under a concession)</td>
<td>100% Treasury</td>
</tr>
<tr>
<td>Empresa Portuaria Antofagasta (under a concession)</td>
<td>100% Treasury</td>
</tr>
<tr>
<td>Empresa Portuaria Coquimbo (under a concession)</td>
<td>100% Treasury</td>
</tr>
<tr>
<td>Empresa Portuaria Valparaíso (under a concession)</td>
<td>100% Treasury</td>
</tr>
<tr>
<td>Empresa Portuaria San Antonio (under a concession)</td>
<td>100% Treasury</td>
</tr>
<tr>
<td>Empresa Portuaria Talcahuano-San Vicente (under a concession)</td>
<td>100% Treasury</td>
</tr>
<tr>
<td>Empresa Portuaria Puerto Montt</td>
<td>100% Treasury</td>
</tr>
<tr>
<td>Empresa Portuaria Chacabuco</td>
<td>100% Treasury</td>
</tr>
<tr>
<td>Empresa Portuaria Austral</td>
<td>100% Treasury</td>
</tr>
<tr>
<td>Empresa de Abastecimiento de Zonas Aisladas (EMAZA), being liquidated</td>
<td>100% Treasury</td>
</tr>
<tr>
<td>Empresa Concesionaria de Servicios Sanitarios S.A. (ECONSSA)</td>
<td>CORFO 99%, Treasury 1%</td>
</tr>
<tr>
<td>Empresa de Servicios Sanitarios Lago Peñuelas S.A.</td>
<td>CORFO 64.05%, Treasury 34.62% Other 1.33%</td>
</tr>
<tr>
<td>Empresa de Transporte de Pasajeros METRO S.A.</td>
<td>CORFO 62.75%, Treasury 37.25% Other 1.4%</td>
</tr>
<tr>
<td>Zona Franca de Iquique S.A. (ZOFRI)</td>
<td>CORFO 71.28%, Treasury 1.4% Other 27.32%</td>
</tr>
<tr>
<td>Polla Chilena de Beneficencia S.A.</td>
<td>CORFO 99%, Treasury 1%</td>
</tr>
<tr>
<td>Comercializadora de Trigo S.A. (COTRISA)</td>
<td>CORFO 97.24%, Other 2.76%</td>
</tr>
<tr>
<td>Sociedad Agrícola Sacor SpA, being liquidated</td>
<td>CORFO 100%</td>
</tr>
<tr>
<td>Sociedad Agrícola y Servicios Isla de Pascua SpA (SASIPA)</td>
<td>CORFO 100%</td>
</tr>
<tr>
<td>Casa de Moneda de Chile S.A.</td>
<td>CORFO 99%, Treasury 1%</td>
</tr>
<tr>
<td>Empresa Nacional del Carbón S.A. (ENACAR), being liquidified</td>
<td>CORFO 99.97%, Other 0.03%</td>
</tr>
</tbody>
</table>

Source: State-owned enterprises system (SEP), viewed online at [www.sepchile.cl](http://www.sepchile.cl).

3.187. In 2013, Chile’s State-owned enterprises as a whole generated revenue of US$32,602.86 million, equivalent to 12.45% of the GDP, and had 49,455 employees.\(^{167}\) The five largest companies by revenue accounted for 96.05% of revenue (CODELCO contributed 45.87%).\(^{168}\) The revenue of companies administered by the SEP amounted to US$1.2 billion in 2013, while its assets rose to US$11.8 billion.\(^{169}\)

### 3.3.4 Government procurement

#### 3.3.4.1 Overview

3.188. Chile has a transparent and efficient government procurement system for goods and services, making use of an electronic procurement platform. It reformed its procurement system in 2003, creating the Chilean Government Procurement and Contracts System based on a best

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167 Information from the Central Bank of Chile viewed at: [http://www.bcentral.cl](http://www.bcentral.cl).
168 Online information from the Budget Directorate (DIPRES) viewed at: [http://www.dipres.gob.cl](http://www.dipres.gob.cl).
practices mechanism. Since then, it has introduced further changes to its legislation, including directives intended to continue improving the System’s functioning and increasing its efficiency. The authorities consider that in 2013, ten years after it was created, the System had generated savings for the State amounting to a cumulative total of US$681 million, and achieved high standards of transparency and probity. The System also aims to expand participation by suppliers and buyers in the government procurement market. There is no discrimination whatsoever as regards products, services and suppliers according to their origin. Purchasing by State-owned enterprises and for public works is governed by the respective regulations.

3.189. In 2014, procurement by the Chilean Government (excluding State-owned enterprises and concessions) amounted to some US$10 billion (corresponding to 2.9% of the GDP), not counting public works. Over 900 purchasers from the central and local administrations took part in ChileCompra’s bidding procedures, with over 2 million contracts processed annually. Since 2012, State-owned enterprises have been able freely to utilize ChileCompra. Some 90% of the contracts processed by ChileCompra concern small and medium-sized enterprises.

3.190. Chile is an observer in the WTO Committee on Government Procurement. In the course of preparing this review, the Chilean authorities confirmed that, for the time being, there are no plans to negotiate accession to this Agreement. On the other hand, Chile has accepted commitments on government procurement under the RTAs it has signed. An agreement on government procurement with Uruguay within the LAIA framework came into force in 2012. Thresholds vary depending on the agreement.

3.3.4.2 Legal framework and procedures

3.191. The Basic Law on Administrative Contracts for the Supply and Rendering of Services (No. 19.886) of 30 July 2003, the amendments thereto, and its implementing Regulations (Ministry of Finance Supreme Decree No. 250 of September 2004) lay down the legal framework for government procurement of goods and services by all Central Government departments, regional and provincial governments, municipal authorities, the armed forces and the Comptroller-General of the Republic. The Law does not apply to State-owned enterprises, which follow their own regulations on procurement. In the case of public works, Law No. 19.886 applies as regards the mandatory use of the electronic information system for procurement and the Government Procurement Tribunal (see below), and in general on a suppletive basis.

3.192. The Directorate of Purchasing and Government Procurement (DCCP) of the Ministry of Finance, created by Law No. 19.886, is responsible for developing and implementing government policy on procurement. It is also in charge of maintaining and managing the electronic information system for purchasing and government procurement (ChileCompra), through which all entities whose procurement is covered by Law No. 19.886 must quote prices, invite bids, source contractors, award contracts and carry out procurement procedures for goods, services and public works. Access to ChileCompra is open to the public and free of charge.

3.193. Pursuant to Law No. 19.886, there are four types of government procurement, namely, framework agreements (online store), public bidding, private bidding and direct negotiation or contracting. All procurement procedures must use the ChileCompra electronic information system. For public bidding procedures, the call for bids may also be published in other international, national or regional media.

3.194. Under framework agreements, awarded through public bidding procedures, the DCCP agrees unit prices with suppliers of particular goods and services, which government authorities then procure through direct purchase orders in accordance with the terms laid down in the

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170 ChileCompra's electronic address is: http://www.chilecompra.cl.
171 Information available on ChileCompra’s website: http://www.chilecompra.cl.
173 Law No. 19.886 and its implementing Regulations may be viewed on ChileCompra’s website: http://www.chilecompra.cl.
174 Further information on the government procurement process may be found on ChileCompra’s website: http://www.chilecompra.cl.
framework agreements. In October 2014, 37 framework agreements were in effect.\footnote{All framework agreements have a specific expiry date and cover a number of products and services. Online information from ChileCompra viewed at: \url{http://www.chilecompra.cl/index.php?option=com_content&view=article&id=951&Itemid=697}.} Pursuant to Law No. 19.886, government authorities are obliged to purchase the goods and services available in the online store for ChileCompra Express framework agreements. If the product or service needed cannot be found there or more advantageous terms can be found on the market, a public or private bidding procedure must be followed or, in special cases, there may be direct agreement using the website \url{http://www.mercadopublico.cl}. Since 2009, purchasing under framework agreements exceeding 1,000 UTM must be through reverse bidding: the authorities must transmit the intention to buy through the System to all suppliers which have the type of product required available under a framework agreement.

3.195. Public bidding is the most common procedure for procurement and is mandatory, with the exceptions provided in Law No. 19.886. Around 90\% of procurement is through public bidding. Private bidding and direct agreement are exceptional methods to be used following a justified resolution and only in the circumstances defined in the Law. Law No. 19.886 sets minimum time-limits between the call for bids and the closing date for receiving them in public bidding procedures. If the amount of a contract is 1,000 UTM or more, the call must be published at least 20 calendar days prior to the cut-off date for receiving bids; for lesser amounts, the minimum period is ten days. All these time-limits may be shortened in the case of simple standard goods or services.

3.196. The DCCP keeps a National Register of Public Administration Suppliers, an electronic register created by Law No. 19.886 in which natural or legal persons, either Chileans or foreigners not domiciled in Chile, wishing to take part in bidding may be registered. The Register is open to the public and available on the website of ChileCompra, as well as on that of ChileProveedores.\footnote{The website of the Register of Suppliers (ChileProveedores) is: \url{http://www.chileproveedores.cl}.} An application for listing in the Register may be made at any time and confirms the legality and financial and technical capacity of suppliers, although it is not an essential requirement for participating in procurement. Nevertheless, when issuing contracts, authorities may require that bidders be listed in the National Register. According to information provided by the authorities, in September 2014, there were 56,824 suppliers listed in the Register, of which 39\% were from the metropolitan region and 61\% from other regions.

3.197. Government authorities must determine criteria for evaluating bids in their procurement procedures, taking into account, \textit{inter alia}, the price of the bid, the experience of the bidders, the technical quality of the goods or services offered, technical assistance, after-sales service and delivery date. Pursuant to the Government Procurement Regulations, these criteria must also be spelled out in advance in the tender specifications, showing the scores to be assigned to each of them. The technical specifications for the goods or services to be procured must be generic and not refer to any specific brands. The bids are opened electronically through the information System. The contract is awarded to the bid that provides the most advantageous combination of the criteria laid down in the specifications and takes the form of an administrative act that is also duly notified to the other bidders. This act awarding a contract sets out the evaluation criteria and shows the points scored that resulted in the winner being declared as having made the most competitive bid and must be published in such a way that all suppliers can see for themselves the results of the bidding procedure.\footnote{Articles 6 and 41 of the implementing Regulations and Articles 18 \textit{et seq}. of Law No. 19.886.} The contract may not be awarded to a bid that does not meet the criteria and requirements laid down in the tender specifications.

3.198. Public bidding is open to all under the same conditions. There is no provision in Chile’s legislation for margins of preference for national suppliers and no discrimination among products, services and suppliers according to their origin. Nor is there any provision for offsets as a condition for awarding a contract or any set asides for certain bidders. Nevertheless, efforts are made to encourage SMEs to participate in the process. For this purpose, the Propyme Council has been established, an advisory body coordinated by ChileCompra whose objective is to promote participation and business opportunities for smaller companies in the government procurement market.
3.199. During the period under review, important changes to the government procurement Regulations were introduced and came into effect on 27 December 2011. They are mainly intended to increase competition in the procurement process through ChileCompra, increasing the minimum time-limit for bids of less than 100 UTM from two to five days. Another aim is to streamline the procurement process and lessen the red tape, raising the obligation to register a contract from 100 UTM to 1,000 UTM. This allows electronic formalization of contracts for lesser amounts covering easily specified standard goods and services, thereby facilitating management of procurement. Further support for SMEs has been introduced, allowing the performance bond, which is required in procurement, to be divided up and released in tranches as the contract is being fulfilled. This enables suppliers to keep capital immobilized for a shorter time as prior to this they had to wait until the end of the contract before the bond was returned. The amendments to the Regulations also forbid suppliers to contact officials of the contracting authority throughout the course of the bidding procedure, an obligation that was already incumbent upon the contracting authority.

3.200. ChileCompra has also produced a series of guidelines to facilitate the procurement process, for example, Government Procurement Directive No. 5, *Procurement under a framework agreement*, of 6 October 2006; Government Procurement Directive No. 17 of 8 May 2014, *Instructions for undertaking inclusive government procurement and promoting equal opportunities in the Government market*; Government Procurement Directive No. 16, *Subcontracting and the Procurement Law* of 20 June 2013, which provides that government authorities must ensure that the contractor or subcontractor complies with its obligations concerning the labour force; Government Procurement Directive No. 15, *Instructions for applying the large-scale procurement mechanism* of 6 December 2012; and Government Procurement Directive No. 14, *Instructions for the operation of evaluation commissions* of 6 December 2012, *inter alia*. All these Directives, as well as ChileCompra's circulars, are available on ChileCompra's website.

3.201. The Government Procurement Tribunal, which has been operating since September 2005, two years after publication of Law No. 19.886 which created it, is empowered to hear and decide on action taken to challenge any illegal or arbitrary act or omission that may have occurred between the approval of the tender specifications and the award of the contract in procurement procedures by government authorities, including those concerning public works. The Tribunal is an administrative litigation body and its directives, sentences and economic situation are subject to oversight by the Supreme Court, although it is not part of the Judiciary. The Tribunal's statutory regime is set out in Articles 22 and 23 of Law No. 19.886. The Tribunal's judges do not deal exclusively with its cases. The Law requires the DCCP to provide the infrastructure, technical support and human and material resources needed for the Tribunal's proper functioning.

3.202. Any natural or legal person having a proven interest in a procurement procedure may submit an application to the Tribunal challenging the award within ten working days from the time when the contested act or omission became known or was published. After the Tribunal has agreed to hear the challenge, it may decree the suspension of the bidding procedure to which the challenge relates. In a definitive ruling, the Tribunal decides on the legality or arbitrariness of the act or omission challenged and orders the measures needed to restore the rule of law. An appeal may be made against the Tribunal's rulings to the Appeals Court in Santiago. Between 2009 and 2013, the Tribunal issued 88 final rulings.178

3.203. An analysis of the cases heard by the Government Procurement Tribunal between the end of September 2010 and 31 December 2013 shows that the decision to award a contract is the administrative act in procurement procedures which gives rise to the most complaints: some 58% of suppliers contesting bidding procedures did so at the time the contract was awarded. The decision to declare a bidding procedure void is the second most common subject of complaint (9%). The other cases concern acts such as the opening of bids, their evaluation, the bases for the bidding procedure and the decision declaring a bid inadmissible. Most of the complaints (68%) concerned tenders for the supply of movable goods and services, with contracts to supply services being the source of the most complaints. The next most common were contracts to carry out public works, at 20%, followed by bids for concession contracts (9.6%). Municipal

178 Online information from the Procurement Tribunal viewed at: [http://www.tribunaldecompras.cl](http://www.tribunaldecompras.cl).
authorities were the subject of the largest number of complaints (36% of the total), followed by central administration institutions at 17%, and hospital and health services at 14%.

3.204. Chile does not have any unified regulatory framework for public works. Procurement procedures are governed by the individual organic laws pertaining to the various government and municipal authorities. Nevertheless, the organic law of the Ministry of Public Works (MOP) (DFL No. 850 of 1997) and the Regulations on Public Works Contracts (Supreme Decree No. 75 of 2004, amended by Decree No. 810 of 2008) lay down the rules to be followed for such contracts. There is also a Law on Public Works Concessions (Supreme Decree No. 900 of 1996 of the MOP) and its implementing Regulations (Supreme Decree No. 956 of 1997), which regulate the procurement of public works under the system of concessions to private persons. Works contracts concluded by the Ministry of Housing and Urban Planning for its own purposes and contracts for carrying out, operating and maintaining urban works with third party involvement are governed by Supreme Decree No. 236, which lays down the general basic regulations for procurement of works for housing and urban services, Law No. 19.537 on co-ownership of property, and Law No. 19.865 on shared urban financing.

3.3.5 Intellectual property rights

3.3.5.1 Overview

3.205. Since the previous review, Chile's objective has continued to be to implement an intellectual property regime that strikes a balance between obligations and rights, on the one hand giving adequate protection to creators and inventors and, on the other, safeguarding the interests of users and society when rights fall into the public domain. Chile has made a number of reforms to its legislation with the aim of strengthening its intellectual property regime and bringing it into line with its international commitments. In some instances, Chile's legislation goes further than the obligations under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), for example, in certain areas relating to copyright and industrial property. This reflects Chile's commitments under other bilateral agreements signed with various trading partners, which in intellectual property matters exceed the minimum standards in the TRIPS Agreement. Chile deposited the Protocol amending the TRIPS Agreement on 26 July 2013.

3.206. Chile is a member of the World Intellectual Property Organization (WIPO) and has signed a number of WIPO-administered treaties. It is also a member of the International Union for the Protection of New Varieties of Plants (UPOV). Since the previous trade policy review, Chile has signed two WIPO-administered treaties: the Beijing Treaty on Audiovisual Performances (24 June 2012) and the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled (28 June 2013). Also during this period Chile ratified the Budapest Treaty on International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure (2011), the Trademark Treaty (2011) and the Brussels Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite (2011). For the purposes of the Budapest Treaty, in 2014 the Chilean Microbian Genetic Resources Collection (CChRGM) was designated as the international authority.

3.207. The National Industrial Property Institute (INAPI) of the Ministry of the Economy started work in 2009 and is responsible for registering and promoting industrial property rights (trademarks, patents, utility models, industrial designs, integrated circuits, appellations of origin and geographical indications) and keeps a database of applications and/or registration of trademarks and patents that is open for consultation. The INAPI was created by

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179 Idem.
180 The MOP's rules may be viewed online at: [http://www.mop.cl/mop_marco_legal.htm](http://www.mop.cl/mop_marco_legal.htm).
182 The INAPI database is available online at: [http://www.dpi.cl/dpi_web/Frm_Login_default2.htm](http://www.dpi.cl/dpi_web/Frm_Login_default2.htm).
Law No. 20.254, published on 14 April 2008. The Intellectual Property Rights Department (DDI) in the Directorate of Libraries, Archives and Museums (DIBAM) is responsible for the Intellectual Property Register in respect of copyright and related rights and for following up these matters. The Seeds Department of the SAG deals with applications for the protection of new plant varieties while the SAG's New Plant Variety Assessment Committee grants registration for them. The ISP, part of the Ministry of Health, keeps the register of medicines, information on which has been protected as undisclosed information, while the Pesticides and Fertilizers Department of the SAG is responsible for registering agricultural chemicals, information on which has been protected as undisclosed information. The Interministerial Intellectual Property Committee, an informal mechanism for coordination and exchange of information among the various government bodies dealing with intellectual property, is chaired by the Ministry of Foreign Affairs and composed of various departments in the Ministries of the Economy, Education, Health, and Agriculture and the National Council for Culture and the Arts; it coordinates Chile's position in international forums and facilitates implementation of its international commitments.

3.208. Matters concerning disputes are heard by the INAPI in the first instance. The Industrial Property Tribunal, created by Law No. 19.996, is a second-instance independent jurisdictional body to hear and settle disputes relating to opposition or cancellation of industrial property rights and plant variety rights registered with the SAG. Appeals against the Tribunal's rulings may be made to the Supreme Court. Infringements of rights relating to industrial property, intellectual property and registered plant varieties are also brought before the ordinary civil or criminal courts.

3.209. As already mentioned, the majority of Chile's RTAs include special chapters on intellectual property. Some of them contain clauses on geographical indications or enforcement measures as part of the market access disciplines. Chile has also signed agreements with the European Union on trade in wines and spirits, which are annexed to its RTA. In these, both parties undertake to grant protection for geographical indications listed in the appendices to the agreements and to refrain from using certain generic indications and trademarks that are identical or similar to those of the other party. Accession to the PCT, which occurred in 2009, was one of the commitments undertaken by Chile in its RTAs with the United States and the European Union.

3.210. Chile has notified the texts of its intellectual property laws and regulations to the WTO, as well as the amendments thereto. The latest notifications were in 2009. During the period under review, Chile continued to participate in the work of the TRIPS Council, particularly in relation to geographical indications, on which it has submitted, together with 19 other Members, a proposed decision on the creation of a multilateral system for the registration and notification of geographical indications for wines and spirits.

### 3.3.5.2 Legal framework

3.211. The WTO TRIPS Agreement was incorporated into Chile's legislation by Supreme Decree No. 16 of 5 January 1995 of the Ministry of Foreign Affairs. Chile's legislation covers all categories of intellectual property covered in the TRIPS Agreement, and also areas negotiated in connection with bilateral agreements (Table 3.10). During the review period, Chile introduced subsequent amendments to its legislation, as regards both industrial property and copyright.

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184 This is the case for the agreements with Canada; Central America; China; Hong Kong, China; Malaysia; Panama; and Viet Nam. Other agreements include references to these matters in sections other than market access.

185 WTO documents IP/N/1/CHL/1/6 of 7 September 2009 (Implementing Regulations for Law No. 19.039 on Industrial Property); IP/N/1/CHL/1/7 of 7 September 2009 (DFL No. 3 of the Ministry of the Economy of 20 June 2006 containing the revised, coordinated and consolidated text of Law No. 19.039 on Industrial Property); IP/N/1/CHL/1/8 of 7 September 2009 (Law No. 20.160 amending Law No. 19.039 on Industrial Property); IP/N/1/CHL/1/9 of 7 September 2009 (Law No. 20.254 creating the National Industrial Property Institute); IP/N/1/CHL/C/10 of 8 September 2009 (Law No. 19.914, adapting the legislation indicated in the free trade agreement with the United States); and IP/N/1/CHL/O/2 of 7 September 2009 (Law No. 20.169 regulating unfair competition).

186 The latest revision of this proposal is contained in WTO document TN/IP/W/10/Rev.4 of 31 March 2011.
<table>
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<tr>
<th>Main legislation</th>
<th>Area covered*</th>
<th>Term</th>
<th>Exclusions and limitations*</th>
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<tr>
<td><strong>Trademarks</strong></td>
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<tr>
<td>Industrial Property Law No. 19.039 (revised, coordinated and consolidated text in DFL No. 3 of 2006) and its implementing Regulations (Decree No. 236 of 2005), amended by Decree No. 29 of 2012; Law No. 19.996 of 2005; Law No. 20.160 of 2007; and Law No. 20.569 of 2012. The latter amends Law No. 19.039 in order to harmonize and improve the procedure for filing trademark and patent applications.</td>
<td>Any sign that may be represented graphically, capable of distinguishing on the market products or services or industrial or business establishments, including sounds.</td>
<td>10 years from the date of entry in the register; renewable for equal periods at the request of the owner.</td>
<td>Coats of arms, flags, names of States, international organizations or government public services, names of plant varieties, names of persons, names that mislead or deceive, trademarks that are identical or similar to well-known trademarks registered in Chile or abroad, registered geographical indications and appellations of origin and distinctive signs that are contrary to public order or morality.</td>
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<tr>
<td><strong>Patents</strong></td>
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<tr>
<td>Industrial Property Law No. 19.039 (revised, coordinated and consolidated text in DFL No. 3 of 2006) and its implementing Regulations (Decree No. 236 of 2005), amended by Decree No. 29 of 2012; Law No. 19.996 of 2005; Law No. 20.160 of 2007; and Law No. 20.569 of 2012.</td>
<td>Any product or process that is new, involves an inventive step and is capable of industrial application. Compulsory licences may be granted to remedy anti-competitive practices, for reasons of public health, national security, non-commercial public use or national emergency; or to work a subsequent patent that cannot be worked without infringing a prior patent.</td>
<td>20 years from the filing date. Additional terms of protection are allowed if there has been an unjustified delay in granting the patent or a sanitary permit for a pharmaceutical product.</td>
<td>Procedures and materials such as scientific theories, business plans, mathematical, surgical, therapeutic or diagnostic methods; plants and animals (except microorganisms) and essentially biological processes for the production of plants and animals (other than microbiological processes); parts of living beings as encountered in nature and natural biological processes and materials. Protection is not granted if an invention is contrary to public order, security, morality, the health of persons, animals or plants, or the environment.</td>
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<tr>
<td><strong>Utility models</strong></td>
<td>Instruments, appliances, tools and objects, in which the arrangement can be claimed (appearance and functioning) and provided that it has utility.</td>
<td>10 years from the date of filing; not renewable.</td>
<td>The exclusions and limitations laid down in Title III of the Industrial Property Law concerning patents, where applicable.</td>
</tr>
<tr>
<td><strong>Industrial drawings and designs</strong></td>
<td>Industrial design: any three-dimensional form and industrial or hand-made article used to make other units that can be distinguished from similar articles and has a new appearance. Industrial drawing: combination of figures, lines or colours to be incorporated in a product for the purposes of ornamentation and that give it a new appearance.</td>
<td>10 years from the date of filing; not renewable.</td>
<td>Designs and drawings whose appearance is dictated entirely by technical or functional considerations. Articles of clothing of any kind and products which consist of a form whose exact reproduction is necessary to allow the product in which it is incorporated to be assembled or connected to another product of which it is a part.</td>
</tr>
<tr>
<td>Main legislation</td>
<td>Area covered*</td>
<td>Term</td>
<td>Exclusions and limitations*</td>
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<td><strong>Layout designs of integrated circuits</strong></td>
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<td>Industrial Property</td>
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<tr>
<td>Law No. 19.039 (revised, coordinated and consolidated text in DFL No. 3 of 2006) and its implementing Regulations (Decree No. 236 of 2005) amended by Decree No. 29 of 2012; Law No. 19.996 of 2005; Law No. 20.160 of 2007; and Law No. 20.569 of 2012.</td>
<td>The three-dimensional arrangement of elements in layout designs of integrated circuits, designed for their manufacture, to the extent that they are original.</td>
<td>10 years from the date of filing for registration or first commercial exploitation in any part of the world; not renewable.</td>
<td>The right does not include reproductions of layout designs made for private or evaluation purposes, analysis, research or teaching; acts of commercial exploitation of original layout designs created as a result of the evaluation or analysis of a protected layout design; acts of commercial exploitation of any article incorporating an unlawfully produced integrated circuit if the person carrying out such acts did not know that it incorporated an unlawfully reproduced integrated circuit.</td>
</tr>
<tr>
<td><strong>Business secrets and information submitted to the authority in order to obtain sanitary registration</strong></td>
<td>Any knowledge regarding products/industrial processes which, if not disclosed, gives its owner an improvement, advance or competitive advantage. Undisclosed test data submitted to the authority in order to obtain the sanitary registration of pharmaceutical products and agricultural chemicals. Registration or sanitary authorization is with the ISP or with the SAG, as applicable.</td>
<td>Indefinite.</td>
<td>None. Protection is not granted if the owner engages in anti-competitive practices; for reasons of public health, national security, non-commercial public use or national emergency; if the product is the subject of a compulsory licence; if it has not been put on sale in Chile 12 months after its sanitary registration or authorization in Chile; or if the application for protection was submitted in Chile 12 months after the date on which the first registration or sanitary authorization abroad was obtained.</td>
</tr>
<tr>
<td><strong>Geographical indications (GI) and appellations of origin (AO)</strong></td>
<td>GI: identifies the product as originating in a country or region or locality of the national territory, when its quality, reputation or other characteristic is basically attributable to its geographical origin. AO: Ibidem. Also taking into consideration other natural and human factors affecting the special nature of the product.</td>
<td>Indefinite.</td>
<td>The following signs or expressions are not recognized as GI or AO: those which do not comply with the definitions given in the law; those that are contrary to morality or public order; those that may mislead as to the geographical source, nature, method of manufacture, or qualities of the product; those that are generic (except those recognized in Chile's trade treaties); those that are identical or similar to other GI or AO for the same product.</td>
</tr>
<tr>
<td><strong>Copyright and related rights</strong></td>
<td>Automatic protection applies to intellectual works or productions and registration is voluntary. Literary, artistic and scientific works, including protection for performances, the production of phonograms, broadcasts by broadcasting organizations, computer programs (software); databases; video games; multimedia works; engineering and architectural plans. Depending on the case, protection includes both economic and moral aspects. The latter are only recognized to natural persons and may not be renounced by the holder.</td>
<td>Life of the author plus 70 years after his death or from the first publication or fixation, depending on the type of intellectual work, performance or phonographic production. 50 years for broadcasts by broadcasting organizations.</td>
<td>There is a series of exclusions and limitations in Title III of Law No. 17.336 and when these apply they concern both copyright and related rights.</td>
</tr>
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</table>
3.212. Chile has a regime for the international exhaustion of intellectual property rights, as regards both industrial property and copyright.

### 3.3.5.3 Industrial property

3.213. The principal legislation on industrial property can be found in the Industrial Property Law No. 19.039 (revised, coordinated and consolidated text in DFL No. 3 of 2006) and its implementing Regulations (Decree No. 236 of 2005), amended by Decree No. 29 of 2012.

3.214. Since its previous review, Chile has introduced changes to Law No. 19.039. These are mostly contained in Law No. 20.569 of 2012, which amends Law No. 19.039 in order to harmonize and improve the procedure for filing applications for trademarks and patents. It also includes provisions for implementing the Patent Cooperation Treaty (PCT) in Chile, for example, as regards time-limits for applications. In general, the Law provides that patent application procedures at the national phase should abide by the provisions in the Treaty. Law No. 20.569 also declares that the INAPI is the body responsible for receiving and processing international patent applications. All these changes have been incorporated in DFL No. 3.

3.215. In October 2012, the INAPI was designated as the International Searching Authority (ISA)/International Preliminary Examination Authority (IPEA) for the purposes of the PCT. It commenced its activities as an ISA/IPEA in October 2014. During the two years between its appointment as an ISA/IPEA in October 2012 and the commencement of operations in October 2014, the INAPI worked on setting up the databases and designing a quality control system for dealing with applications and examination of patents submitted under the international phase of the PCT. It also worked on implementing an online e-PCT system created by WIPO for access to international databases and for transmitting documents concerning international PCT applications electronically and on the creation of a PCT Department within the Patents Subdirectorate. The INAPI also drew up patent directives concerning INAPI criteria for technical, legal and procedural examination for registration of patent applications.

3.216. During the review period, the INAPI signed a series of agreements or memorandums of understanding with similar bodies in other countries, including: Australia; Brazil; China; Colombia; the Dominican Republic; Ecuador; El Salvador; France; the Republic of Korea; Mexico; Paraguay;

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**Main legislation**

<table>
<thead>
<tr>
<th>Area covered*</th>
<th>Term</th>
<th>Exclusions and limitations*</th>
</tr>
</thead>
<tbody>
<tr>
<td>New plant varieties</td>
<td>18 years for trees and vines and 15 years for other species. Not renewable.</td>
<td>A breeder's right is not infringed if the farmer uses properly harvested reproduction material on his own farm. This material may not, however, be publicized or transferred as seed. The breeder’s right in a variety does not prevent another person from using it to create a new variety, without authorization from the breeder of the original variety. If the original variety is to be used permanently for the production of the new variety, however, the breeder's authorization is required.</td>
</tr>
</tbody>
</table>

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* a The description of the areas covered and of the exclusions or limitations listed is not exhaustive.

Source: WTO Secretariat based on information provided by the authorities.

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187 DFL No. 3 of 9 March 2006 contains the revised, coordinated and consolidated text of Law No. 19.039.

188 It is an ISA's role to identify the published documents which may affect patentability of the invention and to issue a preliminary and non-binding written opinion on whether or not the invention appears to comply with patentability criteria, taking into account the results in the search report. An IPEA undertakes a second optional examination.

189 Online information from the INAPI viewed at: [http://www.inapi.cl/portal/institucional/600/w3-article-4878.html](http://www.inapi.cl/portal/institucional/600/w3-article-4878.html).
Spain; and the United States. It also signed agreements with the European Patent Office and with ProSur (MERCOSUR). In January 2013, a cooperation agreement was signed between the INAPI and WIPO, and an interinstitutional cooperation agreement between the INAPI and the FNE in September 2011, as well as a letter of agreement on non-reimbursable technical cooperation with the Interamerican Development Bank (IDA) in March 2013.

3.217. Chile's legislation provides for the possibility of granting compulsory licences in certain situations. In the case of patents, a compulsory licence may be granted if the patent's owner has been guilty of conduct or practices contrary to free competition pursuant to a decision by the Competition Tribunal; for reasons of public health, national security, non-commercial public use, national emergency or other extremely urgent situations; also if the compulsory licence is needed to work a subsequent patent that cannot be worked without infringing a prior patent, subject to certain conditions. In the case of new plant varieties, a compulsory licence may be granted if the breeder of a new plant variety exercises an abusive monopoly of the exploitation or sale of the protected variety. So far Chile has never granted compulsory licences.

3.218. During the review period, an increasingly large number of patent applications were filed. In 2013, the INAPI received 3,076 patent applications, a 2% increase in comparison with 2012. Of the applications received, 18% were under the Paris Convention and 82% under the national phase of the PCT; this is different to the situation reported for the previous review, when the PCT had not yet come into force, and since it came into effect in 2009 the Paris Convention has been much less important in Chile. Some 89% of applications came from non-residents in 2013. With regard to the percentages of patent applications by area, the largest number concerned engineering (35.4%), particularly in relation to mining, followed by chemicals (25.6%), pharmaceuticals (20.9%), electricity (9.9%) and biotechnology (8.2%). In 2013 as well, 654 patents for industrial designs and 115 for utility models were filed, together with seven relating to appellations of origin and four to geographical indications.

3.219. During the review period, the recognition of special products received a boost through appellations of origin or geographical indications, mostly under the seal of origin programme launched in 2011 as a joint initiative by the MEFT and the INAPI. The aim of this programme is to encourage the use and protection of Chilean products by registering appellations of origin, geographical indications and collective marks and by certification. The programme promotes the use of industrial property tools to encourage the protection of traditional products, boost production and protect typically Chilean products, whether handicrafts or forestry or agricultural products, by means of these distinctive signs which give exclusive rights to exploitation or use.

3.220. In order to be registered, applications for Chilean geographical indications or appellations of origin for forestry and agricultural and food industry products require a favourable report from the Ministry of Agriculture concerning compliance with the requirements laid down in Article 97 of the Law, which is drawn up by the ODEPA within the Ministry. For foreign geographical indications and appellations of origin for such products, a report from the Ministry of Agriculture is also required. At December 2014, five geographical indications, three appellations of origin, six certification marks and four collective marks had been registered.

3.3.5.4 Copyright

3.221. The Intellectual Property Rights Department (DDI) in the Directorate of Libraries, Archives and Museums (DIBAM) is responsible for administering the government system for registration of copyright and related rights, promoting the protection of such rights and conserving the fixation of the intellectual works in its collections. It keeps the Intellectual Property Register (intellectual
works, related rights, contracts and pseudonyms) and deals with questions and reports requested or provided by individuals and public services. The DDI advises the Government on all matters concerning copyright, related rights and similar matters. The DDI was created by virtue of Article 90 of Law No. 17.336 of 1970 on intellectual property and since then has been one of the specialized centres belonging to the DIBAM.

3.222. During the period under review, the DDI embarked upon a modernization process in order to facilitate provision of its services, undertake new spheres of activity and expand the number of tools available to improve the dissemination and protection of rights. This has resulted in a constant increase in the number of annual administrative procedures (Table 3.11). In 2014, remote registration was introduced in order to respond to registration requests by owners of rights of national origin and those residing abroad using the Internet, which account for 30% of all applications.

Table 3.11 Administrative procedures by the Department of Intellectual Property Rights, 2009-2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Registration</th>
<th>Certificates</th>
<th>Consultation</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>12,584</td>
<td>1,839</td>
<td>1,272</td>
<td>15,695</td>
</tr>
<tr>
<td>2010</td>
<td>12,997</td>
<td>3,127</td>
<td>8,889</td>
<td>24,993</td>
</tr>
<tr>
<td>2011</td>
<td>13,169</td>
<td>3,212</td>
<td>11,461</td>
<td>27,842</td>
</tr>
<tr>
<td>2012</td>
<td>12,259</td>
<td>5,663</td>
<td>14,662</td>
<td>32,584</td>
</tr>
<tr>
<td>2013</td>
<td>13,046</td>
<td>6,749</td>
<td>15,307</td>
<td>35,102</td>
</tr>
</tbody>
</table>


3.223. Since the 2009 trade policy review, an important change to Law No. 17.336 was introduced by means of Law No. 20.435 of 4 May 2010. This incorporated international standards for the protection of intellectual property rights in the digital sphere. The Law introduced a new catalogue of exclusions and limitations to copyright and related rights and also contains provisions on enforcement and penalties, as well as on information on the management of rights. Two implementing Regulations were adopted for the proper implementation of Law No. 20.435: Decree Law No. 425, published in the Official Journal on 24 May 2011, which regulates the procedure for registering intellectual property mediators and arbitrators, the form and specifications for registration and the fees to be paid to mediators and arbitrators, and Decree No. 277 published in the Official Journal on 28 October 2013, which contains the implementing regulations for the current text of Law No. 17.336.

3.224. According to the authorities, the basic objectives of these amendments are: (i) to apply effective measures that guarantee a sufficient level of protection through civil and criminal proceedings for the enforcement of copyright and related rights in view of the frequent infringements commonly termed piracy; (ii) to establish a suitable framework of exclusions and limitations to copyright and related rights which guarantee access to cultural assets and the exercise of fundamental rights by the public, as is recognized in most international laws and in accordance with the flexibilities allowed by the TRIPS Agreement and reaffirmed by Chile in its various free trade agreements; and (iii) to regulate the responsibilities of Internet service providers, limiting their liability for infringement of copyright and related rights committed by users of their services on their networks, in accordance with Chile's international commitments in the free trade agreement signed with the United States.194 The authorities have pointed out that the amendments have in practice resulted in: adaptation of the existing rules to the requirements in FTAs; changes to the existing system of exclusions and limitations to copyright and related rights; the establishment of a new system of penalties, updating the sanctions already available and qualifying new offences; streamlining civil and criminal proceedings, introducing special preventive measures; and specifying certain aspects concerning the procedure for determining rates by collective management bodies.

194 Message from H.E. the President of the Republic launching a draft law amending Law No. 17.336, on intellectual property. (Bulletin No. 5012-03), available online at: http://www.leychile.cl/Consulta/portada_hl?tipo_norma=XX1&nro_ley=20435&anio=2014.
3.225. The legislation on copyright contains provisions regulating the collective management of copyright and related rights.\(^{195}\) Collective management bodies must be authorized by the Minister of Education in order to engage in their activities. They are obliged to agree, with any person who so requests, the concession of non-exclusive authorizations for the intellectual property rights they manage, in accordance with the rates they themselves fix. The royalties collected must be shared among the owners of the works or productions used in proportion to their use.

3.226. Law No. 20.435 introduced changes as regards mediation and arbitration in relation to collective rights management bodies and the rates they may fix. There are several collective management bodies in Chile.\(^{196}\) The rates are determined by the management bodies, through the governing body designated in their Statutes, and may differ according to the category of user. Alternative tariff plans may be fixed or special rates as a result of the signature of contracts with users' associations, which any user belonging to the same category may join. Nevertheless, since 2010 it has been determined that, in the case of associations with their own legal status representing users of copyright or related rights, if no agreement on the amount of the rates has been reached with a collective management body, this shall be done through a non-adversarial mediation procedure, whose decision shall be binding on both parties. If mediation is unsuccessful, the dispute may be put to arbitration.

3.3.5.5 Enforcement

3.227. Both the Industrial Property and Intellectual Property Laws contain provisions on infringement of intellectual property rights. The scope of these provisions has been amplified as a result of the amendments made to these laws. Depending on the offence, the infringement of intellectual property rights may lead to criminal sanctions (imprisonment or fines) and/or civil penalties (compensation for injury). The Industrial Property Law defines the offences against rights in trademarks, patents, utility models, industrial designs, integrated circuits and geographical indications and determines the respective fines, allowing confiscation of the tools or elements used to commit the offence for the benefit of the right holder, as well as the destruction of the articles produced illegally. In Chile, infringements of industrial property rights are not punishable by imprisonment; however, imprisonment does exist for violation of the Intellectual Property Law, which defines offences against copyright and related rights and underlines that such offences may result in a fine and/or term of imprisonment. Infringement of the rights of breeders of new plant varieties is also punishable by a fine or imprisonment.

3.228. The penalties to be imposed in cases of intellectual property offences were amended by Law No. 20.435 of 2010. The aim was to impose stricter punishment for infringement of copyright and related rights. The amount of the fines was therefore raised and they are decided by a judge. Fines range from 5 to 2,000 UTM (the equivalent of the maximum is US$137,792). In addition, the terms of imprisonment were increased, from 1 day to 10 years in the most serious cases. In general, imprisonment depends on the injury caused; if the amount of the injury caused is less than 4 UTM, the penalty is imprisonment of any length or a fine of 5 to 100 UTM; if the amount of the injury caused is 4 UTM or more but less than 40 UTM, the penalty is short-term imprisonment of minimum length and a fine of 20 to 500 UTM; when the amount of the injury is 40 UTM or more, the penalty is short-term imprisonment of minimum length (61 to 540 days of imprisonment) and a fine of 50 to 1,000 UTM. The penalties for publishing, reproducing or distributing a work falsely bearing the name of the authorized publisher, removing or changing the name of the author or the title of work, or modifying the text, are short-term imprisonment of minimum length and a fine of 10 to 1,000 UTM. Short-term imprisonment of minimum length and a fine of 50 to 800 UTM await any person who sells or leases directly to the public copies of works, performances or phonograms, irrespective of the medium, reproduced contrary to the law's provisions, while any person who for profit manufactures, imports, brings into the country or commercially distributes copies of such products shall be punishable by short-term imprisonment of medium or maximum length and a fine of 100 to 1,000 UTM.\(^{197}\) If any of the offences covered

\(^{195}\) Title V, Articles 91 to 102 of Law No. 17.336.

\(^{196}\) The Chilean Performers' Society, the Literary Rights Society, the Collective Management Body for the Rights of Chilean Audiovisual Producers, the Association of National Theatre, Cinema and Audiovisual Authors, the Management Society for Creators of Fixed Images, the Chilean Actors' Corporation, and the Collective Management Body for Producers of Phonograms and Videograms.

\(^{197}\) Short-term imprisonment of medium length is 541 to 818 days while maximum length is 819 to 1,095 days.
by the law is repeated, the maximum penalties applicable to each offence shall be imposed and
the fine may not be less than double the previous fine, with a maximum amount of 2,000 UTM.

measures. If an offence against industrial property rights, copyright or related rights has been
committed or there are justified reasons for thinking that an offence is being committed, the
owners of the rights may request the civil courts to suspend customs clearance of the goods. If the
suspension is to continue, the owner of the right must submit a request within ten days following
notification of the suspension of clearance. The customs authority may also suspend clearance of
goods ex officio for a maximum of five days when it is obvious that the goods bear a counterfeit
trademark or infringe copyright, in which case this must be notified immediately to the owner of
the right. The authorities have indicated that in 2013 over 2,215,689 units of goods which
infringed intellectual property were withheld. The value of the goods over this period is
not available.

3.230. Since January 2008, Chile has had a special police brigade for investigations into
infringement of intellectual property (the Intellectual Property Crimes Unit (BRIDEPI)). Together
with the National Customs Service, it carries out operations to defend and protect intellectual
property rights, as well as training its staff in detecting new forms of piracy and smuggling of
articles infringing intellectual property. There are also education campaigns on the value of
intellectual property. According to information provided by the authorities, during the period under
review there was a noticeable decrease in the number of intellectual property cases coming before
the FNE, which fell from 6,030 in 2009 to 2,809 in 2013.

3.231. Chile's legislation provides for the international exhaustion of rights. It therefore allows
parallel imports for all intellectual property rights. The Industrial Property Law provides that
patents do not give the right to prevent third parties from marketing the product covered by the
patent if they acquired it lawfully after the product was legally introduced into trade in any country
by the owner of the patent or by a third party, with the owner's consent. Likewise, the registration
of a trademark does not authorize the owner to prohibit third parties from using it on products
legally marketed in any country by the owner or with his express authorization. As regards
copyright and related rights, the legislation provides that the first sale or other transfer of
ownership in Chile or abroad exhausts the right of national and international distribution in respect
of the original or the transferred copy of the protected work.
4 TRADE POLICIES BY SECTOR

4.1 Agriculture, forestry and fishing

4.1.1 Agriculture and forestry

4.1.1.1 Main characteristics and objectives

4.1. Agriculture is a sector of great importance for Chile, due to its significant contribution to merchandise exports and employment. Chile enjoys a solid comparative advantage in agriculture, thanks, among other things, to its geographical location in the Southern hemisphere which leads to counter-seasonal production, and the diversity of its climate, which enables production to be diversified.

4.2. In 2014, agriculture (including livestock and forestry but excluding fishing) contributed 3.9% of GDP in current pesos, which is greater than in 2009 (2.8%) (Table 4.1). However, since 2009 the sector's growth has been erratic due to the global financial crisis, climate problems and the earthquake of 2010. The sector continues to be an important source of employment, absorbing 8.6% of the economically active population in 2014.

Table 4.1 Main indicators for the forestry and agriculture sector, 2009-2014

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of GDP (% at current prices)</td>
<td>2.8</td>
<td>2.7</td>
<td>2.8</td>
<td>2.6</td>
<td>2.7</td>
<td>3.9</td>
</tr>
<tr>
<td>Share of GDP (% at constant 2003 prices)</td>
<td>2.8</td>
<td>2.7</td>
<td>2.8</td>
<td>2.6</td>
<td>2.6</td>
<td>3.4</td>
</tr>
<tr>
<td>Real growth rate (% at 2003 prices)</td>
<td>-4.3</td>
<td>0.3</td>
<td>10.5</td>
<td>-2.0</td>
<td>4.7</td>
<td>1.0</td>
</tr>
<tr>
<td>Employment (% of total employment, end of period)</td>
<td>10.2</td>
<td>10.6</td>
<td>9.7</td>
<td>9.7</td>
<td>8.5</td>
<td>8.6</td>
</tr>
<tr>
<td>Agricultural exports (WTO definition)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>in US$ million</td>
<td>7,876</td>
<td>8,908</td>
<td>10,340</td>
<td>10,688</td>
<td>11,595</td>
<td>11,748</td>
</tr>
<tr>
<td>as % of total exports</td>
<td>14.2</td>
<td>12.5</td>
<td>12.7</td>
<td>13.7</td>
<td>15.1</td>
<td>15.3</td>
</tr>
<tr>
<td>growth rate (%)</td>
<td>-9.3</td>
<td>13.1</td>
<td>16.1</td>
<td>3.2</td>
<td>8.7</td>
<td>1.3</td>
</tr>
<tr>
<td>Agricultural exports (SITC Rev.3 definition)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>in US$ million</td>
<td>14,363</td>
<td>15,779</td>
<td>18,905</td>
<td>18,842</td>
<td>20,772</td>
<td>22,081</td>
</tr>
<tr>
<td>as % of total exports</td>
<td>25.9</td>
<td>22.2</td>
<td>23.2</td>
<td>24.2</td>
<td>27.1</td>
<td>28.8</td>
</tr>
<tr>
<td>Agricultural imports (WTO definition)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>in US$ million</td>
<td>3,197</td>
<td>4,157</td>
<td>5,401</td>
<td>5,804</td>
<td>5,969</td>
<td>6,002</td>
</tr>
<tr>
<td>as % of total imports</td>
<td>7.5</td>
<td>7.0</td>
<td>7.2</td>
<td>7.2</td>
<td>7.5</td>
<td>8.3</td>
</tr>
<tr>
<td>growth rate (%)</td>
<td>-24.2</td>
<td>30.0</td>
<td>29.9</td>
<td>7.5</td>
<td>2.8</td>
<td>0.5</td>
</tr>
<tr>
<td>Agricultural imports (SITC Rev.3 definition)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>in US$ million</td>
<td>3,419</td>
<td>4,594</td>
<td>5,987</td>
<td>6,386</td>
<td>6,568</td>
<td>6,601</td>
</tr>
<tr>
<td>as % of imports</td>
<td>8.0</td>
<td>7.8</td>
<td>8.0</td>
<td>8.0</td>
<td>8.3</td>
<td>9.1</td>
</tr>
</tbody>
</table>

Source: WTO Secretariat estimates, based on the Comtrade Database (SITC Rev.3), and Central Bank of Chile.

4.3. According to information provided by the authorities, during the review period, the most dynamic products were fruit, wines, seeds and timber plantations. This is reflected in the Chilean export offer since the principal export products are fruit, which in 2013 accounted for around 38% of agricultural exports, softwoods (18.7% of agricultural exports) and wine (12.4%). The authorities consider that the dynamism of agricultural exports during the period 2009-2014 was largely due to market opening, which created a scenario of competitiveness for the sector. Chile continues to be a net exporter of agricultural products. In 2014, agricultural exports (WTO definition) made up 15.3% of total exports (Table 4.1). The main markets for agricultural products are still the United States followed by China and Japan. Agricultural imports come mostly from the South American region. In 2014, Chile imported mainly oil-seeds (17.9%), bovine meat (15.6%) and cereals (15%).

4.4. Chile has a bimodal agriculture, with a relatively small number of large holdings on which the majority of the country's agricultural output is produced. The rest is grown on small farms, which contribute relatively little to agricultural production. Accordingly, in agriculture public expenditure is directed at the small farmer, the most economically disadvantaged group with poor access to

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1 WTO Secretariat estimates, based on the Comtrade Database (SITC Rev.3).
markets. Support for agriculture has the dual objective of improving the small farmer's competitiveness and hence his income.2

4.5. The opening-up of the Chilean economy has focused mainly on the sectors based on natural resources and the policies applied have had very positive effects, particularly where agricultural and fishery exports are concerned. Chile has become the world's second largest salmon producer and its fourth largest wine exporter. Despite this positive trend, the process of modernizing the agricultural sector is far from complete, since not enough has been invested in the rural infrastructure and some regions are lagging behind in innovation and business initiative, which has prevented them from taking advantage of opportunities for growth.3 For example, despite the existence of abundant water resources in some parts of the country, there is a water shortage in the central and northern parts of Chile, where most of the mining and farming, activities that consume large amounts of water, is carried out. Therefore, in order to increase the availability of water, Chile is in the process of building reservoirs and small regional dams and introducing methods of making more efficient use of the resource and crop varieties that require less water.

4.6. During the review period, Chilean agricultural policy focused on promoting competitiveness and innovation, including small-scale agriculture, as well as on maintaining a transparent and open domestic market. In particular, the principal strategies for 2014-2018 include: the strengthening and improvement of the plant and animal health regulations; and the development and upgrading of the production chains and distribution systems through improved interministerial coordination.

4.7. The Ministry of Agriculture is the main institution responsible for formulating and implementing agricultural policy through its various services. The Office for Agricultural Studies and Policy Development (ODEPA) is responsible for collecting market information and production and foreign trade statistics and supporting foreign trade policy, as well as collaborating in the formulation of agricultural policy through studies and analysis. The Institute for Agricultural Development (INDAP) helps Small-Scale Family Agriculture (AFC) to access extension systems and support for innovation, as well as financing programmes (loans and incentives) for working capital and investment; INDAP also promotes the expansion and improvement of AFC's conditions of access to local, regional, national and international markets by seeking to bring the producer and end consumer closer together. The Agricultural and Livestock Service (SAG) is the body responsible for sanitary and phytosanitary protection, as well as for renewable natural resources; the SAG is also required to facilitate export and import trade and to supervise the process of certification of export products. The National Forest Corporation (CONAF) is the entity responsible for promoting the sustainable use of the country's forest resources, administering the instruments for the development of forestry and promoting the generation of environmental services. The Chilean Agency for Food Quality and Safety (ACHIPIA) is responsible for designing and implementing national food safety policy. Other bodies subordinate to the Ministry of Agriculture include: the National Irrigation Commission (CNR), the Institute for Agricultural Research (INIA), the Foundation for Agricultural Communication, Training and Culture (FUCOA), the Natural Resources Information Centre (CIREN), the Foundation for Agricultural Innovation (FIA), the Forestry Institute (INFOR), and AGROSEGUROS.

4.1.1.2 Policy instruments

4.1.1.2.1 Border measures

4.8. Average tariff protection for agricultural products (WTO definition) was maintained at practically the same level during the review period, falling slightly from 6.1% in 2009 to 6% in 2014 (Table 3.2).4 This fall was due to the abatement of the protection for poultry meat.5 At present, tariff protection for all agricultural products stands at 6%, if the protection that would result from applying the price band system is disregarded. In accordance with this system, and on the basis of a formula, the tariff applicable to wheat, wheat flour and sugar (41 HS 2012 8-digit subheadings) would be calculated either by adding a specific duty to

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3 Ibid.
4 The 6% rate was used for products subject to price bands.
5 The rate of 12.5% applied to poultry meat (12 tariff lines of the HS 2007) was reduced to 6% in 2013 (information provided by the authorities).
the MFN ad valorem tariff, if the reference price falls below the lower limit of the price band, or by applying a tariff rebate, if the reference price exceeds the band’s upper limit.

4.9. Considering the bound tariff as a maximum of the ad valorem duty for those products which are subject to price bands, in 2014, the maximum average tariff for agricultural products was 7.2% (Section 3.1.4.2). However, according to the information provided by the authorities, the tariff applied to the products subject to price bands during the period 2009-2014 was 0%. At the end of 2014, the Price Band System was evaluated and it was decided that it would continue to be maintained as a means of protection against international price fluctuations for small-scale family farming, which largely depends on the cultivation of beetroot and wheat, products which the authorities consider to be subject to distortions and large price fluctuations when traded on international markets.

4.10. During 2009-2013 imports of products subject to price bands, with the exception of wheat (HS 100190) and cane sugar (HS 170111), declined or were non-existent as in the case of beet sugar (HS 17011200) (Table 4.2). Moreover, the products subject to the price band system have tariff bindings higher than the mode. In the Uruguay Round, with some exceptions (1.5% of total tariff lines), Chile bound its entire Tariff at 25%. Agricultural products which were not bound at 25% were bound at 31.5% and comprise 99 tariff lines (HS 2012 8-digit subheadings). These lines include various dairy products, wheat and wheat flour, oil-seeds and oleaginous fruits, and vegetable fats and oils. Cane or beet sugar (six 8-digit tariff lines in the HS 2012) was bound at a rate of 98% following a process of rectification under Article XXVIII of the GATT.6

Table 4.2 Imports of products subject to price bands, 2009-2014

<table>
<thead>
<tr>
<th>HS 2007</th>
<th>Description</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>100190</td>
<td>Other</td>
<td>160.7</td>
<td>152.2</td>
<td>214.8</td>
<td>280.6</td>
<td>308.0</td>
<td>223.6</td>
</tr>
<tr>
<td>110100</td>
<td>Wheat flour</td>
<td>6.3</td>
<td>3.1</td>
<td>1.4</td>
<td>2.9</td>
<td>1.9</td>
<td>2.7</td>
</tr>
<tr>
<td>170111a</td>
<td>Cane sugar</td>
<td>0.3</td>
<td>0.4</td>
<td>10.1</td>
<td>45.9</td>
<td>66.1</td>
<td>67.1</td>
</tr>
<tr>
<td>170112a</td>
<td>Beet sugar</td>
<td>n.a.</td>
<td>n.a.</td>
<td>0.0</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>170191b</td>
<td>Containing added flavouring or colouring matter</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td>170199b</td>
<td>Cane sugar, refined</td>
<td>264.0</td>
<td>263.1</td>
<td>372.2</td>
<td>280.7</td>
<td>217.2</td>
<td>169.8</td>
</tr>
</tbody>
</table>

n.a. Not available.
a Products subject to tariff quotas.
b Products subject to preferential tariff quotas.

Source: WTO Secretariat estimates, based on the ComTrade Database (SITC Rev.3).

4.11. Sugar is also subject to MFN and preferential tariff quotas. Chile maintains an MFN tariff quota of 60,000 tonnes per year for refined cane or beet sugar (HS 1701.9910, HS 1701.9920 and HS 1701.9990). The authorities have pointed out that during the period 2009–2014 the MFN quotas were not used, since owing to the price band system the applied tariff for these products was 0% (Table 3.4).7 Sugar imported under preferential tariff quotas must be used as an input in the preparation of food products for the domestic market and this preparation must involve a change in tariff heading. An individual importer can make use of a maximum of 20% of the total tariff quota.8 The quota allocation is proportional to the total amount of sugar actually processed and used as an input in the manufacture of food preparations destined for the domestic market by each of the producers. Producers who use 20% of the total industrial sugar

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7 WTO documents G/AG/N/CHL/33 of 12 May 2010; G/AG/N/CHL/36 of 27 May 2011; G/AG/N/CHL/38 of 4 May 2012 and G/AG/N/CHL/42 of 24 June 2013.
consumption will have an allocation equal to 20% of the total quota, the maximum amount that can be allocated individually.9

4.12. Within the context of the trade agreements it has signed, Chile has negotiated other preferential tariff quotas, for products such as beef and veal, poultry meat, pigmeat and dairy produce (Table A3.3). The tariffs applicable to these preferential quotas vary according to the agreement.

4.1.1.2.2 Other measures

4.13. According to the notifications received by the WTO, during the period 2009-2013 Chile did not subsidize any exports of agricultural products.10

4.14. The authorities consider that the dynamism of Chile's agricultural (and fishery) exports is largely due to trade liberalization, which has obliged the various industries to modernize and take the steps necessary to be able compete on the international market. The Chilean State has supported this effort by facilitating the access of safe and wholesome agricultural products to the international market, by ensuring the health of animals and plants. Animal and plant safety is a priority for Chile and therefore both imports and exports are subject to strict sanitary checks with control systems extending from the border or from the place of production, as the case may be, to ensure traceability.

4.15. The other export support programmes are aimed at internationalizing SMEs and innovative enterprises, encouraging participation in international fairs, promoting specific products and protecting intellectual property rights. To this end, ProChile is implementing programmes such as: Flavours of Chile (support for exports of Chilean foods and beverages) and the Chilean Wine Tour (dedicated to the promotion of Chilean wine abroad), together with others to support the creation and launch of sectoral brands, for example, Pisco Chile, Chile Salmon and Fruits from Chile, to gain recognition for a particular sector. ProChile also offers guidance and training services for exporters, carries out market surveys and provides information for potential exporters. Moreover, ProChile runs a programme for facilitating and promoting access to the international markets for goods and services produced by small-scale family farming.

4.16. ProChile also manages specific co-financing programmes for the promotion of forestry and agricultural exports, such as the Agriculture and Forestry Fund. Through this Fund, ProChile offers co-financing to both exporters and potential exporters for any activity required to promote exports (Section 3). The authorities have noted that during the period 2009-2014 ProChile provided some US$47 million in financing through the Forestry and Agriculture Fund.

4.17. In 2011, as a means of differentiating Chilean products on the international market, Chile implemented the Seal of Origin programme, with a view to promoting the use and protection of Chilean products through the registration of a geographical indication (GI) or appellation of origin (AO), collective marks and certification marks. The programme is intended to promote production by protecting the quality and reputation of genuine typical Chilean craft or agricultural and forestry products. By December 2014, five geographical indications, three appellations of origin, six certification marks and four collective marks had been registered. In addition, several applications were being processed (Section 3.3.5.3).11

4.18. Public expenditure on agriculture has focused on encouraging competitiveness and productivity, with the emphasis on improving the return on small-scale farming. During the period 2009-2013 central government budgetary expenditure on the agricultural sector amounted to around Ch$1,615 million.

4.19. The Ministry of Agriculture has implemented a series of programmes to facilitate access to financing for small-scale family farmers and SMEs, designed to meet the sector's various needs. The Ministry is offering a series of financing, promotion, technical assistance and/or training

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9 Exempt Resolution No. 4.062 of 29 October 2003, as amended by Exempt Resolution No. 2.897 of 5 July 2005.
10 WTO documents G/AG/N/CHL/32 of 12 May 2010; G/AG/N/CHL/35 of 27 May 2011; G/AG/N/CHL/39 of 14 May 2012; G/AG/N/CHL/41 of 21 June 2013 and G/AG/N/CHL/45 of 6 August 2014.
11 Information provided by the authorities and online information: http://www.sellodeorigen.cl.
facilities (Table A4.1). Public expenditure on agriculture continues to be targeted mainly at irrigation, soil reclamation, rural development, land management and financing. Most of the programmes are being implemented by the Institute for Agricultural Development (INDAP), one of the Ministry of Agriculture's subordinate bodies, whose objective is to promote the economic, social and technological development of small-scale family farming. To this end, INDAP is implementing programmes for promoting the productive and technological development of the small-scale farmer.

4.20. Chile has notified the WTO of a series of programmes as measures exempt from reduction (green box) or considered to fall below the agreed de minimis level. The measures notified during the review period (2009-2014) were the same as during the previous period (2003-2008) and concern general support services, direct payments to producers, and disaster relief payments.

4.21. Comercializadora de Trigo S.A. (COTRISA), the only State trading enterprise, was established for the general purpose of reducing the distortions due to structural defects present in the markets and, according to the authorities, to support the application of the Price Band Law. For example, since the 2010/2011 harvest, COTRISA has implemented a public policy of support for domestic agriculture called the "Wheat Purchases Plan", aimed at maintaining fair and competitive domestic prices (Section 3.3.3).

4.22. In addition to the support programmes, since 2014, various initiatives have been introduced to create markets for goods produced by the small-scale farmer, such as: the development of a seal for small-scale farming products, the shortening of the distribution chains between the producer and the consumer, and the promotion of agriculture's participation in government procurement. Thus, it is hoped that family farming could become a major supplier of public food markets, in particular within the context of the School Meals Programme (PAE).

4.23. Chile subsidizes the premiums on agricultural insurance policies that provide cover for weather risk, the death of bovine animals and damage to infrastructure caused by fire and other risks. In general, the State pays 50% of the net insurance premium plus a fixed amount of 1.5 UF per policy, with a maximum of 80 UF per farmer per farming season. However, for cereals (rice, grain oats, grain barley, rye, grain maize, wheat and triticale), the amount paid by the State is 75% of the net premium, plus a fixed amount of 0.6 UF per policy, with a maximum of 80 UF per farmer per farming season. In 2014, the average subsidy per policy was 7.72 UF and 75% of policies were taken out by small-scale farmers.

4.24. In 2013, a total of 98,782 hectares were insured (or 7% of the land used for production). Although there has been an increase in the number of hectares insured since insurance was introduced in 2000, the use of insurance, despite the subsidy available, is still low, since only 7% of the hectares in production are insured. At present, only 3 of the 22 general insurance companies established in Chile offer agricultural insurance. The Chilean small farmer also has access to another form of insurance called "wheat and maize price cover", the purpose of which is to reduce the risk of international price fluctuations. The State subsidizes 50%, plus 1.5 UF per policy, with a ceiling of 80 UF per farmer per farming season. In 2012-2013, the 350 policies taken out were used to insure some 298,000 metric quintals of

12 Further information concerning the different programmes can be found online by visiting: INDAP (http://www.indap.cl); CONAF (http://www.conaf.cl) and FIA (http://www.fia.cl).
13 INDAP’s various programmes can be viewed online at: http://extranet.indap.cl/Programasdeindap/default.aspx.
15 INDAP defines the small-scale farmer as a natural person who farms an area of not more than 12 hectares with basic irrigation, whose assets do not exceed the equivalent of 3,500 UF, who works the land directly and whose income comes mainly from farming.
16 WTO documents G/AG/N/CHL/34 of 27 May 2011; G/AG/N/CHL/37 of 4 May 2012; G/AG/N/CHL/40 of 10 June 2013 and G/AG/N/CHL/43 of 6 August 2014.
17 WTO document G/STR/N/15/CHL of 25 September 2014.
18 Viewed at: http://www.senado.cl/site/presupuesto/2013/cumplimiento/Glosas_2013/quinta_subcomision/13_Agricultura_2013/ORD_N%C2%B0 121/Glosas 3 Trimestre/Programa 01/Glosa N%C2%B0 12/Informe Resumen Programa de Compras de Trigo.pdf); and WTO document G/STR/N/15/CHL of 25 September 2014.
grain maize (equivalent to some 2,000 cultivated hectares) and 7,000 metric quintals (equivalent to 100 cultivated hectares) of wheat. The authorities have noted that insurance was not used in 2014.

4.1.2 Fishing

4.25. Chile has a 4,300 km long coastline and within its exclusive economic zone there are highly productive eco-systems. These have endowed the country with almost unique advantages as a producer of highly valued fishery resources in great demand on world markets, enabling it to position itself among the top ten fishery resource producers in the world.

4.26. Fishing's share of GDP remained stable during the review period (2009-2014), oscillating between 0.4% and 0.5%. Although the sector’s contribution to GDP may not seem very significant, fishing is one of Chile's most important sectors in terms of exports and regional development, since it is in the more remote regions that the main species are mostly produced (Table 4.3).

Table 4.3 Main indicators for the fisheries sector, 2009-2014

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of GDP (% at current prices)</td>
<td>0.4</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.4</td>
<td>0.4</td>
</tr>
<tr>
<td>Real growth rate (% at 2003 prices)</td>
<td>-14.2</td>
<td>-0.2</td>
<td>21.3</td>
<td>5.2</td>
<td>-12.7</td>
<td>5.3</td>
</tr>
<tr>
<td>Employment (% of total, end of period)</td>
<td>0.8</td>
<td>0.6</td>
<td>0.6</td>
<td>0.7</td>
<td>0.6</td>
<td>0.7</td>
</tr>
<tr>
<td>Exports (% of total) a</td>
<td>4.8</td>
<td>3.6</td>
<td>4.4</td>
<td>4.5</td>
<td>5.4</td>
<td>6.5</td>
</tr>
<tr>
<td>Exports (% of total) b</td>
<td>5.4</td>
<td>4.0</td>
<td>4.8</td>
<td>4.9</td>
<td>5.8</td>
<td>6.9</td>
</tr>
<tr>
<td>Exports (% of total) c</td>
<td>7.6</td>
<td>5.3</td>
<td>5.8</td>
<td>5.9</td>
<td>6.9</td>
<td>8.2</td>
</tr>
</tbody>
</table>

a  | HS Chapter 3.

b | According to SITC Rev.3.

c | Information provided by the authorities.

Source: WTO Secretariat estimates, based on the Comtrade Database (SITC Rev.3), and Central Bank of Chile.

4.27. Chile is a net exporter of fishery resources. In 2013, fisheries sector exports accounted for about 5% of the country's total exports. Aquaculture contributes 56.6% of exports and caught fish the rest. In October 2014, fishing and aquaculture exports totalled US$5,159 million, an increase of 19.7% as compared with the same period in the previous year. This figure also represents an increase of 7% with respect to the average for the period 2009-2014. In 2014, export volume amounted to 1.1 million tonnes, an increase of 6% on the previous year and 15.7% higher than the average for 2009-2014.20

4.28. In 2014, Chile exported 93 kinds of fishery resources. The 8 main resources accounted for 86.7% of the total value of fishing and aquaculture exports. Atlantic salmon is the most important export resource, accounting for 50.3% of the total value of fishing and aquaculture exports. In 2014, the value of Atlantic salmon exports amounted to US$2,593 million, followed by rainbow trout and Pacific salmon.21

4.29. Chile's fisheries exports are quite heavily concentrated in terms of their destination. Although at the end of October 2014 Chile was exporting to 110 destinations, just 9 of them were absorbing 77.8% of the total exported, in value terms. The United States is still the sector's main trading partner, with 26.7% of the total value being exported there in 2014, an increase of 24.9% on 2013. The second most important market is Japan, which accounted for 18.8% of the total, followed by Brazil, China and the Russian Federation.

4.30. One of the most important changes in the fisheries sector since the last review is the amendment, in 2013, of the General Law on Fishing and Aquaculture of 1991, which included provisions for ensuring the sustainability of hydrobiological resources. In particular, the conditions of access to industrial and small-scale fishing activities were modified and new provisions for

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supervising fishery resources were included. In the aquaculture subsector the most important changes concerned environmental and health issues. By virtue of Supreme Decree No. 72 of 13 June 2011, the sanitary requirements for importing hydrobiological species were adapted to the OIE risk analysis.

4.31. The Undersecretariat of Fishing and Aquaculture of the Ministry of the Economy is the agency responsible for formulating fishing and aquaculture policy. The Undersecretariat is divided into various services with different mandates. These include: the Fisheries Administration Fund (FAP), responsible for promoting and developing small-scale fishing and for implementing programmes for the surveillance, supervision and administration of activities associated with small-scale and recreational fishing; the Fishing and Aquaculture Research Fund (FIP), which finances studies needed to underpin the adoption of fishery and aquaculture management measures; the National Fishing Council (CNP), responsible for providing the Undersecretariat of Fishing with opinions, recommendations and technical reports on all the matters indicated in the General Law on Fishing and Aquaculture; and the National Fisheries Service (SERNAPESCA), which verifies compliance with the fishing and aquaculture regulations, provides services to facilitate their implementation, and is responsible for the sanitary supervision of the sector. Other bodies involved with the sector include: the Institute for the Promotion of Fishing (IFOP); the National Aquaculture Commission; the Management Committees for the various species; and the Zonal Fishing Councils.

4.32. The amendment of the General Law on Fishing and Aquaculture led to the establishment of new subordinate bodies such as the Scientific and Technical Committees for Fishing and the Scientific and Technical Committees for Aquaculture. The Management Committees determine the range within which the global catch quota can be fixed, previously the responsibility of the National Fisheries Council. Quotas are now established on the basis of purely scientific variables, which mainly take the conservation objective into account, whereas previously other variables were considered. Because of this change, in 2014 the quotas for all fishery resources were reduced on average by 37%.

4.33. Chile has four types of regime for granting access to fishery resources: (i) a general access regime; (ii) a regime for species being fully exploited; (iii) a recovering fisheries regime; and (iv) an incipient fisheries regime. For each regime there is a different fishing permit: for the general access regime fishing authorizations are granted; for the fully exploited fisheries regime licences are granted; and for the recovering and incipient fisheries regimes special permits are granted.

4.34. Persons interested in engaging in industrial fishing within the framework of the general access regime must, for each vessel, request a fishing authorization from the Undersecretariat of Fishing and Aquaculture. The fishing-boats must be registered in Chile, in accordance with the provisions of the Shipping Law. If the applicant is a natural person, he must be a Chilean or a foreigner with a permanent residence permit, and if the applicant is a legal person, it must be lawfully established in Chile. These authorizations are granted when the following requirements are met: valid evidence of ownership of the vessel for which a fishing authorization is requested; identification of the hydrobiological species it is intended to exploit and the fishing area in which it is proposed to catch fish; identification and characteristics of the vessel to be used; and specification of the fishing method, system or gear to be employed. The application may be rejected on natural resource management grounds.

4.35. Valid fishing authorizations issued under the general access regime can be transferred into authorizations for the regime for species being fully exploited, in the event of the fishery units for

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23 Law No. 20.434 of 8 April 2010.


25 In fisheries subject to the full exploitation regime, annual global catch quotas, applicable from the following calendar year, may be fixed for each fishery unit.

which the general regime authorization is held being declared to be in a state of full exploitation. These authorizations will be transferable with the vessel, where these fishery units are concerned\(^{27}\), and are indivisible. Once the full exploitation regime has been declared, the acceptance of applications and the granting of fishing authorizations will be suspended. New operators are admitted to fisheries under the full exploitation regime only through the transfer of authorizations already granted.

4.36. Overexploited fisheries are declared to be in the recovering fisheries regime\(^{28}\). When a fishery is declared to be in the recovery regime, all the fishing authorizations relating to that fishery expire. In this case, the Undersecretariat of Fishing may only award, by competitive bidding, the right to catch, each year, the equivalent, in tonnes, of 10% of the global industrial catch quota\(^{29}\). However, before the auction is held, it has to be determined how the global catch quota will be divided up between the small-scale fishing sector and the part of the quota to be auctioned. For incipient fisheries, as for recovering fisheries, each year the Undersecretariat will award, by competitive bidding, the right to catch the equivalent, in tonnes, of 10% of the industrial fraction of the global catch quota\(^{30}\). Only 50% of the global quota is auctioned and the rest of the global catch quota is reserved for the small-scale fishing sector for a period of three years.

4.37. The Ministry, on the basis of a technical report from the Undersecretariat and the Scientific and Technical Committee, may establish prohibitions or measures for managing hydrobiological resources. These measures include: (a) a biological closed season by species within a particular area for a specific period of time, initially two years, which may be extended in accordance with specified biological indicators; (b) a temporary or permanent ban on the catching of species protected under international agreements to which Chile is party; and (c) the establishment of annual catch quotas by species within a specified area or global catch quotas. The global catch quotas may be fixed for periods of up to three years, with the annual catch volume always being established. If the whole of the annual catch is not caught, the remainder cannot be carried over to the following year (Article 3.1).

4.38. In fisheries subject to the full exploitation regime annual global catch quotas may be established for each fishery unit. The annual global catch quotas may be distributed over two or more periods of the year and may not be amended, unless there is new scientific data to justify the change. Holders of industrial fishing authorizations, in full exploitation fisheries in which a global catch quota has been established, are granted Class A transferable fishing licences or transferable individual quotas (CIT), which replaced tradable fishing licences (LTP). Whereas the LTPs did not expire, the Class A licences are valid for 20 years, renewable, and indicate the percentage of the global quota allocated to industrial fishing\(^{31}\). This percentage is progressively decreasing, so as to transfer fishing rights to other holders, but never by more than 15% of the original share. According to the law, if a fishery is at a level equal to or greater than 90% of its maximum sustainable yield, 5% of the industrial fraction quota will be auctioned off, when it reaches 95% another 5% will be auctioned off, and when it reaches 100% an additional 5%. This system enables other operators to obtain access to fishery resources. Holders who obtain authorization to exploit the fishery resource through auctions obtain a Type B transferable licence valid for 20 years, at the end of which they are re-auctioned. So far, no auction has been

\(^{27}\) “Fishery unit” is taken to mean the industrial fishing of one particular hydrobiological species within a specific geographical area.

\(^{28}\) A recovering fishery is one that is overexploited and subject to a closed season of at least three years to enable it to recover and in which it is possible to establish a global catch quota. Article 39.3 of the General Law on Fishing and Aquaculture (Law No. 18.892 of 1989 and its amendments).

\(^{29}\) This right is bestowed by means of a special fishing permit authorizing the persons to whom individual catch quotas are awarded to carry out fish catching activities for the period of validity of the permit in fisheries under full exploitation regimes or in incipient or recovering fisheries.

\(^{30}\) An incipient fishery is one subject to the general access regime in which it is possible to fix a global catch quota but in which there are not many participating operators or the annual catch is less than 10% of the quota (Article 40).

\(^{31}\) The original participation ratio of each shipowner holding valid fishing authorizations for the fishery unit in question is determined by dividing the catches of all the shipowner's authorized vessels corresponding to the three calendar years prior to the declaration of the regime by the total catches made during the same period corresponding to all the shipowners with a fishing authorization in effect at the time.
organized, since there is still no regulatory framework and the maximum sustainable yields have not been determined.  

4.39. The new licences of Type A and Type B are completely transferable and not tied to the vessel, as were the old licences. Up until 2013, to be able to transfer a licence it was also necessary to buy the vessel with the licence. However, ships used for fishing will have to have been previously listed in the Ship Register. Listing allows them to operate in the fishery that corresponds to the transferable fishing licence or special fishing permit, for a period equivalent to the term of that licence or permit. Ships listed in the Ship Register must be registered in Chile. If the holder of an authorization or permit is a legal person with foreign capital, the fishing vessels it needs to carry out the activity must be registered in its name.

4.40. Every year the holders of fishing authorizations and special permits and of tradable licences A and B must pay a single fishing fee for each vessel engaged in fish catching activities. Holders of Class A tradable fishing licences will pay, in addition to this fee, a specific tax, the amount of which depends on the number of tonnes they are entitled to catch.

4.41. The promotion of small-scale fishing is a main pillar of Chilean economic development policy. To this end, there are areas exclusively reserved for this activity and a fraction of all global quotas is reserved for small-scale fishing. In general, the first five nautical miles of the territorial waters and catching fish from Chile's beaches and in its inland waters are reserved for small-scale fishing. However, subject to a technical report from the appropriate Zonal Fishing Council, industrial vessels may carry out fishing operations in regions reserved for small-scale fishing in order to exploit specific resources. The extraction of hydrobiological resources from inland waters is reserved exclusively for small-scale fishermen.

4.42. In order to promote small-scale fishing, the Small-Scale Fishing Promotion Fund has also been established. The resources of this Fund are used, among other things, for developing the infrastructure required by the sector; training small-scale fishermen; and the replenishment of the hydrobiological resources exploited by small-scale fishermen and their artificial cultivation. According to the information provided by the authorities, the Fund's budget for 2009-2014 was Ch$4,500 million. There is also a series of other fishery promotion programmes (Table A4.2).

4.43. Like industrial fishing, small-scale fishing is strictly regulated in Chile. Thus, by means of an Undersecretariat resolution, it is possible to: (a) organize days or periods for catching fish; (b) limit the number of daily fishing trips; (c) distribute the small-scale fraction of the global catch quota by region, fleet or size of vessel and area; and (d) redistribute 50% of the uncaught balances at the end of each period, by allocating those balances to another region or fishery unit included in the respective global catch quota.

4.44. The aquaculture subsector continues to be of major importance for Chile since it is one of its main export industries. In 2014, the exports of the aquaculture subsector amounted for 53.8% and 77.4% of the volume and total value of fisheries product exports, respectively. The volume of aquaculture exports was around 606,800 tonnes and reached a value of US$3,995 million. The volume exported was 24.8% higher than in 2013.

4.45. By carrying out technical studies, the Ministry of Defence determines the areas appropriate for aquaculture and grants aquaculture concessions, subject to an analysis by the Undersecretariat and the Environmental Assessment Service (SEA). The concessions grant the right to use specified national assets, for a period of 25 years renewable, to engage in aquaculture-related activities. The rights under these concessions may be transferred, leased or conceded. Every year, the holders of aquaculture concessions and authorizations pay an aquaculture fee of 2 UTM per hectare, except in the case of aquaculture concessions or authorizations for exotic fish, when the fee is 20 UTM per hectare.

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32 The regulations governing auctions are being drawn up. Nevertheless, the authorities have indicated that if the foreign company is lawfully established in Chile, it may participate in the auctions.
33 The Small-Scale Fishing Promotion Fund is financed by contributions from the Undersecretariat of Fishing, by other contributions and by 50% of the fines collected for infringements of the Law on Fishing.
4.46. To obtain aquaculture concessions it is necessary to make an application in writing to the Undersecretariat. Aquaculture concessions may only be granted to natural persons who are Chilean nationals or foreigners permanently resident in the country and to Chilean legal persons established under Chilean law. If the Chilean legal person is partially foreign-owned, the capital investment must have received the prior approval of the corresponding competent authority. There is no reciprocity requirement for foreigners, as is the case with fishing.

4.47. Through the Fisheries Research and Aquaculture Fund (FIPA), the Undersecretariat finances the fisheries research and aquaculture projects necessary to determine the measures that need to be taken to conserve hydrobiological resources, taking into account the economic and social, as well as the biological, aspects. Other programmes that Chile has implemented have been focused on investment in human capital and fishing productivity. For example, during the review period Chile implemented programmes for supporting the victims of natural disasters, supporting fishing industry workers, and promoting the use of insurance and non-conventional renewable energies (NCRE).

4.2 Mining

4.2.1 General characteristics and main products

4.48. Mining is of fundamental significance for Chile. The mining sector is one of the most important in the Chilean economy with an 11.2% share of GDP at current prices in 2014.\(^ {35}\) The general mining production index, a measure of the industry's performance, rose by 10.8% during the period 2009-2013. The mining sector is a capital-intensive sector and its contribution to employment is considerably lower than its contribution to GDP. The sector employed 0.94% of the country's total labour force during 2013.\(^ {36}\)

4.49. Moreover, the mining sector is Chile's principal export sector and the main destination for foreign investment in the country. High international mineral prices have contributed to this. The leading export product is copper (Table 4.4). During the decade 2004-2013, foreign investment in mining (under Decree Law No. 600) accounted for 37.1% of the foreign capital invested in Chile, totalling more than US$47,000 million.\(^ {37}\)

Table 4.4 Main mining product exports, 2009-2014

<table>
<thead>
<tr>
<th>Mining product</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metal mining</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Copper</td>
<td>26,271.1</td>
<td>39,217.1</td>
<td>43,614.2</td>
<td>41,779.4</td>
<td>39,737.8</td>
<td>37,968.3</td>
</tr>
<tr>
<td>Gold</td>
<td>910.7</td>
<td>1,047.0</td>
<td>1,486.6</td>
<td>1,678.2</td>
<td>1,416.2</td>
<td>1,087.0</td>
</tr>
<tr>
<td>Molybdenum</td>
<td>1,360.5</td>
<td>1,627.6</td>
<td>1,899.1</td>
<td>1,669.7</td>
<td>1,176.9</td>
<td>1,618.3</td>
</tr>
<tr>
<td>Iron</td>
<td>560.0</td>
<td>1,103.3</td>
<td>1,618.5</td>
<td>1,348.4</td>
<td>1,375.8</td>
<td>1,140.2</td>
</tr>
<tr>
<td>Silver</td>
<td>313.1</td>
<td>368.6</td>
<td>625.0</td>
<td>509.6</td>
<td>379.9</td>
<td>195.5</td>
</tr>
<tr>
<td>Zinc</td>
<td>19.7</td>
<td>45.1</td>
<td>47.1</td>
<td>42.8</td>
<td>33.6</td>
<td>51.1</td>
</tr>
<tr>
<td>Total exports</td>
<td>29,435.2</td>
<td>43,415.7</td>
<td>49,307.5</td>
<td>47,028.1</td>
<td>44,120.2</td>
<td>42,060.4</td>
</tr>
<tr>
<td>Non-metal mining</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Iodine</td>
<td>361.6</td>
<td>407.5</td>
<td>658.7</td>
<td>907.0</td>
<td>842.1</td>
<td>693.0</td>
</tr>
<tr>
<td>Salt petre</td>
<td>129.0</td>
<td>156.6</td>
<td>130.1</td>
<td>209.4</td>
<td>117.9</td>
<td>127.2</td>
</tr>
<tr>
<td>Lithium carbonate</td>
<td>114.7</td>
<td>174.4</td>
<td>204.1</td>
<td>247.0</td>
<td>225.8</td>
<td>228.7</td>
</tr>
<tr>
<td>Sea and table salt</td>
<td>122.0</td>
<td>112.8</td>
<td>150.2</td>
<td>102.4</td>
<td>119.2</td>
<td>173.2</td>
</tr>
<tr>
<td>Sodium sulphate</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.3</td>
<td>0.0</td>
</tr>
<tr>
<td>Natural borates, unrefined</td>
<td>5.1</td>
<td>5.5</td>
<td>9.2</td>
<td>15.4</td>
<td>11.6</td>
<td>9.0</td>
</tr>
<tr>
<td>Siliceous meals</td>
<td>2.6</td>
<td>0.0</td>
<td>0.0</td>
<td>0.5</td>
<td>0.5</td>
<td>0.4</td>
</tr>
<tr>
<td>Other</td>
<td>29.0</td>
<td>55.4</td>
<td>137.1</td>
<td>199.5</td>
<td>145.4</td>
<td>224.4</td>
</tr>
<tr>
<td>Total exports</td>
<td>735.0</td>
<td>856.8</td>
<td>1,152.3</td>
<td>1,481.7</td>
<td>1,317.4</td>
<td>1,231.5</td>
</tr>
<tr>
<td>Non-metal mining</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mining exports (Total)</td>
<td>30,199.2</td>
<td>44,327.9</td>
<td>50,596.9</td>
<td>48,709.3</td>
<td>45,583.0</td>
<td>43,516.3</td>
</tr>
</tbody>
</table>

Source: Central Bank of Chile and Chilean Copper Commission (COCHILCO).


4.50. In 2014, mining products accounted for 56.8% of total exports, with sales having an f.o.b. value of more than US$43,516.3 million.\footnote{38} Clearly, metals generate the great majority of the export earnings of the Chilean mining sector. Table 4.5 shows the mining products that make a substantial contribution to the country’s exports. Copper stands out as the foremost export product.

<table>
<thead>
<tr>
<th>Table 4.5 Mining’s share of exports, 2009-2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>(% of total exports)</td>
</tr>
<tr>
<td>Mining product</td>
</tr>
<tr>
<td>Copper</td>
</tr>
<tr>
<td>Gold</td>
</tr>
<tr>
<td>Iron</td>
</tr>
<tr>
<td>Molybdenum</td>
</tr>
<tr>
<td>Silver</td>
</tr>
<tr>
<td>Iodine</td>
</tr>
<tr>
<td>Total Mining</td>
</tr>
</tbody>
</table>

Source: COCHILCO.

4.2.1.1 Copper

4.51. Copper is Chile’s primary export product and an important generator of value added. Copper production accounted for 9.8% of GDP in 2013 and an estimated 10.1% in 2014.\footnote{39} Chile is the world’s largest copper producer and supplier, with a total output of 5.75 million tonnes of mined copper in 2014, a level similar to that of the previous year.\footnote{40} Chile’s mining industry is responsible for 31.5% of global production\footnote{41} and it is estimated that the country possesses about 28% of world copper reserves.\footnote{42} The Chilean National Copper Corporation (CODELCO-CHILE), a Chilean State-owned enterprise, is the world’s largest refined copper producer, with an output of 1.79 million tonnes in 2013. In 2013, the mining industry generated f.o.b. copper exports worth more than US$39,700 million.\footnote{43} Exports contracted slightly in 2014, amounting to US$37,968.3 million or 87.3% of the total mining sector exports.\footnote{44}

4.52. The main destination for Chilean copper exports during the review period was the Asian continent, where in 2014 some 71.8% of the total was concentrated. The leading destination for copper exports is China, with 38.7% of the total in 2014. The second largest market is Japan (13.3%), followed by the Republic of Korea (8.3%), India (6.2%) and Brazil (5.7%) (Table 4.6).

<table>
<thead>
<tr>
<th>Table 4.6 Chilean copper exports, by country of destination, 2009-2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>(% estimated)</td>
</tr>
<tr>
<td>Destination</td>
</tr>
<tr>
<td>Germany</td>
</tr>
<tr>
<td>Belgium</td>
</tr>
<tr>
<td>Bulgaria</td>
</tr>
<tr>
<td>Spain</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Destination</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>3.7</td>
<td>2.6</td>
<td>2.4</td>
<td>2.1</td>
<td>1.7</td>
<td>2.2</td>
</tr>
<tr>
<td>Netherlands</td>
<td>4.1</td>
<td>3.4</td>
<td>4.4</td>
<td>2.6</td>
<td>3.0</td>
<td>2.2</td>
</tr>
<tr>
<td>Italy</td>
<td>3.1</td>
<td>4.5</td>
<td>4.4</td>
<td>3.5</td>
<td>2.7</td>
<td>3.1</td>
</tr>
<tr>
<td>Other</td>
<td>2.2</td>
<td>2.4</td>
<td>1.8</td>
<td>2.3</td>
<td>1.0</td>
<td>1.1</td>
</tr>
<tr>
<td>Total Europe</td>
<td>20.4</td>
<td>18.0</td>
<td>18.2</td>
<td>15.9</td>
<td>13.6</td>
<td>14.0</td>
</tr>
<tr>
<td>Brazil</td>
<td>5.2</td>
<td>5.8</td>
<td>5.3</td>
<td>5.2</td>
<td>6.1</td>
<td>5.0</td>
</tr>
<tr>
<td>Canada</td>
<td>1.2</td>
<td>0.5</td>
<td>0.2</td>
<td>0.2</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td>United States</td>
<td>5.6</td>
<td>4.4</td>
<td>6.4</td>
<td>7.3</td>
<td>8.4</td>
<td>5.7</td>
</tr>
<tr>
<td>Mexico</td>
<td>1.3</td>
<td>1.8</td>
<td>1.4</td>
<td>0.5</td>
<td>0.4</td>
<td>0.3</td>
</tr>
<tr>
<td>Other</td>
<td>0.7</td>
<td>0.8</td>
<td>0.7</td>
<td>0.7</td>
<td>0.4</td>
<td>0.3</td>
</tr>
<tr>
<td>Total America</td>
<td>14.0</td>
<td>13.3</td>
<td>14.0</td>
<td>13.8</td>
<td>16.4</td>
<td>12.4</td>
</tr>
<tr>
<td>South Korea</td>
<td>7.9</td>
<td>7.4</td>
<td>7.5</td>
<td>7.2</td>
<td>7.7</td>
<td>8.3</td>
</tr>
<tr>
<td>China</td>
<td>32.9</td>
<td>32.6</td>
<td>32.1</td>
<td>30.9</td>
<td>36.9</td>
<td>38.7</td>
</tr>
<tr>
<td>India</td>
<td>3.1</td>
<td>3.8</td>
<td>4.0</td>
<td>5.9</td>
<td>5.1</td>
<td>6.2</td>
</tr>
<tr>
<td>Japan</td>
<td>9.9</td>
<td>11.8</td>
<td>13.1</td>
<td>13.0</td>
<td>12.5</td>
<td>13.3</td>
</tr>
<tr>
<td>Chinese Taipei</td>
<td>3.8</td>
<td>3.8</td>
<td>3.7</td>
<td>3.4</td>
<td>3.1</td>
<td>3.4</td>
</tr>
<tr>
<td>Other</td>
<td>2.2</td>
<td>2.3</td>
<td>2.6</td>
<td>2.6</td>
<td>2.7</td>
<td>1.9</td>
</tr>
<tr>
<td>Total Asia</td>
<td>59.7</td>
<td>61.7</td>
<td>63.0</td>
<td>63.0</td>
<td>68.0</td>
<td>71.8</td>
</tr>
<tr>
<td>Other continents</td>
<td>5.8</td>
<td>7.0</td>
<td>4.7</td>
<td>7.3</td>
<td>2.1</td>
<td>1.8</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: COCHILCO.

4.2.1.2 Other metals

4.53. Production of the main non-copper metals (chiefly molybdenum, gold, silver, iron and zinc) mostly rose steadily, albeit moderately, during the period 2009-2013, a trend which in most cases continued into 2014. Particularly noteworthy is the increase in iron mining, which more than doubled in volume during the period, aided by the rise in international prices (Table 4.7).

Table 4.7 Non-copper metal production, 2009-2014

<table>
<thead>
<tr>
<th>Product</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Molybdenum (tonne refined)</td>
<td>34,924.9</td>
<td>37,185.5</td>
<td>40,889.3</td>
<td>35,089.9</td>
<td>38,715.4</td>
<td>48,770.2</td>
</tr>
<tr>
<td>Gold (kg refined)</td>
<td>40,834.0</td>
<td>39,494.0</td>
<td>45,137.0</td>
<td>49,936.0</td>
<td>51,309.0</td>
<td>44,155.5</td>
</tr>
<tr>
<td>Silver (kg refined)</td>
<td>1,301,018</td>
<td>1,286,688</td>
<td>1,291,272</td>
<td>1,194,521</td>
<td>1,173,845</td>
<td>1,575,148</td>
</tr>
<tr>
<td>Lead (tonne refined)</td>
<td>1,511.0</td>
<td>695.0</td>
<td>841.0</td>
<td>410.0</td>
<td>1,829.0</td>
<td>n.a.</td>
</tr>
<tr>
<td>Zinc (tonne refined)</td>
<td>27,801.0</td>
<td>27,662.0</td>
<td>36,602.0</td>
<td>26,762.0</td>
<td>29,759.0</td>
<td>n.a.</td>
</tr>
<tr>
<td>Iron (000 tonne ore)</td>
<td>8,242.3</td>
<td>9,129.5</td>
<td>12,624.6</td>
<td>17,330.1</td>
<td>17,108.9</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

n.a. Not available.

Source: COCHILCO.

4.2.2 Policy objectives and legal and institutional framework

4.54. The Ministry of Mining is the authority responsible for national mining policy. The SEREMIs (Regional Ministerial Secretariats) represent the central government in all of the country’s various regions. For implementing its mining policy the Ministry relies on two technical advisory bodies: the National Geology and Mining Service (SERNAGEOMIN) and the Chilean Copper Commission (COCHILCO). SERNAGEOMIN assists the Government and the courts in regulating and supervising mining safety and sustainability and in granting mining concessions, in addition to drawing up the Geological Map of Chile and keeping the mining concession and mining land registers. COCHILCO advises the Government on the formulation, implementation and monitoring of policies for the sustainable development of the mining sector, supervises CODELCO and ENAMI, advises the Ministers for Mining and Finance on the budgets of these enterprises, without prejudice to its subsequent audit, and evaluates their investment projects jointly with the Ministry of Social

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Development in accordance with the respective laws\textsuperscript{46}, monitors compliance with the regulations on the marketing of copper and its byproducts and other mineral substances, and provides technical advice to State bodies such as the Foreign Investment Committee with regard to mining investment contracts and the Internal Revenue Service with regard to financial results, the analysis of records for determining taxable income and the specific tax on producers.

4.55. The policies programmed by the Ministry of Mining include: supporting the growth of mining and mining investment; supporting the development of small and medium-scale mining through specific promotion and market development policies; implementing specific measures to stimulate public-private cooperation in order to boost activity in the industry; and laying down strategic guidelines for improving the performance of the enterprises and public directorates for which it is responsible.\textsuperscript{47}

4.56. Given the importance that Chile attaches to mining, mines cannot be privately owned. The Political Constitution of the Republic stipulates that the Chilean State is the absolute, exclusive, inalienable and imprescriptible owner of all mines on the national territory. Without prejudice to the above, a system of concessions enables minerals to be exploited and explored by private individuals, with equal treatment for domestic and foreign investors. The Chilean State plays a preponderant part in mineral production, especially copper mining, through two State enterprises: the National Copper Corporation (CODELCO) and the National Mining Company (ENAMI). The former is the world's largest producer of refined copper, with sales of more than US$14,000 million in 2013.\textsuperscript{48} For its part, ENAMI is a producer while at the same time working actively to promote small and medium-scale mining.

4.2.3 Regulatory framework for investment in mining

4.2.3.1 General framework

4.57. The 1980 Constitution, the Mining Code (Law No. 18.248 of 26 September 1983) and the Constitutional Organic Law\textsuperscript{49} on Mining Concessions (Law No. 18.097 of 7 January 1982) constitute the regulatory framework for the mining industry. This legislation lays down the conditions of access and the requirements which must be met to obtain an exploitation or exploration concession. Both types of concession may be granted for all metallic and non-metallic minerals and, in general, for any fossil substance, including deposits located under the seabed that can be accessed from land by means of tunnels. The concessions regime does not extend to liquid or gaseous hydrocarbons, lithium, deposits of any kind in maritime waters subject to national jurisdiction or situated in areas identified by law as important for national security, without prejudice to previously acquired exploitation or exploration rights.

4.58. For those deposits that cannot form the subject of a concession, the Chilean State may conclude special operating contracts for a specified term, which allow domestic or foreign operators to extract a particular mineral or fossil substance. As they do not form part of the concessions regime, the conditions of access to these contracts are fixed by Supreme Decree\textsuperscript{50}, on a case-by-case basis. At present, contracts of this type are being granted for the extraction of fossil substances such as petroleum.

4.59. The Chilean State reserves the right of first refusal (at market price) with regard to the purchase of mining products having a significant thorium or uranium content, developed or extracted from mining operations located in the country.\textsuperscript{51}

4.60. Mining exploitation and exploration concessions are dealt with under an ordinary procedure before the civil court with jurisdiction over the concession area, which receives technical assistance

\textsuperscript{46} Decree Law No. 1.350/1976, Law on CODELCO, and Decree with Force of Law No. 153/1960, Law on ENAMI.
\textsuperscript{47} Ministry of Mining. Viewed at: \url{http://www.minmineria.gob.cl/ministerio/mision-institucional}.
\textsuperscript{48} National Copper Corporation (CODELCO), Memoria Anual 2013, online information. Viewed at: \url{http://www.codelco.com/principales-indicadores/memoria2013/2013-04-16/102238.html}.
\textsuperscript{49} A law which for its approval, amendment or repeal requires the support of four sevenths of the deputies and senators in office (57.1%).
\textsuperscript{50} Issued by the Office of the President of the Republic, for matters within its competence.
\textsuperscript{51} Article 10, subparagraph 1 of the Mining Code.
The process ends with the judicial decision of the court by means of which the concession is granted. Once the court has ruled, it is for the beneficiary to take the administrative action required by law, including publication in the Official Mining Bulletin to prevent infringement of the rights of third parties. Exploration concessions are valid for two years, once renewable for the same period of time on condition of relinquishment of the exploration of at least half the total area of the concession. On the other hand, exploitation concessions remain valid indefinitely as long as the corresponding licence fees are paid. These fees are paid in the form of an annual charge whose amount depends on the area of the concession. The rate amounts to 0.1 UTMy for each complete hectare, in the case of an exploitation concession, and 0.05 UTMy for the same area, in the case of an exploration concession.

4.61. The main principles that govern the taxation of mining investment in Chile are: non-discrimination with respect to other economic sectors; neutrality with respect to the factors that regulate the economy; territoriality with respect to taxable income; taxation of profits and not resources; and the existence of a mechanism that taxes most of the income when it is withdrawn or distributed.

4.62. In addition to the basic tax system, since 2006 the Chilean legislation has provided for a specific mining tax (IEM) on extraction and production operations, applicable to the operating income of the mine operator. The tax rate is variable and depends on the total value of annual sales. Those mine operators with annual sales equivalent in value to up to 12,000 tonnes of refined copper are exempt from the tax. The average value of the copper is calculated on the basis of the price recorded during the corresponding period on the London Metals Exchange. For an equivalent value of more than 12,000 and up to 50,000 annual tonnes a progressive and rising marginal rate of 0.5% to 4.5% is applied. The actual rates vary between 0% and 1.93%.

4.63. Since its last review in 2009, Chile has introduced a change in the IEM which exclusively concerns those producers whose annual sales volume exceeds 50,000 tonnes. This amendment, adopted in 2010, introduces a progressive rising marginal rate proportional to the mining operating margin for large-volume copper mining. The maximum effective rate for this tax amounts to 14% for a mining operating margin higher than 85%, while the minimum is 5%. Those taxpayers who voluntarily availed themselves of the 2006 IEM regime and signed the corresponding invariability contract are not subject to the new regulations. A majority of enterprises have opted for the latter and amended their contract accordingly. Generally, for business years 2010-2012 a table scheme based on the operating margin, with effective IEM rates of between 4% and 9% was applied; from 2013 and up to the end of the original invariability (2017) the rate will be 4%; and once the invariability has ended, the rate under the new general regime (with effective rates between 5% and 14%) will be applied, with six years of invariability.

4.2.3.2 Specific conditions for foreign investment in mining

4.64. Foreign investment in mining is possible under the Foreign Investment Statute (Decree Law No. 600), with the guarantees offered therein (Section 2.6). The period available for entering the investment capital is 8 years, with the possibility of an extension up to 12 years, subject to authorization by the Foreign Investment Committee and only in the case of investment...
that requires prior exploration. Mining companies cannot avail themselves of the tax benefits of 
free zones or obtain access to export financing programmes. The tax reforms contained in 
Law No. 20.780 specified that Decree Law No. 600 would be repealed from 1 January 2016 in 
the event of a new framework law on foreign investment entering into force. If the new framework 
law has not entered into force on that date, Decree Law No. 600 will be automatically extended 
until that condition is satisfied.

4.65. Foreign investors receive national treatment for mining investments, except where there are 
special considerations relating to national sovereignty. In this connection, foreign natural or legal 
persons are not allowed to purchase, lease or acquire any other title to State lands situated within 
10 kilometres of the national frontier or within 5 kilometres of the coast.61 This is a general 
restriction and does not apply only to mining investments.

4.66. The statute contained in Decree Law No. 600 offers two tax options for the mining 
taxpayer62: (i) the option of an invariable fixed rate of 42% as the total tax charge, 
whose invariability is guaranteed for a period of between 10 and 20 years depending on the 
volume of investment63; or (ii) the ordinary tax regime. The latter comprises three taxes. The first 
is the First Category Tax (Corporate Tax, fixed at 20% of the taxable income subject to 
Law No. 20.780, plus the Additional Tax on the remittance of profits, which applies to the 
Chilean-sourced capital income of legal persons non-resident in Chile (fixed at 35% and recognized 
as a credit against the total First Category Tax). The joint application of the two taxes may not 
exceed 35%. The third tax is the Specific Mining Tax (IEM), which is deductible from the tax base 
for the First Category Tax. When making an investment under Decree Law No. 600, the foreign 
investor signs with the Chilean State an agreement that ranks as a “contract-law”. As in a private 
agreement, this contract cannot be amended unilaterally by either of the parties.64

4.2.4 Mining sector policies for economic development

4.67. The law establishing the Copper Reserve (Law No. 16.624 of 1967), a mechanism for giving 
domestic manufacturers access to the metal to meet their production demands, remains in force. 
COCHILCO is responsible for defining the conditions of access to that mechanism, on the basis of 
an annual list of authorized companies. The benefit is available to manufacturers of primary 
products such as: wire rod, tubes and sheets; finished products, such as cables; chemical 
products, such as copper-based fungicides; castings and certified alloys. In 2013, 10 companies 
took advantage of this mechanism, by means of which the domestic manufacturing industry 
acquired a total of 94,000 tonnes of refined copper, or 1.93% of that year’s total production.65

4.68. In 2010, the amendment of the IEM included the establishment of the Regional Investment 
and Reorganization Fund (FIRR), intended to finance regional and municipal development projects. 
The FIRR seeks to benefit the regions directly, mainly those with a higher level of mining activity, 
and forms part of the public policies for the decentralization of the State.66 In accordance with the 
Law, during the period 2011-2014, the FIRR provided annual support for regional governments67, 
allocating one third of its resources to the country’s mining regions, in accordance with duly 
established criteria, and distributing the remaining two thirds among all the regions. Under the 
FIRR Regulations (Supreme Decree No. 746, published on 9 July 2011), the development works to 
be financed from FIRR resources may include any kind of investment project that can be financed 
under the regulations that govern the regional governments. The latter are authorized to transfer 
the resources to the municipalities, either directly or through the Undersecretariat of Regional and 
Administrative Development, for the same kind of works, as authorized by the annual budget law.

61 Decree Law No. 1.939 of 1977. 
62 Circular of the Internal Revenue Service, the agency responsible for tax collection. Viewed at: 
63 Articles 7 and 11bis of Decree Law No. 600. 
64 Foreign Investment Committee online information. Viewed at: 
65 Chilean Copper Commission (COCHILCO) (2014), Anuario de Estadisticas del Cobre y Otros Minerales, 
66 Article 3 of Law No. 20.469. 
67 Ministry of Finance online information. Viewed at: http://www.hacienda.gov.cl/sala-de-
prensa/noticias/historico/ministros-de-hacienda-y-244.html.
4.3 Energy

4.69. Chile is a net importer of energy and depends on imports for about 60% of its primary energy consumption. The Government is continuing to implement systems for stabilizing the domestic prices of certain fuels.

4.3.1 General characteristics

4.70. Private companies, domestic and foreign, are authorized to participate in all energy sector activities without limitation. In practice, the State enterprise ENAP dominates most hydrocarbon exploitation, production and refining.

4.71. In 2013, the energy industry (which includes electricity, gas, petroleum and fuels) accounted for 2.8% of Chile’s GDP (at constant 2008 prices) and employed 0.6% of the total labour force, according to information from the Chilean National Statistical Office. Gross primary energy production amounted to 126,018 teracalories in 2012. In 2013 Chile exported 6,251 teracalories of coal and 9,975 teracalories of petroleum products.

4.72. Chilean primary energy consumption in 2013 can be broken down as follows: petroleum and petroleum products (30.0%), wood and biomass (29.0%), coal (22.2%), natural gas (13.5%), hydroelectricity (5.0%) and wind, solar and biogas (0.2%) (Table 4.8). According to National Energy Audit figures, in 2013 Chile imported 59.3% of its gross energy consumption, a fall of one percentage point with respect to the previous year.

<table>
<thead>
<tr>
<th>Energy source</th>
<th>Gross production</th>
<th>Imports</th>
<th>Exports</th>
<th>Stock variation (Losses)</th>
<th>Gross consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude petroleum</td>
<td>3,532</td>
<td>91,063</td>
<td>0</td>
<td>-2,195</td>
<td>96,791</td>
</tr>
<tr>
<td>Natural gas</td>
<td>11,505</td>
<td>36,584</td>
<td>0</td>
<td>2,510</td>
<td>45,579</td>
</tr>
<tr>
<td>Coal</td>
<td>3,737</td>
<td>62,329</td>
<td>0</td>
<td>-427</td>
<td>66,493</td>
</tr>
<tr>
<td>Hydroelectricity</td>
<td>17,336</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>17,336</td>
</tr>
<tr>
<td>Wind</td>
<td>351</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>351</td>
</tr>
<tr>
<td>Wood &amp; biomass</td>
<td>89,299</td>
<td>0</td>
<td>0</td>
<td>521</td>
<td>88,778</td>
</tr>
<tr>
<td>Solar</td>
<td>185</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>185</td>
</tr>
<tr>
<td>Biogas</td>
<td>72</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>72</td>
</tr>
<tr>
<td>Total</td>
<td>126,018</td>
<td>189,976</td>
<td>0</td>
<td>408</td>
<td>315,586</td>
</tr>
</tbody>
</table>


4.3.2 Institutional and regulatory framework

4.73. Since its last review, Chile has undertaken certain institutional reforms in the energy sector. Law No. 20.402, which entered into force on 1 February 2010, established the Ministry of Energy, which replaced the former Committee of Ministers of the National Energy Commission. From its establishment and up to 2014, the Ministry had six Regional Ministerial Secretariats (SEREMI). On the basis of Law No. 20.776, published on 22 September 2014, which amended and improved its governing law, the Ministry of Energy increased the number of SEREMIs to 15, one per region. The Ministry of Energy has concentrated in its own hands the regulatory powers in the field of energy previously exercised by the Ministries of Mining and the Economy. The Ministry of Energy directs national energy policy, formulates and coordinates plans, policies and rules for the smooth functioning and development of the sector and monitors compliance, while issuing the appropriate concessions and decrees, when the legislation so requires.

4.74. The energy sector’s institutional framework is completed by three other institutions which work in coordination with the Ministry: the National Energy Commission (CNE), the Electricity and Fuels Supervisory Authority (SEC), and the Chilean Nuclear Energy Commission (CCHEN). The CNE is responsible for the technical analysis of the system, for regulating prices and the level of the

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tariffs for energy goods and services, and for formulating the technical and quality standards that govern energy installations, as well as for advising the Ministry on matters relating to the operation and regulation of the energy sector.\textsuperscript{70} The SEC is the supervisory body responsible for overseeing due compliance with the technical and legal regulations that govern the electricity and fuels sector, thereby ensuring the quality of the service provided for users and the safety standards laid down in the regulations.\textsuperscript{71} The CCHEN is the body that regulates, authorizes and supervises category 1 nuclear and radioactive sources and their operators.

4.75. In addition, the Ministry of Energy forges links with other relevant entities such as the recently established National Centre for Sustainable Energy Innovation and Development (CIFES), the successor of the Renewable Energy Centre (CER), which is responsible for the design and implementation of programmes and projects for promoting the production and use of sustainable energies. The competent authorities, namely, the National Economic Prosecutor's Office (FNE) and the Tribunal for the Defence of Free Competition (TDLC), supervise the operation of the energy markets, particularly the electricity transmission and distribution markets. The TDLC rules on matters relating to competition law and plays a preponderant role in the context of a highly concentrated sector in which prices are subject to specific regulations.

4.76. The energy sector has gone through a difficult period during recent years. The stagnation of investment projects since 2013 has been compounded by weather factors, such as the repeated droughts which have adversely affected the output of the hydroelectric generating plants. This, combined with problems with gas imports from Argentina that began in 2004, has forced the industry to resort to diesel or more expensive natural gas imports for generating electricity, thereby raising the prices of the latter considerably for both industry and individual users. This combination of factors has kept the electricity sector under pressure for some years and has led to recognition of the need for a reformulation of energy policy, both to ensure a sustainable long-term energy supply and to diversify the country's energy matrix. Within this context, in 2014, the new Ministry of Energy drew up an "energy agenda" with the intention of formulating a national long-term sustainable energy policy. The Ministry of Energy's agenda for the coming years seeks to achieve the diversification of the energy matrix, as well as to increase competition in the sector and promote the generation of lower-cost electricity in order to maintain the economic growth characteristic of the last decade. The year 2014 saw an increase in generation projects under construction: from 28 power plants with a generating capacity of 1,949 MW under construction in March to 45 plants with a capacity of 3,527 MW under construction in November.

4.77. Within the context of this new energy agenda, the Ministry has set itself several specific energy challenges for the next five-year period. The more important of these include: (a) a 30% reduction in marginal electricity costs in the Central Grid (SIC) by 2017; (b) a 25% reduction in the bidding prices for supplying electricity to private individuals and small businesses as compared with those agreed in the last bidding round in 2013; (c) implementation of the provisions of Law No. 20.698 of 14 October 2013, which encourages the expansion of the energy matrix by means of non-conventional renewable sources and increased from 10% to 20% the target for the share of Non-Conventional Renewable Energies (NCRE) in total domestic energy consumption by 2025.\textsuperscript{72} To achieve this target, the Ministry has set itself the goal of ensuring that 45% of the generating capacity installed in Chile in the period 2014-2025 comes from these sources; (d) promotion of the efficient use of energy through the implementation of the Energy Efficiency Agenda (EE), which will permit savings of 20% by 2025; (e) the design of a fuel price stabilization system, with a view to reducing the volatility of the prices of certain fuels for domestic use in Chilean households; (f) strengthening of the National Petroleum Company (ENAP); and (g) the establishment in 2015 of a long-term national energy policy endorsed by civil society through a participatory and regional process.\textsuperscript{73}

4.78. The authorities are developing legislation to promote energy efficiency. In March 2015, the Interministerial Energy Efficiency Committee, which incorporates officials from nine ministries, was preparing a draft law along these lines which it was hoped would be ready by the

\textsuperscript{70} CNE online information. Viewed at: http://www.cne.cl/institucional/quienes-somos.

\textsuperscript{71} Article 2, Law No. 18.410 of 26 April 1985 on the Electricity and Fuels Supervisory Authority, as amended by Law No. 19.613 of 8 June 1999.

\textsuperscript{72} Article 150bis, Law No. 20.698 of 14 October 2013, promoting the expansion of the energy matrix by means of non-conventional renewable sources.

fourth quarter of 2015. According to the Ministry of Energy, among other efficiency measures, the draft would include detailed regulations for developing net metering.  

4.79. In keeping with the objective of diversifying energy sources, the Government has announced that it will start importing non-conventional gas (shale gas) from the end of 2015. Domestic reserves of non-conventional gas in Chile are calculated at 64 tcf (trillion cubic feet) and, according to International Energy Agency estimates, are the third largest by volume in South America and 14th in the world. Although there are no immediate plans for the mass exploitation of this resource in Chile, since mid-2011 some natural gas exploitation tenders promoted by ENAP (so-called Special Petroleum Operation Contracts or CEOPs) include the obligation to explore and drill at least one shale gas well. The Government does not rule out future tenders and in August 2014 ENAP reported the signature of an agreement with private parties to carry out non-conventional hydrocarbon prospection surveys in the southern region of Magallanes.

4.3.3 Electricity

4.80. In December 2013, Chile had an installed power generating capacity of around 17.7 GW, an increase of about 35% on the figures for 2009. In 2013, a total of 68,514 GWh was generated, of which 70.5% was provided by thermal power stations, 28.7% by hydropower plants and 0.8% by wind and solar sources. Primary energy consumption could be broken down as follows: mining and industry (35.9%), transport (30.7%), the commercial, public and residential sector (25.7%) and the energy sector (7.5%). Regulated customers supplied by distribution companies account for 56% of consumption, while industrial and mining customers account for the remaining 44%.

4.81. As compared with the rest of the region, in Chile the cost of electricity is currently high. As a consequence of the restrictions on the delivery of Argentine gas since 2004 and the inadequate volume of hydro and thermal power projects, diesel has become a significant energy source for generating electricity, which has markedly raised costs. For example, household electricity prices quadrupled between 1998 and 2011. Central Bank studies suggest that the large rises in electricity costs during the last decade have had an adverse effect on the productivity of domestic industry. The authorities consider that in Chile the cost of electricity depends to a large extent on the price of the inputs: coal, natural gas and fossil fuels, as well as on the hydrological conditions. In September 2014, the average market price (PMM) of the Central and Great Northern Grids, published by the CNE, was around Ch$58 per kWh.

4.82. The Chilean electricity market includes the generation, transmission and distribution of electricity, all by private companies, both domestic and foreign. The guiding principle for setting tariffs is freedom of pricing, provided that the regulatory authority is satisfied that there is healthy competition and equal treatment in the negotiations between buyer and seller. Electricity prices must represent the real costs of generating, transmitting and distributing the electricity. Thus, users that consume large quantities of energy (connected load in excess of 2,000 kW) are assumed by the law to be capable of negotiating their prices or to have access to other sources of supply or self-generation ("free customers"). On the other hand, the contractual relationship with users who have a smaller load is deemed by the law to be a situation of natural monopoly and is

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74 Net metering is a scheme by means of which a customer who generates his own electricity can offset energy balances instantaneously or on a deferred basis. Net metering is used mainly by consumers who generate small amounts of renewable energy (generally wind or solar) and allows the surplus produced by a self-generating system to be fed into the grid and used at another time, thus enabling users to generate their own power stably, without exposing themselves to a supply shortage in the event of a fall in output.


therefore subject to a regulated tariff ("regulated customers"). Users with a connected load of between 500 and 2,000 kW are free to choose between the two regimes.

4.83. In December 2014, the average market price, that is, the average prices of the contracts reported by the generating companies to the CNEE, for customers not subject to price regulation (free customers) in the Central Grid (SIC), was around Ch$66 per kWh, whereas for regulated customers it was around Ch$57 per kWh. For its part, in the Northern Grid (SING) it was around Ch$59 per kWh for free customers and around Ch$71 per kWh for regulated customers.

4.84. The General Law on Electrical Services (LGSE) (Decree with Force of Law No. 1 on Mining of 1982, General Law on Electrical Services, in the matter of Electrical Energy), consolidated text of 5 February 2007, constitutes the sector’s main regulatory framework. The amendment made to the LGSE in 2013 modernized and simplified the procedures and time-limits for granting electrical concessions and, moreover, introduced various clarifications to facilitate land valuations and third-party observations and make them more transparent, while incorporating an arbitration procedure for use in the event of a dispute.81 Law No. 20.726 of 7 February 2014 also amended the LGSE, with a view to promoting the interconnection of independent electrical systems. In addition, in January 2015, the National Congress approved a bill introducing amendments to the LGSE to improve the tendering system for the supply of electricity for customers subject to price regulation, which is now pending enactment. There were no substantial changes in the regulations governing the installation of generating capacity during the review period. A concession application is not a mandatory requirement for undertaking generating activities, although it usually facilitates the process. As in other industries, electrical projects are subject to approval by the environmental agencies.

4.85. Some 130 generating companies, 14 transmission companies and 31 distributing companies participate in the national electricity market. Electricity demand can be broken down territorially into four grids: the Northern Grid (SING), the Central Grid System (SIC), Aysén and Magallanes. Generating companies may sign long-term supply contracts with distributors and/or large industrial customers, which require them to meet the customer's demand at agreed prices. There is a parallel short-term (spot) market, on which the generating companies sell the power they produce at marginal prices; its function is to enable these companies to cover the differences between their power generation and their contractual commitments. The short-term operation of the generators connected to a particular grid is planned and decided by the Economic Load Dispatch Centre (CDEC), which groups representatives of the generating and transmission companies and the large-scale users.82

4.86. The transmission system is composed of transmission lines, substations and equipment for transporting electricity from the point of generation to the consumption or distribution centres.83 By law, lower voltages are treated as distribution. Law No. 19.940 of 13 March 200484 ensures open access to trunk transmission and subtransmission systems and compliance with the service obligation. The Law establishes that the transport of electricity through the trunk and subtransmission systems is a public electrical service. The public service condition placed on transmission creates an obligation to provide the service to anyone who requests it and makes the transmission company responsible for investing in new lines or extensions.85

4.87. Law No. 20.018 of 9 May 2005, which amends the regulatory framework for the electrical sector, requires distributors to sign contracts with the generators who offer to supply power at the best price in public tender proceedings, thereby protecting the end consumer. Moreover,

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81 Law No. 20.701 of 10 September 2013 (Procedure for Granting Electrical Concessions) amending the General Law on Electrical Services (Decree with Force of Law No. 1 of the Ministry of Mining).
83 In Chile, any line or substation with a voltage or tension greater than 23,000 volts (V) is considered to be intended for transmission. CNE online information. Viewed at: [http://www.cne.cl/energias/electricidad/mercado/341-transmision](http://www.cne.cl/energias/electricidad/mercado/341-transmision).
84 Law on regulating electrical energy transport systems, establishing a new tariff regime for medium grids and introducing the indicated adjustments to the General Law on Electrical Services.
85 Open access and the service obligation apply only to trunk transmission and subtransmission systems. In the case of additional systems, open access is subject to the fulfilment of certain statutory conditions.
distributors must maintain power supply contracts that enable them to cover the estimated consumption of their customers for at least three years ahead. Generating companies may impose a right of way on the available transmission capacity through the payment of tolls. The CDEC for each grid is responsible for coordinating the operation between the generating and transmission companies. In order to operate, distributors must obtain a concession, which is territorial and non-exclusive.

4.88. Up until 2011 there was a law that allowed power generating companies to request the refund of value added tax paid on diesel oil used to produce energy, within the context of cuts in the supply of Argentine gas. At the same time, in view of the high price of electricity, Law No. 20.040 of 30 June 2005 empowered the President of the Republic, by supreme decree, to establish a provisional subsidy to help families of limited means pay for their electricity whenever prices increased by more than 5% over a six-month period. This power was last used in 2008. There are no other assistance programmes.

4.89. Law No. 20.257 of 20 March 2008 introduced changes in the LGSE with respect to power generation from non-conventional renewable energy sources. Law No. 20.698 of 14 October 2013 amended Law No. 20.257 of 2008, to establish that electricity companies that sell power from the grid must prove to the CDEC that 20% of their annual sales come from non-conventional renewable energy sources. As this target has been set for 2025, provisional percentages that increase progressively between 2014 and 2024 have also been defined. Moreover, the Law states that to ensure compliance with the NCRE target, if it is anticipated that the NCRE percentage will not be met, the Ministry of Energy will have to organize tender proceedings so that private operators can offer blocks of energy from new generating projects, under a special remuneration regime, with a price guaranteed within a band.

4.3.4 Hydrocarbons

4.90. The National Petroleum Company of Chile (ENAP) plays a leading role in the exploration, production, refining and logistical activities of the hydrocarbons and fuels industry. ENAP is a wholly State-owned enterprise. The rules on the organization of ENAP are set out in Law No. 9.618 of 19 June 1950, whose consolidated, coordinated and codified text was established by Decree with Force of Law No. 1 of the Ministry of Mining, published in the Official Journal of 24 April 1987. ENAP is authorized to explore, exploit and process hydrocarbon-bearing deposits, inside and outside the national territory, either directly or through companies in which it has a holding or in association with third parties. If it engages in such activities within the national territory through companies in which it has a holding or in association with third parties, it must do so through concessions or special operation contracts, subject to the requirements and under the conditions laid down by the President of the Republic.

4.91. ENAP is authorized by law to carry out petroleum and fuel marketing operations, including export and import operations. The Law does not give ENAP monopoly import rights. However, in

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86 Law No. 20.258 of 2008, which established a provisional mechanism for refunding the specific tax on diesel in favour of the power generating companies, was in force from 2008 to 2011, but no new law of a similar nature has been adopted.
87 More specifically, Law No. 20.257 of 2008 stipulates that as from 2010 electricity companies that sell power from the grid will have to prove to the CDEC that 5% of their annual sales comes from non-conventional renewable energy sources; this percentage will increase annually up to 10% in 2024. Tax incentives are envisaged by way of compensation.
88 Law No. 20.698 specifies that the obligation referred to in Law No. 20.257 will be 5% up to 2014 and then increase annually by 0.5% as from 2015. This progressive increase will be so applied that sales under the obligation made in 2015 will have to meet a 5.5% requirement, those made in 2016 a 6% requirement and so on until 10% is reached in 2024, for contracts signed after 31 August 2007 and before 1 July 2013. For contracts signed after 1 July 2013, the obligation in question will be 5% up to 2013, with increases of 1% as from 2014 until 12% is reached in 2020, with increments of 1.5% as from 2021 until 18% is reached in 2024, and an increment of 2% to arrive at 20% in 2025. The tender mechanism will be applicable as from 2015. In the event that the regulations are not in force by then, tendering will begin to operate from the following year.
90 Decree with Force of Law 1 of the Ministry of Mining of 4 December 1986, published on 24 April 2007, determining the consolidated, coordinated and codified text of Law No. 9.618 establishing the National Petroleum Company.
practice, ENAP is the only crude petroleum importer in Chile, since it is the only operator in the industry with refineries. Private-sector enterprises do participate in the importation of fuels. The refining, distribution, marketing, storage and transport of hydrocarbons are activities whose market is freely accessible to private operators, whereas a concession must be obtained for the transport and distribution of natural gas.

4.92. ENAP’s exploration and production activities are concentrated in the Magallanes Basin, where all the commercial hydrocarbon deposits have been discovered. At present, ENAP is Chile’s leading gas producer, ranking second where petroleum is concerned. The exploitation and exploration of hydrocarbons by the private sector are subject to State authorization and are usually carried out under a Special Petroleum Operation Contract (CEOP). This contract constitutes a delegation of the State’s exclusive right to exploit these resources, as established in the Constitution. For this reason, the performance conditions are laid down, case by case, in a presidential decree.

4.93. CEOPs can be obtained by making direct application to the Ministry of Energy or by responding to an invitation to tender issued by the Ministry. In both cases it is the State that defines the contract conditions. Subject to the specific conditions agreed for each tender proceeding, the regulatory framework and general conditions are those laid down in Decree Law No. 1.089 of 1975 which, among other guarantees, establishes the free availability of foreign exchange for hydrocarbon exports. The latest international invitations to tender were issued in 2007 and 2010.

4.94. In 2007, the Ministry of Mining, through ENAP, put out to tender and awarded nine gas and petroleum exploitation and production CEOPs. Exploration blocks were allocated in the Magallanes region for a total minimum investment of US$267 million. The successful bidders included United States, Canadian and French companies. In December 2010, ENAP began inviting international companies to participate in five blocks on the island of Tierra del Fuego. This process ended in September 2011 with the signing of participation agreements with several companies which had applied to the Ministry of Energy for the conclusion of CEOPs for the blocks in question. The signature of these CEOPs involved an investment of more than US$145 million in exploration over a three-year period. In the first half of 2014 there were 14 CEOPs in force, all in the Magallanes area.

4.95. In 2014, national petroleum and fuel production totalled 398,000 cubic metres and natural gas production 935 million cubic metres. In 2013, domestic crude production was 135,000 cubic metres, covering only 1.3% of total domestic demand. According to the authorities, domestic production of petroleum and fuel covers less than 5% of domestic demand, the difference being made up with imports of both petroleum and fuel. Chile obtains its supply of crude mainly from imports made by ENAP, which in 2013 amounted to more than 10.3 million cubic metres. Some 65% of imports come from South America (including 31% from Brazil, 14% from Ecuador and 10% from Peru), plus significant contributions from Azerbaijan (15%) and Angola (14%). In 2013, imports of crude oil and petroleum products accounted for 16.8% of the country’s total imports and their value exceeded US$15,000 million.

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91 Law on Gas Services and its amendments (Decree No. 323 of the Ministry of Mining of 1931, as amended in 1989).
92 Article 19, No. 24, subparagraph 6 of the Political Constitution of the Republic of Chile.
94 Article 3, subparagraph 3, Decree Law No. 1.089 of 1975 on special operation contracts for the exploration and exploitation or processing of hydrocarbon deposits.
95 The companies Geopark, with respect to the blocks Isla Norte, Campanario and Flamenco; the consortium YPF Chile and Wintershall Chile, with respect to the block San Sebastian; and YPF Chile, with respect to the block Marazzi-Lago Mercedes.
100 WTO Secretariat estimates, based on the Comtrade Database (SITC Rev.3).
4.96. Natural gas imports are delivered by sea to the country’s two existing liquefied natural gas (LNG) terminals. The Quintero LNG terminal supplies the demand from the central zone, while the Mejillones LNG terminal does the same for the large mining industry in the north. The terminals were built and financed by ENAP and a conglomerate of private players (Quintero) and by CODELCO (Mejillones) following the interruption of natural gas imports from Argentina, up to then the sole source of imported gas. In these plants the LNG is processed and re-gasified for subsequent distribution. In 2013, total gross consumption of LGN amounted to 45,680 teracalories, of which 79.3% were imports. The Government is assessing the construction of a third LNG terminal in Quintero. In 2013, LNG imports accounted for 1.3% of total imports and 14.5% of fuel imports.

4.97. The petroleum products and fuels produced in Chile are refined in ENAP’s three refineries on national territory, two in the central zone and one in Patagonia. In 2013, ENAP sold 11.4 million cubic metres of liquid fuel derived from petroleum, which corresponded to a 61.8% market share. The requirements of the national environmental regulations prevent the marketing of some production surpluses such as those of less refined fuel, which are exported by ENAP. In 2013, these exports amounted to 1.6 million cubic metres.

4.98. Where distribution and supply are concerned, there are eight significant private companies operating in the liquid fuel market, together with the State-owned ENAP and smaller private companies, and four in the liquefied gas market, all with national coverage. Concessions must be obtained in order to distribute or transport natural gas, with the transporter being required to give free access and the distributor being obliged to ensure the local supply of the area concerned.

4.99. Specific taxes are levied on gasoline and diesel under Law No. 18.502 of 3 April 1986 and its amendments. The Specific Tax on Fuels (IEC) has basic rates of 6 UTM per cubic metre for gasoline and 1.5 UTM per cubic metre for petroleum, to which a variable component is added. The prices of liquid fuels and liquefied gas are governed by the prices quoted internationally through import parity, with the addition of business operating costs and margins for determining the price. However, Chile operates a fuel price stabilization mechanism to offset international fluctuations in the price of crude, by altering the variable component of the IEC. Since the last review, the old Fund for the Stabilization of Fuel Prices (FEPCO), like the Fund for the Stabilization of Petroleum Prices (FEPP) (with the exception of kerosene), has been replaced by two successive stabilization systems, the first applied between January 2011 and July 2014 and the second since August 2014. In accordance with Article 8 of Law No. 19.030 of 15 January 1991, as amended by Law No. 20.493, the only fuel still covered by the old FEPP is domestic kerosene.

4.100. Between 2011 and 2014, the Government implemented the System for the Protection of the Payer of the Specific Tax on Fuels (SIPCO). The SIPCO was introduced by Law No. 20.493, published on 14 February 2011 to prevent sudden rises in the international price of crude being immediately passed on to the consumer. Law No. 20.505, published on 17 March 2011, brought

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102 WTO Secretariat estimates, based on the Comtrade Database (SITC Rev.3).
105 Ibid.
106 Three companies control 97.5% of liquid fuel distribution: COPEC (Chile, 59.5%), the National Energy Company (ENEX, Chile, 23.5%) and PETROBRAS (Brazil, 14.1%). Three companies control 99.8% of liquid gas distribution: Lipigas (Chile, 37.8%), Abastible (Chile, 35.4%), and Abu Dhabi Gas Industries (Gasco, 26.6%).
107 Law No. 18.502 of 3 April 1986 established the specific taxes on gasoline and diesel. These are expressed in UTM/m³ and calculated as follows: (a) for gasoline, 2 UTM/m³, plus 70% of the difference, provided it is positive, between US$233, expressed in pesos, and the selling price, excluding taxes, of 93 octane gasoline, expressed in pesos/m³, which ENAP sells to wholesale distributors; (b) for diesel, 1.5 UTM/m³, plus 70% of the difference, provided that it is positive, between US$196, expressed in pesos, and the selling price, excluding taxes and per cubic metre, of diesel, expressed in pesos, paid by ENAP to wholesale distributors. The taxes are adjusted if the base price of diesel or 93 octane gasoline varies by more than 2%. This law also determined the specific taxes for natural gas and liquefied gas.
108 The FEPP was set up in 1991. The fund had a limited amount of resources which were used to moderate rises in motor gasoline, diesel, kerosene, liquefied gas and fuel oil, although in later years it was restricted to the last two. The FEPCO was launched in 2005 and remained in effect until June 2010. While in existence, it was used to moderate rises in motor gasoline, diesel and domestic kerosene.
forward the SIPCO's entry into force.\textsuperscript{109} Under the SIPCO, the variable component of the specific fuel taxes established by Law No. 18.502 for fuels derived from petroleum was determined by considering the differences with the import parity prices\textsuperscript{110}, with respect to upper and lower reference prices calculated from an intermediate reference price.\textsuperscript{111} Law No. 20.505 amended the formula for calculating the reference price, to enable it to be adapted more rapidly to international changes in petroleum prices. The new law made it possible to reduce the importance of future changes in the formula for calculating the reference price.

4.101. The Fuel Price Stabilization Mechanism (MEPCO) was created by Law No. 20.765, published on 9 July 2014, for the purpose of establishing a mechanism for stabilizing the domestic selling prices of the fuels included in Law No. 18.502. This mechanism operates through increases and abatements in the specific fuel taxes established by Law No. 18.502, which are modified by adding to the base component established in that law a variable component (which may be positive or negative) determined for each of the fuels automotive gasoline, diesel, compressed natural gas and liquefied petroleum gas. One of the main differences with respect to the SIPCO is that the MEPCO is in the national currency, thereby avoiding exchange rate fluctuations.

4.102. The MEPCO, like the SIPCO before it, is intended to prevent transitory price rises and cushion the effect of permanent increases. As distinct from the FEPP and the FEPCO, the MEPCO, like the SIPCO before it, is not a subsidy since it is not aimed at totally preventing the rise being passed on to the consumer; instead, where there are rises, they are gradually passed on by means of a price band system.\textsuperscript{112} By abandoning the method of financing from tax revenues, the new mechanism considerably lightens the cost burden on the State, which for the FEPP and the FEPCO amounted to US$2,340 million. The MEPCO is applied to only four fuels: motor gasoline, diesel, liquefied petroleum gas for use in vehicles and compressed natural gas for use in vehicles. Like the SIPCO, the MEPCO operates by deducting or adding a variable component from or to the specific tax of Law No. 18.502. The MEPCO has established a reference price band of ±5% with respect to the intermediate reference price. The variable component of the specific tax is determined in two stages, one of which involves a comparison between the parity price and a band of reference prices, all expressed in the national currency; the second stage is the responsibility of the Ministry of Finance.

4.103. In the first stage, the Ministry of Finance determines, for a specific date, the "base price" for each of the fuels covered by the mechanism. The "base price" is an estimate of the price that the ENAP will publish in its next weekly bulletin, assuming that the variable component of the specific tax is zero, and including the VAT and the base component of the specific tax corresponding to the fuel in question. This "base price" is compared with the price reported by the ENAP, in its weekly price report, the previous week, and in this way the preliminary variable component of the specific fuel tax is determined.\textsuperscript{113} In the second stage, the CNE determines a parity price and an intermediate reference price for each fuel covered by the price stabilization system. The upper and lower reference prices for a particular fuel may not differ by more than 5% from the corresponding intermediate reference price, which is determined by considering the crude petroleum price representative of a significant market (Brent posted on the US Gulf Coast), plus a refining differential for each product and other costs and taxes necessary to represent the value of the corresponding product posted in Chile.\textsuperscript{114} The import parity price for each fuel is the weekly

\textsuperscript{109} The law changed the way in which the SIPCO operates, by bringing forward the entry into force of new parameters to deal with a sharp and sudden rise in the price of petroleum.

\textsuperscript{110} The weekly price quoted on the significant international markets for motor gasoline, diesel and liquefied petroleum gas and for grades similar to those in use in Chile, with 1 to 4 weeks considered for calculation purposes and including transport, insurance and other costs.

\textsuperscript{111} Except for compressed natural gas, for which the prices of liquefied petroleum gas for use in vehicles are considered.

\textsuperscript{112} Library of the National Congress of Chile online information. Viewed at: http://www.bcn.cl/carpeta_temas_profundidad/sipco-sepco-fepp-fepco.

\textsuperscript{113} If the difference between the "base price" and the price reported the previous week is positive and greater than 0.12 UTM/m$^3$, the difference between the prices is deducted from this amount. If the difference between the "base price" and the price reported the previous week is negative and greater in absolute value than 0.12 UTM/m$^3$, then 0.12 UTM/m$^3$ is deducted from the difference.

\textsuperscript{114} The crude oil price used in determining the intermediate reference price of the fuels corresponds to the weighted moving average of the weekly average prices of crude oil on the international market in question, in a period of between 4 and 104 weeks beforehand, reckoned from the week in question, and between 3 and 6 months ahead, taking prices on the futures markets into account. The weighted average is calculated by
average price observed on a significant market (Gulf Coast US dollars).\textsuperscript{115} The parity prices and reference prices are determined in pesos per cubic metre. The refining differential to be used in determining the intermediate reference price of the fuel is calculated on the basis of the moving average of the weekly average prices of the respective fuels and the moving average of the reference crude price, in a period of between 4 and 104 weeks from the week in question. The preliminary variable component determined in the first stage is adjusted for the purpose of ensuring that the parity price plus the variable component of the specific tax does not exceed the upper reference price or fall below the lower reference price.

4.104. Law No. 20.794, published on 7 November 2014, extended the coverage of the MEPCO, making it possible to define a differentiated specific tax for gasolines according to their octane number when they are subject on first sale or importation to the specific tax laid down in Law No. 18.502 and have a representative price on a significant international market. In practice, this involves defining a differentiated tax for 93 and 97 octane gasolines. This change came into effect on 11 December 2014.

4.105. The tax on compressed natural gas for use in vehicles is calculated on the amount of the tax or credit, as appropriate, for liquefied petroleum gas for use in vehicles in the same period multiplied by 1.5195. This tax or credit will be the variable component of the specific tax on the compressed natural gas and will be added to or deducted from the base component of the tax defined in Law No. 18.502.

4.106. Law No. 20.765 stipulates that the Ministry of Finance is to make a quarterly estimate of the difference in the tax revenue derived from the operation of the MEPCO. If the difference between the revenue that would have corresponded to the application of the base component of the specific tax and that actually produced exceeds the equivalent in pesos of US$500 million, the variable component of the specific tax must be made to converge on zero, at a rate such that over a period of 12 weeks an additional difference greater than the equivalent in pesos of US$100 million does not accumulate. Each week, the Ministry of Finance must publish on its official website information relating to: the "base" price, the reference and parity prices determined by the Ministry of Energy, and the weekly values of the variable component of the Specific Fuel Tax.

4.107. Where the price of grid gas is concerned, transporters and distributors may set tariffs freely on the national territory, with the sole exception of region XII (Magallanes and Chilean Antarctica), where the tariffs are regulated.\textsuperscript{116} The Law on Gas Services (Decree No. 323 of 20 May 1931, as amended in 1989) authorizes the TDLC to request the Ministry of the Economy to regulate the tariffs of those users who consume less than 100 gigajoules, if during one year the distributing company’s rate of return exceeds by more than 5% the cost of capital rate calculated by the Ministry of Energy. The Law also requires that all consumers with comparable characteristics should pay the same price.

4.3.5 Renewable energies

4.108. In Chile, among the renewable energies, hydroelectric power generation is the most important in terms of volume and infrastructure, accounting for 33.88% of total generating capacity. As far as strictly non-conventional\textsuperscript{117} resources are concerned, in December 2013 the installed capacity accounted for 5.9% of the national total.

4.109. Wind and solar energy, although a minority of the energy matrix, have grown at a rapidly increasing pace in recent years. Between 2012 and 2014, 7 installations were built (bringing the total to 11) and solar generating capacity rose from 9.8 MW in 2012 to 177 MW in the first half of 2014.

\textsuperscript{115} The import parity price of each fuel is fixed weekly by the Ministry of Energy, subject to a report from the CNE, and is calculated by considering the average prices observed during the four weeks immediately preceding.

\textsuperscript{116} Article 34, Law on Gas Services and its amendments (Decree No. 323 of the Ministry of Mining of 1931).

\textsuperscript{117} In Chile, the main authority in the field (the Renewable Energy Centre) uses the term NCRE in a way that excludes large-scale hydroelectric power stations, which are regarded as a source of conventional energy. The list of NCRE includes solar, wind, bioenergy (biomass and biogas), mini-hydro and geothermal energy.
4.110. It is estimated that Chile has abundant potential wind, solar, biomass and tidal resources. Technological advances have been making NCRE generation increasingly competitive. Where wind energy is concerned, between 2012 and 2014 four new installations were built, including the El Arrayán wind farm, with the greatest generating capacity in the country. Generating capacity practically doubled, rising from 294.7 MW to 570 MW.118 These figures are consistent with the Government’s target of having 20% of the country’s power generation coming from non-conventional renewable energy sources (NCRE) by 2025. The total portfolio of NCRE projects (excluding hydroelectric energy) currently adds up to about 17,000 MW and it is estimated that at the present pace generating capacity from these sources will be 8 GW by 2025.119

4.111. Law No. 20.698 of 14 October 2013, which amended the LGSE, stipulates that from 2025 companies that sell power from systems with an installed capacity of more than 200 MW will have to prove that an amount of energy equivalent to 20% of their sales in any calendar year has been injected into any of those systems by non-conventional renewable means of generation (see above).120

4.112. The Chilean legislation offers tax incentives to companies that opt for NCRE. Law No. 20.365, published on 19 August 2009, established a tax benefit for construction companies that choose solar heating systems for providing hot water for sanitary use. Any company that invests in these systems for building housing will be able to deduct a credit equivalent to all or part of the value of the system installed plus the installation costs. This deduction is made from the mandatory provisional payments of income tax.121

4.113. Through the Ministry of Agriculture's Fund for Agricultural Innovation (FIA), in 2014 the Government launched a project of encouragement and support for the development of NCRE aimed at the agro-food and forestry sector, with a view to improving its competitiveness and productive and economic efficiency.122 The mechanism offers co-financing for projects for investing in energy self-sufficiency technologies, on condition that they are based on NCRE and the energy is intended for improving production systems already in operation. The co-financing may vary between 20% and 65% of the total amount invested (depending on the beneficiary's annual sales volume), with an approximate and non-repayable maximum of US$200,000.

4.4 Manufacturing

4.114. Between 2008 and 2014, the manufacturing sector's share of GDP fell slightly from 11.2% to 10.7%. This mainly reflects the more rapid growth of other sectors, such as mining and services. Chile’s manufacturing industry continues to be characterized by a strong link with the utilization of the country's natural resources, particularly with mining and the agricultural sector. This is reflected in the fact that the major manufacturing activities include the food and beverages industry, the chemical industry, the beverages and tobacco industry, the cellulose, paper and printing industry, petroleum refining and the metal products industry (Table 4.9). During the review period, in terms of its contribution to GDP, the most dynamic industry was food, followed by metal products; all the other industries lost share of GDP.

| Table 4.9 Manufacturing sector GDP, 2008-2014 (% of manufacturing GDP) |
|-----------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Sector                      | 2008     | 2009     | 2010     | 2011     | 2012     | 2013     | 2014*    |
| Manufacturing industry      | 11.2     | 11.3     | 10.8     | 11.0     | 10.5     | 10.5     | 10.7     |
| Food                        | 2.4      | 2.8      | 2.6      | 2.6      | 2.3      | 2.6      | 3.1      |
| Beverages and tobacco       | 1.6      | 1.7      | 1.5      | 1.5      | 1.6      | 1.6      | 1.5      |
| Textiles, clothing and leather | 0.4      | 0.3      | 0.3      | 0.3      | 0.3      | 0.3      | 0.2      |


121 Law No. 20.365, published on 19 August 2009. The benefit applies to housing with a value of up to 2,000 UF. 1 UF = US$41.78 as of 10 August 2014.

4.115. In 2013, exports of manufactured products (SITC classification) amounted to US$10,212 million, equivalent to 13.2% of Chilean merchandise exports. The principal manufacturing sector exports include chemical products, semi-manufactured wood, paperboard and paper products, and machinery and transport equipment. In the same year, imports of manufactured products amounted to US$55,633 million, i.e., 69.5% of total merchandise imports. The main categories of manufacturing imports included machinery, transport equipment and chemical products.

4.116. Chile does not use border measures to protect or promote its manufacturing sector. In 2014, the average of the MFN tariffs applied to manufactured products was 6%, since almost all imports of these products were subject to that rate. At the same time, since its last review, Chile has not applied any anti-dumping or countervailing duties to manufactured products, although it has initiated two investigations.

4.117. Chile does not apply any sectoral incentive policies targeted specifically at the manufacturing sector. However, the manufacturing sector can benefit from cross-sectoral policies that pursue objectives such as the promotion of investment, the development of SMEs, the encouragement of technological innovation and clusters. In this case the incentives consist mainly of tax concessions, financing for investment and technological development, support for business management and facilitation of access to credit (Section 3.4.2). The manufacturing sector can also take advantage of general export incentive programmes that consist essentially of administrative facilities for the payment and reimbursement of customs duties.

4.5 Services

4.5.1 Financial services

4.5.1.1 General characteristics and regulatory and prudential aspects

4.118. Chile has a diversified financial sector with a high degree of financial intermediation and international integration. During the review period, Chile made a series of proposals to adapt its banking rules to the Basel III criteria, but the complete implementation of those criteria will also require amendments to the legislation. The Chilean financial sector operates within a supervisory and regulatory framework that has been deemed adequate by the international organizations and is in constant process of being reformed to improve the scope and effectiveness of the supervision. The IMF considers that Chile has made considerable progress in strengthening its financial regulations, but that some important changes still need to be made. Noting the current soundness of Chile’s financial indicators, the IMF draws attention to certain areas in which surveillance needs to be increased. One of these is the high level of exposure of the financial system to mortgage loans, which account for about one quarter of total lending. It also notes the increase in business loans, which account for half the loan portfolio, and the relatively high dependence on institutional deposits (more volatile than savings deposits) as a source of funding.
In general, the IMF considers that in Chile the financial risks are limited, since the banks and insurance companies are adequately capitalized and profitable.

4.119. The Chilean financial sector is large, considering the size of the economy. The system is characterized by a high degree of integration with the local, regional and international economy and has a significant level of foreign participation, both in banking and in insurance and pension funds. The degree of financial intermediation is high and bank credit represented about 85.5% of GDP in 2014. The assets of the financial system exceed 200% of GDP; banking sector assets were approximately 123% of GDP at the end of 2014, while pension fund assets amounted to 60% of GDP and those of the insurance companies to 20%.

4.120. The financial services market consists of the banking sector, insurance, the securities market and the pension funds. Access to the market is relatively free of restrictions, although some conditions or requirements are imposed in certain instances. For example, for reasons of national interest, approval is required for a person to acquire more than 10% of a bank’s capital. Foreign banking and insurance enterprises must be set up as corporations or establish branches with separate capital to be able to provide services in Chile. Foreign insurance companies may also market international maritime transport, international commercial aviation and transit goods insurance directly, but only if they are established in countries with which Chile has an international treaty that allows such insurance to be effected.

4.121. Maximum interest rates (agreed maximum interest rate) are imposed on bank loans, in both local and foreign currency. The agreed maximum interest rate may not exceed by more than 50% the average interest paid by banks and finance companies established in Chile on transactions carried out in the country (current interest) in effect at the time of the agreement, no matter whether the rate is fixed or variable. It is for the Banks and Financial Institutions Supervisory Authority (SBIF) to determine current interest rates, with distinctions made depending on whether the loans are in local or foreign currency and are indexed or not. The averages are established in relation to the transactions made during each calendar month and the resulting rates are published in the Official Journal and by the Supervisory Authority. According to the authorities, the imposition of maximum interest rates is designed to prevent the banks from adopting dominant position practices, as a result of concentration. All financial institutions that offer consumer loans, including credit card companies, must respect these maximum rates.

4.122. Since 1997, Chile has applied Basel international capital adequacy rules and during the review period has examined the incorporation of rules based on Basel II/III, which will be adapted and implemented subject to amendment of the General Law on Banks. The Central Bank has completed the process of reviewing the banking sector liquidity rules with a view to strengthening the framework and aligning more closely on the Basel III international liquidity rules, and the SBIF has posted them on its website for consultation with a view to implementation.

4.123. In 2014, financial services accounted for 5.1% of GDP in current pesos, as compared with the 5.2% recorded in 2008. Between 2008 and 2014, financial services grew at a real average annual rate of 7.0%. During the review period, Chile's trade in insurance services ran a deficit, amounting to US$697 million in 2013, as a result of imports costing US$1,027 million and exports worth US$329 million.

4.124. In December 2014, the participants in the Chilean financial sector supervised by the SBIF included: (i) 24 banks, of which 20 were banks established in Chile, 19 privately owned and 1 State-owned, and 4 were branches of foreign banks. The SBIF also supervises 27 representative offices of foreign banks from 12 countries and 3 branches of Chilean banks abroad. In addition, it oversees 7 savings and loan cooperatives; 3 credit card operators; 1 debit card operator; 7 financial consultancies; 21 banking support companies (2 of...
them also credit card operators); 2 cooperative sector support companies; 2 property leasing companies; 4 recovery agencies; 3 factoring companies; 16 credit card issuers and operators; 7 non-banking credit card issuers and operators; 4 valuation companies; 16 mutual guarantee companies and FOGAPE (guarantee fund); 4 mutual guarantee institution valuation firms; 11 external auditors; 3 general bonded warehouses registered with the SBIF; and 2 general bonded warehouse valuation firms.

4.125. The Chilean financial sector is characterized by the strong presence of financial conglomerates. The authorities consider that the presence of de facto (unregulated) conglomerates could pose risks for the stability of the financial system, as it involves the existence of large-scale institutions and interconnections between the component vehicles, through transactions and investments between related parties. The authorities have been working on a bill that gives the various supervisory bodies the explicit power to request more information concerning conglomerates and have indicated that there are plans to introduce a law regulating financial conglomerates.

4.126. In accordance with Decree Law No. 3.475 of 1980, which contains the Law on Stamp Duty, lending operations are subject to that tax. Law No. 20.130 of 2006 provided for a gradual reduction (from 1.6% to 1.2% of the principal in 2009) and exempted rollover operations. As a means of dealing with the effects of the global financial crisis, Law No. 20.326 of 20 January 2009 stipulated that the tax in question would not apply to lending operations during 2009, would be applied at a rate of 0.6% in the first half of 2010 and would return to 1.2% in the second half of 2010.

4.127. The regulation of the Chilean financial sector is the responsibility of the Central Bank of Chile. Chile employs an institutional or compartmental model of supervision, in which the legal status of the institutions supervised defines the supervisory functions and objectives of the sector’s three existing Supervisory Authorities: the Banks and Financial Institutions Supervisory Authority (SBIF), the Securities and Insurance Supervisory Authority (SVS) and the Pensions Supervisory Authority. Up until 2011, there was no coordination between these agencies with regard to their respective supervisory tasks, since, although there were bilateral or multilateral coordinating bodies, such as the Committee of Directors of Financial Sector Supervisory Authorities, in operation since 2001, they did not have a well-ordered and comprehensive legal framework. Moreover, they had different objectives with respect to systemic risk management and financial crisis situations. This changed with the establishment of the Financial Stability Council (CEF), created by Supreme Decree of the Ministry of Finance No. 953 of 4 October 2011, which has been operational since the same month. The CEF aims to facilitate technical coordination and information exchange so as to prevent situations that could introduce a risk of crisis into the financial sector and constitutes the first collective body established in Chile to identify threats to financial stability and make it possible to implement integrated supervision. The CEF is composed of the Minister of Finance (who acts as its chairman), the Director of Securities and Insurance, the Director of Banks and Financial Institutions, and the Director of Pensions.

4.128. The CEF was originally established through administrative channels, but on 6 November 2014 Law No. 20.789 of 29 October 2014, the Law establishing the Financial Stability Council, entered into force. The law maintains the consultative nature of the body, thus preserving the legal autonomy of the participating technical institutions. At the same time, it expands the opportunities for sharing information within the CEF and allows the directors to access more information concerning financial conglomerates. In addition, it lays down solvency requirements for the controlling shareholders of banks and insurance companies, so as to avoid risks to their solvency and hence to the stability of the financial system. The Law reinforces the institutional framework of the CEF as a coordinating body for the analysis and exchange of information, thereby making it possible to take a comprehensive view and arrive at a common diagnosis of the sources of risk and facilitate the resolution of critical situations that involve the exercise of the functions and powers of the competent bodies. The CEF is regularly advised by the Central Bank of Chile on all matters relating to its functions.

4.129. Since it was established, the CEF has met monthly, with the permanent support of a Technical Secretariat, provided by the Ministry of Finance. The topics addressed by the CEF include risk analysis, aspects of regulation and legislation, financial conglomerates, derivatives,
and aspects of the property sector. As regards risk analysis, the CEF has been monitoring the trends in portfolio flows, which in Chile’s case have continued to be positive, and borrowing costs, as well as, on the local level, the recently observed massive transfers between pension funds, while keeping a constant watch on conditions in the money market. The CEF also monitors the movements of interest rates. Where regulation and legislation are concerned, the CEF is informed of the main legislative and regulatory initiatives being undertaken by each of the participating institutions, so that its members can get an overall picture of the regulatory changes in progress. In 2014, it examined some of them in particular, such as the new regulations on non-bank credit cards, the new rules on bank liquidity and the draft law on the Securities and Insurance Commission, etc.

4.130. The Central Bank of Chile (BCCh), under its Constitutional Organic Law, has to regulate the relationship between the borrowing and lending operations of the banks. On the basis of this legal mandate, it regulates the banks’ liquidity management as set out in Chapter III.B.2 of its Compendium of Financial Regulations. This regulatory process is implemented and supervised by the Banks and Financial Institutions Supervisory Authority (SBIF), under Chapter 12-9 of its Compendium of Regulations. Since 1997, the principles of the Basel Agreement relating to the supervision of banking institutions have been applied. With respect to liquidity standards, the Chilean regulatory framework currently establishes maximum mismatch periods of 30 and 90 days for operations in local and foreign currency and places limits on these 30 and 90 day mismatches equivalent to a maximum of one and two times the bank’s core capital, respectively. These regulations have been in force since April 1999. The authorities consider that, generally speaking, these regulations have achieved the objectives pursued, enabling them to obtain access to information about liquidity margins and concentrations of maturities and thereby facilitating the taking of decisions on safeguard measures, where necessary. Nevertheless, the regulations in force subscribe only partially to the Basel principles for the management of liquidity risk and the authorities consider that there is room for strengthening bank liquidity risk management policies and the risk management processes used in formulating them.

4.131. In this connection, since 2013, the BCCh, jointly with the SBIF, has been revising its bank liquidity regulations to incorporate the latest guidelines from the Basel Committee on Banking Supervision (BCBS), particularly in relation to the Basel III agreements. As a result of this process draft regulations were drawn up and published and remained open for public consultation until 6 September 2014. According to the authorities, the actual implementation of the Basel II and Basel III principles from the standpoint of capital adequacy will require the amendment of the General Law on Banks.

4.132. The introduction of new bank liquidity regulations is intended to achieve the following objectives: (i) to strengthen bank liquidity risk management policies, in line with international best practice, by establishing clear guidelines for liquidity risk management and minimum criteria for the development of stress testing exercises and contingency plans in each institution; (ii) to incorporate the quantitative measures of Basel III, that is, the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR), per currency and on an individual and consolidated basis; (iii) to increase the quantity and quality of the information available to the supervisor and the market, by adding, as well as the Basel III liquidity indicators, monitoring variables for the assets and main sources of financing, to improve the prudential and financial stability analysis being developed by the BCCh; and (iv) to improve the current regulatory requirements, by introducing limits on a consolidated basis to supplement the individual limits, so as to take into consideration the liquidity management in all the branches of the banks established in Chile while making it clear that bank branches abroad must be managed completely independently of the parent company.

129 Basel III also proposes additional indicators which can be used as supplementary monitoring tools by the supervisor and the market. These include maturities mismatches; the concentration of sources of financing by counterparty, instrument and currency; the value of uncommitted available collateral; the LCR by currency, taking hedging in foreign currency into consideration; and trends in market variables.
4.133. The authorities have pointed out that, once the regulations enter into force, studies will be carried out to incorporate new statutory limits and advance the process of improving the current limits. In particular, establishing a limit for the LCR, with a suitable period for its progressive introduction, will be assessed and the current maturity mismatches will be revised to make them properly reflect the liquidity management normally practised by the banks.\(^{130}\) The assessment made during this period of the existing gaps between the supply of high-quality liquid assets and the demand will make it possible to adapt the criteria used for constructing high-quality liquid assets to the local situation.\(^{131}\)

4.134. Law No. 20.720 of 9 January 2014 replaced the regime for liquidating financial sector companies in force up to that point with a law on reorganization and liquidation for companies and individuals. The new law replaces the reference to the bankruptcy ("quiebra") of a company by liquidation ("liquidación"). It also stipulates that, once the liquidation resolution has been adopted, the provisional receiver will continue the debtor's economic activities until the creditor committee appoints another administrator and for not more than one year from the date of the liquidation resolution. The economic activities may be ended before the year has passed only with the authorization of the court hearing the liquidation proceedings. Once the period of one year from the adoption of the liquidation resolution has expired, the debtor's economic activities may be continued in the cases and in accordance with the rules laid down in the Law on the Reorganization and Liquidation of the Assets of Companies and Individuals. Claims arising after the end of the first year of continuation of the economic activities will benefit from preferential payment. Moreover, during the first year following the date of the liquidation resolution, the company's assets may only be transferred as an economic unit to another company in the same line of business, unless the judge hearing the liquidation proceedings authorizes otherwise.

4.135. Some of the RTAs signed by Chile incorporate financial services chapters, such as those with Japan; Australia; European Union; United States; Canada; Hong Kong, China; the Pacific Alliance; and Thailand. In other cases, financial services have not been included (for example, the agreement with Central America).

4.5.1.2 Banking sector

4.5.1.2.1 General characteristics

4.136. In December 2014, the assets of the Chilean banking system were valued at Ch$180.9 billion (US$288,000 million), equivalent to 122.9% of GDP, while total deposits amounted to Ch$105.4 billion (US$165,000 million), that is, 71.7% of GDP. On the same date, the Chilean banking system comprised 11 domestic private banks, 12 foreign private banks (subsidiaries and branches), and one State-owned bank (BancoEstado). The banks and branches under foreign ownership or control held about 34% of total assets (41% in 2008), while the domestic private banks held 50% and the State-owned bank 16%.\(^{132}\) At the end of 2014, there were 27 representative offices of foreign banks operating in Chile.

4.137. The number of banking institutions remained stable during the period 2008-2014. At the end of 2013, the five largest banks accounted for 72% of total assets.\(^{133}\) The solvency and profitability indicators for the Chilean banking system are sound: on 31 October 2014, the system had a capital adequacy ratio of 13.38%; after incorporation of the estimated capital requirements needed to cope with market risk the ratio amounted to 12.26%.\(^{134}\) On 31 December 2014 the

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\(^{130}\) At present, in Chile there is no differentiation between different types of high-quality liquid assets, which are taken to mean any asset that can be sold in less than 30 days. The new regulations proposed differentiate between Level 1 and Level 2 liquid assets, according to the risk, and limit Level 2 (riskier) assets to 40% of the total stock. See: Banco Central de Chile (2014), *Antecedentes de la nueva regulación sobre gestión de liquidez bancaria* (open for public consultation until 6 September 2014). Viewed at: [http://static.pulso.cl/20140509/1939859.pdf](http://static.pulso.cl/20140509/1939859.pdf).


\(^{132}\) Information provided by the Chilean authorities.

\(^{133}\) These are: Banco Santander-Chile (17%), Banco de Chile (16.3%), BancoEstado (16.1%), Banco de Crédito e Inversiones (12.8%), and Corpbanca (11%).

return on average equity (ROAE) was 19.28%. At the same time, the return on average assets (ROAA) before tax amounted to 1.54%. The loan provisions index was 2.42% in November 2014, while the non-performing (90 days or more past due) loan index amounted to 2.04%. The operating costs to operating income efficiency indicator was 49.33%, while the operating costs to assets ratio was 2.17%. At the end of 2014, the loan provisions index stood at 2.42%, while the non-performing loan index was 2.10% (Table 4.10).

Table 4.10 Main banking system indicators, 2009-2014

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total financial assets (banking sector) MM$</td>
<td>101,907,507</td>
<td>108,233,852</td>
<td>126,295,010</td>
<td>140,525,867</td>
<td>158,746,428</td>
<td>180,881,039</td>
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<tr>
<td>As % of GDP (at current prices)</td>
<td>105.3</td>
<td>97.5</td>
<td>104.1</td>
<td>109</td>
<td>115.9</td>
<td>122.9</td>
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<tr>
<td>Banking system deposits MM$</td>
<td>58,564,118</td>
<td>64,966,889</td>
<td>76,544,265</td>
<td>86,737,994</td>
<td>97,151,654</td>
<td>105,447,653</td>
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<tr>
<td>Deposits as % of GDP</td>
<td>60.7</td>
<td>58.5</td>
<td>63.1</td>
<td>67.2</td>
<td>70.9</td>
<td>71.7</td>
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<tr>
<td>Loan portfolio</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial loans MM$</td>
<td>42,689,644</td>
<td>45,629,265</td>
<td>54,465,770</td>
<td>62,747,676</td>
<td>70,770,871</td>
<td>76,527,116</td>
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<tr>
<td>Consumer loans</td>
<td>8,700,975</td>
<td>9,738,588</td>
<td>11,487,586</td>
<td>13,479,715</td>
<td>15,833,583</td>
<td>17,182,298</td>
</tr>
<tr>
<td>Mortgage loans</td>
<td>17,547,698</td>
<td>19,586,130</td>
<td>21,993,143</td>
<td>24,535,794</td>
<td>27,592,200</td>
<td>32,158,817</td>
</tr>
<tr>
<td>Loan portfolio as % of GDP</td>
<td>71.48</td>
<td>67.53</td>
<td>72.49</td>
<td>78.09</td>
<td>83.34</td>
<td>85.52</td>
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<tr>
<td>Bank lending rate</td>
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<td></td>
</tr>
<tr>
<td>Commercial loans</td>
<td>3.06</td>
<td>4.60</td>
<td>7.44</td>
<td>12.45</td>
<td>10.91</td>
<td>4.29</td>
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<tr>
<td>Consumer loans</td>
<td>15.88</td>
<td>16.89</td>
<td>17.79</td>
<td>19.02</td>
<td>17.71</td>
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<tr>
<td>Loans</td>
<td>1.23</td>
<td>6.36</td>
<td>12.94</td>
<td>11.55</td>
<td>11.02</td>
<td>4.81</td>
</tr>
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<td>Credit and accounts receivable</td>
<td>-0.13</td>
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<td>13.11</td>
<td>11.91</td>
<td>10.91</td>
<td>4.29</td>
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<td>12.45</td>
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<td>9.88</td>
<td>10.83</td>
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<td>13.52</td>
<td>14.53</td>
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<tr>
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<td>9.80</td>
<td>8.95</td>
<td>8.07</td>
<td>8.89</td>
<td>10.20</td>
<td>10.31</td>
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<td>Profitability</td>
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<tr>
<td>Return on equity before tax</td>
<td>18.59</td>
<td>21.82</td>
<td>20.81</td>
<td>17.29</td>
<td>18.35</td>
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<tr>
<td>Return on equity after tax</td>
<td>15.24</td>
<td>18.62</td>
<td>17.50</td>
<td>14.65</td>
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<td>Return on total assets before tax</td>
<td>1.47</td>
<td>1.72</td>
<td>1.62</td>
<td>1.38</td>
<td>1.49</td>
<td>1.54</td>
</tr>
<tr>
<td>Return on total assets after tax</td>
<td>1.20</td>
<td>1.47</td>
<td>1.36</td>
<td>1.17</td>
<td>1.21</td>
<td>1.40</td>
</tr>
<tr>
<td>Operating efficiency</td>
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</tr>
<tr>
<td>Operating costs to operating income</td>
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<td>Operating costs to total assets</td>
<td>2.36</td>
<td>2.46</td>
<td>2.33</td>
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<tr>
<td>Support costs to gross operating margin</td>
<td>44.58</td>
<td>45.93</td>
<td>47.63</td>
<td>48.07</td>
<td>46.63</td>
<td>46.28</td>
</tr>
<tr>
<td>Support costs to total assets</td>
<td>2.26</td>
<td>2.31</td>
<td>2.20</td>
<td>2.18</td>
<td>2.15</td>
<td>2.17</td>
</tr>
<tr>
<td>Credit risk by provisions</td>
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<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Loans</td>
<td>2.39</td>
<td>2.49</td>
<td>2.33</td>
<td>2.27</td>
<td>2.39</td>
<td>2.42</td>
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<tr>
<td>Credit and accounts receivable</td>
<td>2.43</td>
<td>2.52</td>
<td>2.36</td>
<td>2.29</td>
<td>2.42</td>
<td>2.45</td>
</tr>
<tr>
<td>Commercial (businesses)</td>
<td>2.17</td>
<td>2.34</td>
<td>2.14</td>
<td>2.00</td>
<td>2.20</td>
<td>2.36</td>
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<td>2.78</td>
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<td>2.77</td>
<td>2.78</td>
<td>2.59</td>
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<tr>
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<td>6.27</td>
<td>6.34</td>
<td>6.08</td>
<td>6.36</td>
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<tr>
<td>Housing</td>
<td>1.06</td>
<td>1.05</td>
<td>0.94</td>
<td>0.79</td>
<td>0.75</td>
<td>0.70</td>
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<tr>
<td>Non-performing loan portfolio (90 days or more)</td>
<td>3.41</td>
<td>3.03</td>
<td>2.59</td>
<td>2.20</td>
<td>2.13</td>
<td>2.10</td>
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<tr>
<td>Loans</td>
<td>3.48</td>
<td>3.07</td>
<td>2.62</td>
<td>2.22</td>
<td>2.15</td>
<td>2.12</td>
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<tr>
<td>Consumption</td>
<td>2.79</td>
<td>2.21</td>
<td>2.39</td>
<td>2.40</td>
<td>2.11</td>
<td>2.10</td>
</tr>
<tr>
<td>Housing</td>
<td>7.36</td>
<td>6.17</td>
<td>5.04</td>
<td>3.86</td>
<td>3.31</td>
<td>3.05</td>
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<tr>
<td>Impaired portfolio</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Loans</td>
<td>8.90</td>
<td>8.38</td>
<td>5.93</td>
<td>5.15</td>
<td>5.10</td>
<td>5.20</td>
</tr>
<tr>
<td>Credit and accounts receivable</td>
<td>9.10</td>
<td>8.49</td>
<td>6.01</td>
<td>5.21</td>
<td>5.16</td>
<td>5.28</td>
</tr>
<tr>
<td>Commercial (businesses)</td>
<td>8.33</td>
<td>8.05</td>
<td>4.63</td>
<td>3.86</td>
<td>4.11</td>
<td>4.39</td>
</tr>
<tr>
<td>Persons</td>
<td>10.34</td>
<td>9.18</td>
<td>8.27</td>
<td>7.45</td>
<td>6.87</td>
<td>6.65</td>
</tr>
<tr>
<td>Consumption</td>
<td>11.38</td>
<td>9.51</td>
<td>8.17</td>
<td>7.89</td>
<td>7.24</td>
<td>7.29</td>
</tr>
<tr>
<td>Housing</td>
<td>9.83</td>
<td>9.01</td>
<td>8.32</td>
<td>7.20</td>
<td>6.65</td>
<td>6.30</td>
</tr>
</tbody>
</table>

Source: Banks and Financial Institutions Supervisory Authority (Chile).
4.5.1.2.2 Legal and institutional framework

4.138. The main bodies responsible for regulating the banking system are the Banks and Financial Institutions Supervisory Authority (SBIF), an autonomous institution linked to the Ministry of Finance, and the Central Bank of Chile. The SBIF is charged with supervising the banks and other financial institutions.\textsuperscript{135} The Central Bank establishes the reserve requirement for banks and the collateral and guarantee levels for foreign exchange transactions.

4.139. Since the last review, some changes have been made to the General Law on Banks (LGB) (Decree with Force of Law No. 3 of the Ministry of Finance of 1997), such as those contained in Law No. 20.789 of 6 November 2014.

4.140. Under the LGB, banks must be established as corporations or agencies of foreign corporations in the case of branches. For a bank to establish itself in Chile, the authorization of the SBIF is required. To be able to obtain a banking licence it is necessary to provide the SBIF with a prospectus, a business plan for the first three years and a guarantee of 10\% of the capital of the proposed company. Under the legislation, an essential requirement for the approval of a licence application is the verification of the solvency and integrity of the founding shareholders. To meet the solvency requirement, the founding shareholders of a bank must have consolidated net worth equivalent to the proposed investment, that is, a minimum of 800,000 UF, approximately US$33 million. At the time when a bank is granted its charter or a branch of a foreign bank is authorized to operate, 50\% of the minimum capital must have been paid up, there being no time-limit for paying up the balance. Until the bank has achieved the minimum capital of 800,000 UF, it must maintain an effective equity of not less than 12\% of its risk-weighted assets, a proportion that is reduced to 10\% when it has an effective equity of 600,000 UF. To meet the integrity requirement, the founding shareholders, in addition to their business experience, must be able to show that they have not engaged in any serious or repeated fraudulent or negligent behaviour that might jeopardize the stability of the institution it is proposed to establish or the security of its depositors. The SBIF verifies compliance with the above-mentioned criteria by examining the applications it receives on a case by case basis, while, in addition, the Central Bank may rule on the effects that the authorization of new banks might have on the stability of the financial system.

4.141. The Chilean legislation does not place any limits on the number of shares that an individual investor may own in a particular bank or on the number of banking system entities that an investor may control. However, for a person to acquire, directly or through third parties, more than 10\% of a bank’s capital the prior authorization of the SBIF is required.\textsuperscript{136} In this case, the acquisition is subject to the same conditions as is the establishment of a new banking entity where integrity and solvency requirements are concerned.

4.142. The SBIF must issue a provisional banking licence authorization within a period of 180 days. If the application is rejected, the rejection must be notified in writing and based on a reasoned decision that the shareholders do not meet the requirements laid down. Failure of the SBIF to take a decision within the statutory time-limit will be interpreted as tacit approval and the licence will be deemed to have been granted. The authorities have pointed out that in recent years applications to found a bank have been processed within the statutory time-limits. If the application is approved, before authorization is granted, a check is made to determine whether the new banking institution is ready to commence activities. In particular, it is determined whether it has the human and technological resources and the procedures and controls to begin functioning. Once this has been verified, the SBIF can proceed to grant the authorization to operate. Title XV of the General Law on Banks makes reference to measures for regularizing the situation of the banks and their compulsory liquidation.

4.143. The legislation allows Chilean nationals and residents of Chile to make deposits in and obtain loans from banks located abroad. However, the cross-border supply of banking services is not permitted.

4.144. Foreign banks may establish themselves in Chile by opening a subsidiary (set up as a Chilean corporation), by holding shares in an existing Chilean bank, or by setting up a branch

\textsuperscript{135} The SBIF’s statutes can be found in Title I of the General Law on Banks.

\textsuperscript{136} Article 36 of the LGB.
with separate capital. The law requires that the capital and reserves that foreign banks allocate to their branches be actually brought into Chile and converted into the national currency. Branches of foreign banks are subject to the same rules and requirements as domestic banks and may engage in the same activities, including tapping funds in the local market. In operations between a branch and its parent company abroad, the two are deemed to be independent entities. There are no restrictions with respect to the number of branches of foreign banks that can operate in the country. The LGB provides that for a foreign bank to obtain approval to open a branch in Chile or invest in a Chilean bank, its operations must be adequately supervised in its home country so as to permit the assessment of the associated risks and it must have the prior authorization of the competent regulatory body in that country.

4.145. Foreign banks may also maintain a representative office in Chile, subject to the approval of the Director of Banks. Representative offices may not engage in banking activities in Chile, but they may advertise the products or loan services of their parent company.

4.146. The formation of financial conglomerates is permitted de facto, although there are as yet no regulations in this respect. Any bank established in Chile, whether Chilean or foreign-owned, may set up and hold shares in companies that provide banking support services, as well as in subsidiaries that offer various financial services. However, banks are legally prohibited from participating in conglomerates which include activities other than the financial services identified by the Law. More specifically, banks may not hold shares in insurance companies, industrial enterprises, commercial enterprises or public utility enterprises, among others. The LGB allows Chilean banks to carry on activities abroad, provided that they comply with minimum requirements of capital adequacy and the country in which they operate provides for adequate supervision.

4.147. Sight deposits are fully guaranteed by the Central Bank of Chile and can be encashed in the event of a banking entity being wound up (Article 132 of the LGB). Term deposits, including savings accounts, are covered by the State guarantee up to a maximum of 108 UF (approximately US$4,400). The LGB provides for the following payments on national or foreign-currency deposits in a bank or savings and loan cooperative subject to the SBIF’s supervision: (i) 90% of the total, with a maximum payable of 108 UF, throughout the banking system for each calendar year, on the term deposits of natural persons, and (ii) 100% of the amount on current account and sight deposits.

4.148. In its Schedule of Specific Commitments included in the Fifth Protocol annexed to the GATS, Chile does not impose any market access or national treatment limitations as regards commercial presence for providing banking services and auxiliary services.

4.5.1.3 Insurance

4.5.1.3.1 General characteristics

4.149. The Chilean insurance market performed strongly during the review period, in terms of both the number of companies involved and the amount of assets and premiums. The growth of the sector continued to be closely linked with the development of the pension funds, which by law must purchase life and incapacity insurance for their members. During the review period, a number of prudential regulatory changes were also made with a view to strengthening supervision.

4.150. At the end of 2013, there was a total of 61 insurance companies, as compared with 55 in 2009, of which 29 were in general insurance and 32 in life insurance. The latter are those that have a greater share of the market, with about 67% of total premiums in 2013. In both groups, foreign-owned companies hold a substantial stake: around 63% in the general insurance market and 47% in the case of the companies offering life insurance. In 2013, the insurance market was also composed of 135 reinsurance companies (all foreign), 56 reinsurance brokers, 225 adjusters,

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137 The services identified by the LGB include: mutual fund, investment fund or foreign capital fund management, over-the-counter securities agents, financial advisory services, loan recovery and advisory services relating to the pensions system, stock exchange brokers, insurance brokers, securities custody, factoring, leasing operations, and asset securitization.

138 Article 76 of the LGB.


2,363 insurance brokers, and 491 insurance advisers (asesores previsionales).\textsuperscript{141} In general, the life insurance companies form part of financial conglomerates.

4.151. Despite the global financial crisis, the assets of the insurance companies increased during the review period: in 2013 they amounted to US$49,494 million (as compared with US$35,973 million in 2009) and accounted for 18.9% of GDP. The net worth of the insurance companies rose from US$4,794 million in 2009 to US$6,177 million in 2013.\textsuperscript{142} In 2013, the Chilean-owned companies held 33.6% of the net worth while the foreign companies held 66.4% of the capital, prominent among them being those with capital coming from the United States (20.9%); Spain (13.9%); France (13.6%); the United Kingdom (12.6%); Switzerland (3.8%); and Germany (1.6%). The life insurance companies owned approximately 90% of the assets in 2013. Also in 2013, insurance premiums accounted for 4.2% of GDP and life insurance premiums for 2.8%, while general insurance premiums amounted to 1.4%.\textsuperscript{143} At the end of 2013, some 37.3% of premiums were collected by Chilean-owned companies and the remaining 62.7% by foreign-owned ones, notably those with capital from the United States (20.3%); the United Kingdom (14.9%); Spain (14.5%); France (6.5%); Switzerland (4.4%); and Germany (2.5%). The five largest insurance companies accounted for 50% of premiums in the life insurance market and 55% of those in the general insurance market.

4.152. The Chilean insurance sector is fairly well developed, with a relatively high insurance density (US$671 in December 2013). Chile has the following statutory insurance requirements: (i) to obtain any bank loan it is necessary to take out an insurance policy; (ii) to obtain a mortgage loan it is necessary to take out in advance insurance policies against fire, earthquake and flooding; and (iii) pension funds are required to take out life insurance policies to cover the risk of their members’ dying or becoming disabled.\textsuperscript{144}

4.5.1.3.2 Legal and institutional framework

4.153. The Securities and Insurance Supervisory Authority (SVS), an autonomous institution linked with the Ministry of Finance, is responsible for supervising the activities and entities involved in the Chilean securities and insurance market. The SVS also regulates the activities related to the sector. The Insurance Law (Decree with Force of Law No. 251 of 1931 and its amendments) constitutes the basic legislative framework for the insurance industry. The Commercial Code (rules governing insurance contracts), Decree Law No. 1.092 of 1975 on mutual insurance societies and Law No. 18.490 of 1986 on compulsory personal accident insurance (SOAP) also apply. During the review period, important changes were incorporated in the legislative and regulatory framework, such as those introduced by Law No. 20.552 of 17 December 2011, which modernized the financial system and promoted competition, and by Law No. 20.667 of 4 April 2013, which governs insurance contracts. The second of these laws amended certain aspects of the Commercial Code, while the first introduced legislation on insurance associated with mortgage loans and relaxed the limits on the freedom of insurance companies to invest in certain assets.

4.154. To start up an insurance company in Chile or engage in any insurance or reinsurance activity it is necessary to obtain the approval of the SVS. Insurance companies may be established as corporations set up in Chile for that sole purpose, in accordance with the Insurance Law, or as branches of foreign insurance companies with separate capital, in accordance with the amendments to the Insurance Law introduced by Law No. 20.190 of 5 June 2007.

4.155. Insurance companies must be established either as life insurance companies or as general insurance companies. Life insurance companies may not offer general insurance and vice versa. Moreover, insurance companies may only reinsure risks of the same group as that in which they are authorized to operate. Credit risks must be insured with a general insurance company whose sole purpose is to cover that type of risk. Despite having to be established as separate entities, a life insurance company and a general insurance company may belong to the same group.

\textsuperscript{141} SVS. Viewed at: http://www.svs.cl/portal/estadisticas/606/w3-propertyname-623.html.
\textsuperscript{142} SVS. Viewed at: http://www.svs.cl/portal/estadisticas/606/w3-propertyname-623.html.
\textsuperscript{143} Information provided by the Chilean authorities.
(through a holding) and in this case may have the same management. The time-limits for obtaining a reply to an establishment application vary according to the type of insurance company it is wished to establish. The limit for general insurance companies is 60 days, after which the applicant may request a ruling from the SVS, which then has 5 days in which to decide. Under the Insurance Law, if there is no reply, the application is deemed to have been rejected. However, under the Law on Transparency of 2009, the SVS is under an obligation to reply and to explain the reasons for rejection. Where life insurance is concerned, the SVS has 90 days within which to process an application; in this case, if the SVS fails to notify its decision, the licence is deemed to have been granted. The minimum capital requirement for establishing an insurance company is 90,000 UF (US$4 million), while in the case of a reinsurance company at least 120,000 UF (US$5.3 million) is required.

4.156. Under the Insurance Law, insurance may be taken out abroad, except for compulsory insurance (SOAP) and insurance relating to the pension and social welfare systems, which must be taken out in Chile.

4.157. Chile adheres to the principle of insuring risks in the country in which they arise and not abroad. Thus, foreign insurers may not offer or take out insurance in Chile, directly or through intermediaries, and nor may Chilean companies offer insurance contracts abroad. Exceptions to this rule, considering that in these cases the risk does not arise entirely within the country, are international maritime transport insurance, international commercial aviation insurance and insurance for goods in transit, which may be provided by foreign insurance companies established in a country with which Chile has an international treaty that permits such insurance to be effected. This is the case with the treaties concluded with the United States, the European Union, Japan and Australia.

4.158. Foreign insurers may operate in Chile by establishing a corporation or a branch with separate capital, subject to SVS approval. Foreign insurance companies may also maintain a representative office in Chile. The branches of foreign companies have the same rights and obligations as domestic insurance companies and their activities are not restricted to any area of insurance in particular. There are no restrictions on the number of branches that foreign insurance companies may establish in Chile.

4.159. Where reinsurance is concerned, foreign entities may carry out operations without the need to establish themselves in Chile, provided that they have an international risk rating of at least BBB, appoint a representative in Chile and are enrolled in the SVS's register of foreign reinsurers.

4.160. Amounts insured, premiums and claims must be expressed in UF, unless the contracts are in foreign currency. Premiums may be set freely; there are no limits or guide parameters. Likewise, intermediation commissions are agreed freely between the insurer and the insurance broker. The Insurance Law establishes solvency margins that must be maintained by each type of insurance company. The main purpose of the solvency margin is to ensure that the company has the resources available to cover exceptional movements due to changes in risks. The solvency margin for general insurance companies corresponds to the greater of the result of calculating the solvency margin in terms of premiums and the result of calculating it on the basis of claims. The solvency margin for life insurance companies corresponds to the sum of the amounts that result from calculating the margin for accident, health and additional non-life insurance by applying the rules laid down for general insurance, the margin for life insurance that does not generate mathematical reserves, calculated on the basis of the ratio of self-preservation to total capital, and the company's total indebtedness margin calculated in accordance with certain parameters. There are also limits on investment per instrument. Moreover, the law authorizes insurance companies to invest in instruments and assets abroad up to a maximum of 20% of their technical reserves and risk capital.

4.161. To operate as a broker it is necessary to be registered with the SVS and to obtain a licence. Natural persons must be either Chilean or foreigners established in Chile, while legal persons must have been legally incorporated in Chile for the purpose. However, Law No. 20.190 allows international maritime and air transport insurance and insurance for goods in international transit to be intermediated in Chile by natural or legal persons established in a country with which
Chile has an international treaty that permits such insurance to be effected from that country.\textsuperscript{145} Foreign reinsurance brokers are subject to the same requirements with respect to registration and the issuance of insurance policies as domestic brokers and must be legal persons established in their country of origin, with the capacity to intermediate risks transferred from abroad and pay claims in convertible currency.

4.162. At the end of 2014, Chile was in the process of introducing a system of supervision based on risks, including changes in the solvency requirements. A draft Law on Risk-Based Supervision for the Insurance Industry was approved in the Chamber of Deputies in October 2012 and at the end of 2014 was being examined in the Senate. The draft law is intended to deal with some of the shortcomings identified in the current Chilean legislation, for example, the fact that risk is not taken into account at the time of requiring minimum capital, which is the same for all companies under the current legislation. In this respect, the draft strengthens the supervisory process by making distinctions between companies according to their level of risk and their risk management and corporate governance practices.\textsuperscript{146} It is expected that the implementation of the draft law will lead to changes in insurance company capital requirements, investment regulations and corporate governance. The supervisory system proposed employs a method of assessment based on two pillars of corporate financial soundness. Firstly, the level of compliance with new minimum solvency rules incorporating the notion of a risk-based capital requirement is assessed. Secondly, the SVS will assign a rating to each company based on an assessment of its exposure to risk, its risk management practices and the quality of its corporate governance and on a qualitative assessment of its capitalization.

4.163. The authorities have also identified a number of areas in which they are working to confront known risks, such as the effect of increased life expectancy and the mismatch between assets and liabilities (the former have an average life of 9 years, whereas that of the latter is 11 years).

4.164. Chile's commitments under the GATS do not reflect some of the changes to the legislation made in recent years. For example, with regard to market access it is stipulated that insurance services may only be provided by companies incorporated in Chile that offer life or general insurance, although the establishment of branches has been permitted since 2007.\textsuperscript{147} Chile has not submitted a revised financial services offer to the WTO.

4.165. Some of the RTAs signed by Chile include provisions on insurance in the respective financial services chapters; other agreements envisage future negotiations with a view to their inclusion. The SVS signed a memorandum of understanding with the International Association of Insurance Supervisors (IAIS) in 2012 and another with Peru’s Banking, Insurance and Private Pension Fund Managers Supervisory Authority in 2013.

4.5.1.4 Pension funds

4.5.1.4.1 General characteristics

4.166. Chile's pension system is one of the three main pillars of the Chilean financial system; it is the second most important sub-sector (after banking) in terms of assets and contribution to GDP. It is a compulsory individual capital account system designed to receive the social welfare savings of the affiliated workers, who must each month pay 10% of their wages into a personal account with the Pension Fund Management Company (AFP) of their choice. At the end of September 2014, there were 9,716,665 people affiliated to the Individual Capital Account Pension System.\textsuperscript{148} This is equivalent to about 55% of the population (17.8 million).\textsuperscript{149} Out of the total

\textsuperscript{145} Article 58bis of Decree with Force of Law No. 251.
\textsuperscript{147} WTO document GATS/SC/18/Suppl.3 of 26 February 1998.
number of contributors, 97.4% are dependent workers. In September 2014, the average contribution density, over the previous 12 months, was 52%.

4.167. The Pension Fund Management Companies (AFPs), private institutions responsible for managing individual accounts through five pension funds, are the largest institutional investor in the Chilean financial market. The total value of the assets of the AFPs amounted to US$168,696 million on 30 September 2014 (68.4% of GDP).\(^{150}\) On 30 September 2014, there were six AFPs operating. In four of the AFPs, some of the principal shareholders are controlled by foreign entities.

### 4.5.1.4.2 Legal and institutional framework

4.168. The legal framework of the pension funds sub-sector is based on Decree Law No. 3.500 of 1980, which created the individual capital account system managed by the AFPs, and on its regulations, Decree No. 57 of 20 July 1990. Decree Law No. 3.500 has been amended by several laws over the course of the years. These include Law No. 20.255, published on 17 March 2008, which introduced social welfare reform and extended the scope of the system by making it compulsory for the self-employed as well; increased the investment options and changed the maximum limits; established a public tender mechanism for allocating new compulsory accounts; and sought to expand social protection by means of a solidarity pillar. More recently, Law No. 20.366 of 22 July 2009 advanced the process of transition of the system of solidarity pensions established in Law No. 20.255, while Law No. 20.459 of 31 August 2010 introduced rules for facilitating access to basic solidarity pensions for disability and old age.

4.169. The Pensions Supervisory Authority (SP) is the regulatory body that represents the State within the Chilean pensions system. The SP is an autonomous entity linked with the Government through the Ministry of Labour and Social Welfare via the Undersecretariat of Social Welfare. The SP is responsible for authorizing the establishment of AFPs, overseeing the legal, administrative and financial aspects of their operation, and regulating their activities. The SP was created by Law No. 20.255 of 2008 as the legal successor to the Pension Funds Management Companies Supervisory Authority established under Decree Law No. 3.500 of 1980. The task of the SP is to supervise and monitor the Solidarity Pensions System administered by the Social Welfare Institute (IPS), the AFPs and the Unemployment Funds Management Company (AFC), which collects contributions, invests the resources and pays unemployment benefits.

4.170. There are no restrictions on the participation of foreign investment in the equity of an AFP. Any Chilean or foreign person, natural or legal, may be a shareholder in an AFP, which must be established as a sole-purpose corporation, subject to the approval of the SP. The minimum capital requirement for establishing an AFP is 5,000 UF (US$203,137) and the requirement increases with the number of people affiliated, up to 20,000 UF when there are more than 10,000.\(^{151}\) The AFP may charge commissions, which they may set freely and which must be uniform for all those affiliated to the same AFP.

4.171. The SP applies a risk-based supervision (RBS) model, consisting of structured processes for identifying, monitoring, controlling and mitigating the most critical risks confronting the entities supervised, by evaluating the management of the processes involved. This approach is intended to provide a comprehensive and preventive supervisory mechanism. It is comprehensive since it involves a review of all the risks associated with each activity. Risk-based supervision is applied to the AFPs, to the AFC and to the IPS, with appropriate adjustments according to the complexity, nature and scale of the operations of each of the entities concerned.\(^{152}\)

4.172. The resources of the Pension Funds may only be invested in the securities expressly established by law and the level of risk varies according to the Fund. Thus, since August 2002, the compulsory savings of the pension funds have been managed under a multiple fund scheme. At present, five types of Funds (A, B, C, D and E) are being managed, the distinguishing factor being the level of risk to which they are exposed, defined as the proportion invested in

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\(^{151}\) On 31 August 2014, 1 UF was approximately equal to US$41.

\(^{152}\) SP. Viewed at: [http://www.spensiones.cl/portal/institucional/578/w3-propertyvalue-6085.html](http://www.spensiones.cl/portal/institucional/578/w3-propertyvalue-6085.html).
variable-yield securities. The main purpose of creating a multiple fund or multi-fund scheme within the Social Welfare System is to increase the expected value of the pensions that the participants in the scheme will obtain. The authorities consider that the opportunity to invest in a portfolio of financial assets whose level of risk is linked with the investment horizon of the participant makes it possible to improve the expected value of the pension.

4.173. Chile has not made any specific commitments with regard to pension funds under the GATS.

4.5.2 Telecommunications

4.174. In Chile, the telecommunications sector is entirely privately operated. The Chilean legislation envisions sector-specific nationality requirements, applicable to the holders of concessions for the provision of public telecommunications services and intermediate services, in addition to the radio frequency spectrum. The general rule continues to be free pricing (Article 29 of the General Law on Telecommunications). In exceptional cases, such as interconnection between public services concession holders and intermediate services concession holders, the tariffs are regulated by law. There have been some changes in the legislation since the last review, especially with regard to the provision of a telecommunications service in the event of a natural disaster. Number portability has been incorporated as a consumer right and has been implemented across the board for both mobile and fixed telephones. In the first half of 2014 the concept of national long distance telephony was abandoned. At the end of 2014, the Government was working together with Argentina to eliminate the billing of international "roaming" charges between the two countries. Similar efforts have also been made in other bodies at international level. Thus, the Telecommunications Chapter of the Pacific Alliance, in which, in addition to Chile, Peru, Colombia and Mexico also participate, stipulates, in Article 14.20, that the Parties shall cooperate in promoting transparent and reasonable tariffs for mobile international "roaming" services. This will be achieved by means of the measures concerning transparency and facilitation in the use of alternative technologies for which the same article provides.

4.5.2.1 General characteristics of the sector

4.175. Chile’s communications sector accounted for 1.8% of GDP in 2014; in the same year, telecommunications accounted for 3.3% of foreign investment. After declining between 2009 and 2011, foreign investment in telecommunications rebounded in the following years.

4.176. The telecommunications industry is continuing to experience significant expansion, which is particularly apparent in the mobile telephony and Internet access services segments. In 2014, mobile telephony had more than 23 million users (16.5 million in 2009) (Table 4.11). Thus, by June 2014 the penetration index had risen to 132.1 per 100 inhabitants. Meanwhile, by the same date fixed Internet connections had reached about 10 million. Of the Internet connections 96% were dedicated access connections, mainly by cable modem and ADSL.

<table>
<thead>
<tr>
<th>Table 4.11 Telecommunications indicators, 2009–2014 (1st half)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Communications share of GDP</strong> (at current prices, reference 2008) (%)</td>
</tr>
<tr>
<td>Investment (US$ million)</td>
</tr>
</tbody>
</table>


155 Article 25, Law No. 18.168 (General Law on Telecommunications) of 1982.


<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>1st half 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>% total FDI</td>
<td>3.62</td>
<td>4.12</td>
<td>2.20</td>
<td>2.35</td>
<td>3.37</td>
<td>1.35</td>
</tr>
<tr>
<td><strong>Telecommunications services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total number of lines</td>
<td>20.00</td>
<td>23.30</td>
<td>25.67</td>
<td>27.22</td>
<td>26.86</td>
<td>26.56</td>
</tr>
<tr>
<td>Number of fixed lines</td>
<td>3.55</td>
<td>3.45</td>
<td>3.36</td>
<td>3.28</td>
<td>3.20</td>
<td>3.17</td>
</tr>
<tr>
<td>Number of mobile lines</td>
<td>16.45</td>
<td>19.85</td>
<td>22.31</td>
<td>23.94</td>
<td>23.66</td>
<td>23.39</td>
</tr>
<tr>
<td>Number of Internet accounts</td>
<td>5.38</td>
<td>7.07</td>
<td>9.98</td>
<td>11.15</td>
<td>12.08</td>
<td>12.31</td>
</tr>
<tr>
<td>Broadband, fixed (%)</td>
<td>31.05</td>
<td>25.48</td>
<td>20.14</td>
<td>19.03</td>
<td>16.75</td>
<td>18.17</td>
</tr>
<tr>
<td>Broadband, mobile (%)</td>
<td>11.13</td>
<td>20.40</td>
<td>55.11</td>
<td>63.40</td>
<td>61.88</td>
<td>62.93</td>
</tr>
<tr>
<td>Other (%)</td>
<td>57.81</td>
<td>53.87</td>
<td>24.63</td>
<td>17.56</td>
<td>21.35</td>
<td>18.89</td>
</tr>
<tr>
<td>Number of Internet users, mobile and fixed (millions)</td>
<td>2.3</td>
<td>3.2</td>
<td>5.2</td>
<td>7.2</td>
<td>8.7</td>
<td>9.9</td>
</tr>
<tr>
<td><strong>Teledensity</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total lines</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed lines</td>
<td>20.9</td>
<td>20.1</td>
<td>19.4</td>
<td>18.7</td>
<td>18.1</td>
<td>18.2</td>
</tr>
<tr>
<td>Mobile lines</td>
<td>96.7</td>
<td>115.6</td>
<td>128.8</td>
<td>136.9</td>
<td>134.1</td>
<td>132.1</td>
</tr>
<tr>
<td>Internet broadband mobile</td>
<td>0.638</td>
<td>1.445</td>
<td>3.154</td>
<td>4.983</td>
<td>6.346</td>
<td>6.818</td>
</tr>
</tbody>
</table>

Source: SUBTEL, ITU.

4.177. Chile has a growing number of Internet users. With respect to the International Telecommunication Union (ITU) indicator "percentage of individuals using the Internet" Chile scores 61.4%. To further promote penetration the Government is in the second stage of implementation of a free public Internet wireless connection system which will benefit 6 of the country's 15 regions, mainly places remote from the large urban centres. The project aims to reduce the "digital gap" and democratize Internet access for areas with low connectivity. In accordance with the general trend at international level, fixed telephone lines are continuing to lose ground and between 2009 and 2014 the number of subscribers fell by some 300,000 to 3,170,000 lines.

4.178. At the end of 2014, the fixed telephony market had 17 service providers, but at the same time there was a considerable degree of concentration. Two companies shared 73.27% of the total market and the other 15 the rest. In mobile telephony, 11 players were sharing the market, a big difference from the three that made up the industry in 2010, although in actual fact those three companies together were still accounting for almost all the mobile market, with 97.75% of the total in 2013. At less than one US dollar, number portability between cellular telephone companies is one of the cheapest on the continent. At present, the three dominant companies are not charging the end user for this service. With regard to Internet access services, 97% of the market is served by five main players. Out of this market share, 71.6% is in the hands of just two of these five companies. The State is not involved in the provision of telecommunications services.

4.5.2.2 Legal and institutional framework

4.179. The State authority responsible for the telecommunications industry is the Ministry of Telecommunications and Transport (MTT) acting through the Undersecretariat...
of Telecommunications (SUBTEL). The Undersecretariat oversees the telecommunications sector, implementing and enforcing the laws and technical regulations, as well as ruling on telecommunications and radio broadcasting concessions, processing licences and permits, and applying sanctions for non-compliance.

4.180. The General Law on Telecommunications (LGT, Law No. 18.168 enacted on 15 September 1982) contains the industry's main regulatory framework. It provides for free and equal access to the use of the radio frequency spectrum. Access is granted by the MTT, through SUBTEL, by means of concessions, permits or licences, issued by supreme decree.\(^{167}\) Where telecommunications networks are concerned, equality of access finds expression in the LGT in the obligation upon the holders of public telecommunications services and intermediate connection services concessions to grant access to those who request it, while refraining from any discrimination with respect to the quality, extent, duration or price of the services provided.\(^{168}\)

4.181. Law No. 20.453, enacted on 18 August 2010, enshrined the principle of neutrality within the telecommunications network in the Chilean legislation. This law introduced three new articles (24 H, 24 I and 24 J) into the LGT. These articles establish rights for Internet users and obligations for Internet service providers, in addition to empowering SUBTEL to sanction infringements of their provisions. In short, the legislation lays down rules on non-discrimination to which Internet access providers must adhere in providing their services and which prevent them from arbitrarily blocking, interfering with, discriminating against, obstructing or restricting the right of any Internet user to use, send, receive or offer any legal content, application or service through the Internet, as well as any other type of legal activity or use effected through the network. The law is supplemented with regulations.\(^{169}\)

4.182. For a concession to provide public telecommunications services or intermediate services to be granted, the beneficiary must be an enterprise established in Chile, irrespective of the origin of the capital. Concessions for public telecommunications services and intermediate services are granted for a period of 30 years. Law No. 19.733 stipulates that radio broadcasting concessions which benefit legal persons with more than 10% of foreign capital will be issued only if the legislation of the country of origin of that capital grants similar conditions on a basis of reciprocity.\(^{170}\) Moreover, the chairmen, managers, administrators and legal representatives of free-to-air broadcasting concession-holders must be Chilean. In this case the concessions are granted for periods of 25 years.

4.183. Invitations to tender for free-to-air or broadcasting telecommunications services concessions are issued by the MTT by publishing them in the Official Journal on the first or fifteenth of each month, or the day immediately following if the former is not a working day. Where a concession is to be renewed, the incumbent concession-holder has the right of first refusal, provided he can equal the best technical bid made by the other bidders. The MTT must publish a technically reasoned decision in those cases in which it declares that a particular frequency is not available.

4.184. Where the regulatory regime is concerned, the LGT establishes free pricing as a general rule for the telecommunications sector. Exceptionally, the law provides for tariff setting in the case of interconnection services supplied by the holders of concessions for public international long-distance services in fixed telephony. The tariffs are determined by means of studies carried out by the concession-holders themselves (or commissioned by them) and based on technical and economic data supplied by SUBTEL and the Ministry of the Economy. On the basis of these studies, the authority makes a tariff proposal open to objections from the concession-holders who may request expert arbitration. The process results in the generation of a catalogue of maximum tariffs per service, which must be updated every five years.\(^{171}\) Title 5 of the LGT establishes the procedure, the competent authorities and the time-limits involved in the determination of the tariffs.

\(^{167}\) From the Office of the President of the Republic, for business and matters within its competence that do not require legislative processing or approval.

\(^{168}\) Article 24bis of the General Law on Telecommunications of 1982.


4.185. In addition, the LGT authorizes the Tribunal for the Defence of Free Competition (TDLC) to order tariff setting in eligible cases, under the procedure laid down in Decree Law No. 211.\textsuperscript{172} In view of the particular circumstances of the sector, the TDLC may decide to set tariffs if a certain type of telecommunications service (relevant market) is being supplied under insufficiently competitive conditions.\textsuperscript{173} In these cases, the Ministry of the Economy, together with SUBTEL, sets the tariffs and drafts the tariff decrees. The institutions for the defence of free competition have been working on various fronts to improve the levels of competition in the telecommunications and fixed Internet connections market. Within this context, on 8 April 2014, the TDLC decided to exercise the powers conferred on it by Article 18 No. 4 of Decree Law No. 211, by recommending that the Executive introduce or amend laws or regulations necessary to promote competition in the provision of telecommunications services in condominiums and in property developments that envisage placing telecommunications networks underground.\textsuperscript{174}

4.5.3 Air transport

4.186. During the review period, Chile strengthened its open skies policy based on free market entry and free pricing. Chile has negotiated 56 bilateral air transport agreements with different degrees of openness; more than half of these agreements grant fifth and sixth freedom rights and several also grant the seventh freedom. This partly reflects the importance of air transport for Chile, which has the largest airline in Latin America. There are no restrictions on private or foreign participation in Chilean airports or on the provision of airport services or of auxiliary air transport services. The 16 main airports are State-owned and of these 11 have been put out on concession to the private sector.

4.5.3.1 General characteristics

4.187. During the period 2009-2013, international passenger traffic increased by 50%, to reach 7 million passengers carried. There was also a rising trend in domestic traffic, which totalled 9 million passengers in 2013. Between January and July 2014 there was a further increase of 2.8% in international passenger traffic, as compared with the same period in 2013. Given the distances involved, in Chile air transport is extremely important as a means of carrying passengers, but its importance is more limited where air cargo is concerned. Thus, according to information provided by the National Customs Service, in 2013 less than 1% of Chile's foreign trade, expressed in tonnes, was moved as air cargo. This despite the fact that international cargo traffic increased moderately (by around 15%) over the period 2009-2013, to reach 271,000 tonnes. Between January and July 2014, international cargo traffic fell by 0.6% as compared with the same period in 2013.

4.188. In 2013, the 1,475,106 tourists arriving in Chile by air accounted for 41% of total inward tourism. According to data gathered by the National Tourism Service (SERNATUR), tourists entering by air generated 77% of the foreign exchange derived from inward tourism, totalling US$1,633 million. In 2013, airline companies incorporated in Chile carried 57% of international passenger traffic and held 57% of the international air cargo market.

4.189. The Chilean airport network comprises 350 airports and airfields. The Directorate-General of Civil Aeronautics (DGAC) manages 28 of them and performs supervisory and control functions in relation to the rest. The primary network is composed of 16 State-owned airports/airfields (7 airports and 9 airfields) located mainly in the regional capitals or in the neighbourhood of cities that are important in various ways, for example, economically, thus providing connectivity both national, in the case of the 16, and international, in the case of the 7 airports.\textsuperscript{175} Of the 16 airports/airfields of the primary network, 11 are managed by private concession-holders, domestic or foreign. On the other hand, the secondary network comprises 12 airfields spread all over the country, supplementing the primary network and serving to improve connectivity.

\textsuperscript{172} Currently integrated into Decree with Force of Law No. 1 of 2004 of the Ministry of the Economy.
\textsuperscript{173} Article 29, Law No. 18.168 (General Law on Telecommunications) and Article 18 of Decree Law No. 211 of 1973 (Promotion and Defence of Free Competition).
\textsuperscript{174} The TDLC decision is available online at: http://www.tdlc.cl/DocumentosMultiples/Proposicion_14_2014.pdf.
\textsuperscript{175} The seven airports are: Chacalluta (Arica), Diego de Aracena (Iquique), Cerro Moreno (Antofagasta), Mataveri (Isla de Pascua), Arturo Merino Benítez (Santiago, the country's main airport), El Tepual (Puerto Montt), and Presidente Carlos Ibáñez del Campo (Punta Arenas).
while forming a link with the network of small airfields. Arturo Merino Benítez International Airport, which serves the metropolitan area of Santiago, handles more than 98% of international passengers and cargo. In 2013, this airport recorded 6,907,226 international passenger arrivals and departures (compared with 4.8 million in 2008).

4.190. Altogether, 11 concessions have been granted to private companies for airport construction, maintenance and management. Concessions are granted through competitive bidding for a fixed term. The State does not participate in the supply of air transport services, except insofar as it controls air traffic and collects fees for air traffic control and use of the airports.

4.191. The domestic air transport market continues to be highly concentrated with one dominant player (the LAN Group), a second player (SKY) with a 23.6% share, and a few smaller ones (ONE SpA and Aerovías DAP). Competition in the international market is more intense; 27 airline companies are currently providing international passenger and cargo transport services in Chile. However, during the review period, the level of competition declined, at least with respect to the Latin American market, with the merger of LAN and the Brazilian company TAM.

4.192. The merger between LAN and the Brazilian TAM Airlines and the consequent creation of the consortium LATAM Airlines Group were announced on 13 August 2010. The merger was finalized in June 2012, following a decision by the Supreme Court (see below). The company that resulted from the merger, LATAM, became the largest airline in Latin America, in terms of both the size of its fleet and passenger numbers. To create the new conglomerate, shares were exchanged on the basis of 0.9 LAN shares to 1 share in TAM.

4.193. The merger between LAN and TAM was examined by the TDLC, following a request submitted by the Chilean National Corporation of Consumers and Users (CONADECUS) in January 2011, which resulted in the temporary suspension of the merger. The TDLC’s investigation lasted eight months. In September 2011, the TDLC, in a divided decision, resolved to approve the merger operation that had been announced, subject to the mitigating conditions set out in Box 4.1.177

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177 The full text of the resolution can be viewed online at: http://www.tdlc.cl/Portal.Base/Web/VerContenido.aspx?ID=2644.
Box 4.1 Conditions imposed on the merger between LAN and TAM by the TDLC in September 2011

The TDLC has approved the merger between LAN and TAM subject to the following mitigating conditions:

(i) exchange of four pairs of daily slots at Guarulhos airport in São Paulo, owned by LAN or TAM, with those airlines interested in commencing or expanding scheduled air transport services on the Santiago-São Paulo route;

(ii) extension of the benefits of LATAM’s Frequent Flyer Programme to passengers of an interested airline, for a period of five years and on the terms to be specified by the TDLC;

(iii) signing of inter-line agreements on the Santiago-São Paulo, Santiago-Río de Janeiro and/or Santiago-Asunción routes with interested airlines which operate those routes and which so request;

(iv) commitment not to increase the monthly supply of available seats on flights on the Santiago-São Paulo route, in the period between 15 minutes before and 15 minutes after the flight itinerary corresponding to the slots exchanged;

(v) obligation upon LAN to amend its Self-Regulation Plan as indicated in the Resolution;

(vi) relinquishment of at least one of the two global alliances in which at that time LAN and TAM were participating;

(vii) elimination and review of the code-share agreements with airlines not belonging to the same alliance as that to which LATAM belongs, on the routes and intermediate legs indicated;

(viii) relinquishment on the part of LAN of four fifth-freedom scheduled flights at Lima, to be awarded to another Chilean airline, and restriction on its participation in new flight tender proceedings;

(ix) commitment to express a favourable opinion on the unilateral opening of skies for cabotage in Chile for airline companies of other States, without reciprocity requirements;

(x) commitment to promote the growth and normal operation of the airports of Guarulhos (São Paulo) and Arturo Merino Benítez (Santiago), to facilitate access for other airlines;

(xi) establishment of non-exclusive marketing conditions with travel agencies and distributors, without the possibility of offering incentives or commissions in relation to targets expressed as a percentage of total sales or other equivalent measures.

The TDLC stipulated that until there was full compliance with condition (i) there could be no increase in the price of air tickets for passenger transport or in cargo tariffs on the Santiago–São Paulo and Santiago–Río de Janeiro routes, and that it would be obligatory to maintain: (a) at least 12 weekly round-trip flights without stopovers, operated directly by LATAM, on the routes between Chile and the United States; and (b) at least seven weekly round-trip flights without stopovers, operated directly by LATAM, on the routes between Chile and Europe.

Finally, the TDLC also stipulated that an independent third party be retained to advise the National Economic Prosecutor's Office for the purpose of effectively monitoring compliance with the mitigating measures and conditions.

Source: TDLC.

4.194. The conditions imposed on the merger by the TDLC are largely based on the facts of the case provided by the National Economic Prosecutor’s Office.178 LAN and TAM submitted a complaint against the TDLC’s decision to the Supreme Court, in which they mainly questioned the clauses relating to alliances and the relinquishment of certain routes at Lima. In April 2012, the Supreme Court issued a ruling rejecting the objections raised by LAN and TAM.179

4.5.3.2 Legal and institutional framework

4.195. Chile's air transport legislation comprises: the Charter of the Civil Aeronautics Board (Decree with Force of Law No. 241 of 1960); the Law on Commercial Aviation (Decree Law No. 2.564 of 1979) establishing the basis of Chilean commercial aviation policy; Law No. 18.916 of 1990 approving the Aeronautics Code (last amended in December 2010, by virtue of Article 8 of Law No. 20.477); the Law on the Organization of the Directorate-General of Civil Aeronautics (Law No. 16.752 of 1968); and Supreme Decree No. 102 of the Ministry of Telecommunications and Transport of 1981 establishing the public tender procedures for the allocation of international frequencies to domestic airline companies. International air transport is governed by 56 bilateral agreements and 3 multilateral agreements negotiated by Chile (see below).

4.196. Chilean commercial aviation policy is set out in Decree Law No. 2.564 of 1979, which establishes the principles of free market entry, free pricing and minimum official intervention, and is designed to create the optimum conditions of competition among all the airlines.

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179 The Supreme Court’s decision can be viewed online at: http://www.tdlc.cl/DocumentosMultiples/Resolucion_37_Corte_Suprema.pdf.
companies with an interest in Chile's air transport system, with the aim of providing high-quality, efficient and low-cost services. The public institutions that regulate the commercial air transport sector are the Directorate-General of Civil Aeronautics (DGAC) of the Ministry of National Defence, the Civil Aeronautics Board (JAC) and the National Directorate of Airports (DAP). The DGAC is responsible for regulating, certifying and supervising aviation activities in Chilean airspace and the activities of domestic users abroad. The DGAC is also responsible for granting air navigation, airport and meteorological services. The Civil Aeronautics Board (JAC), assigned to the Ministry of Telecommunications and Transport, is responsible for commercial aviation policy and for negotiating reciprocity in international agreements. The JAC consists of a Council, the decision-making body, of interministerial composition, and a General Secretariat. The National Directorate of Airports (DAP) of the Ministry of Public Works is responsible for the airport infrastructure and for planning its development.

4.197. Foreign companies have open access to the Chilean air transport market. Both Chilean and foreign companies may furnish air transport services in the country, provided that they comply with the technical requirements and hold the compulsory insurance. During the review period, provisions were introduced to strengthen cabotage policy. Exempt Resolution No. 63 of the JAC, of 18 January 2012, reaffirmed commercial aviation policy with respect to cabotage, which allows a foreign company free access without reciprocity. Resolution No. 63 also granted all facilities to foreign airline companies requesting to engage in cabotage in Chile, on equal terms with domestic companies, and stipulated that reciprocity would not be considered in determining the possible termination, suspension or limitation of cabotage services provided by foreign companies. Following a request for a legal ruling submitted by two domestic airline companies to the Office of the Comptroller-General of the Republic, the latter ruled on the legality of Resolution No. 63, in November 2013, without finding any legal defect.

4.198. The principle of reciprocity applies to the entry of foreign companies into the international air transport market. Under Decree Law No. 2.564 of 1979, the JAC may restrict the access of foreign companies to the market if their country of origin applies restrictions on Chilean companies, or if the foreign company operates a route that is restricted by a third country for Chilean companies and this restriction is deemed to have a significant impact on the Chilean airlines. The Chilean legislation regards any airline company incorporated and domiciled in Chile as a domestic airline company, irrespective of whether or not the shareholders, board members and/or executives are Chilean and whether or not they reside in Chile. Although for an aircraft to be registered in Chile a majority of the capital must belong to Chilean natural or legal persons, the law permits the registration of aircraft belonging to foreigners who engage in some employment, profession or industry in Chile and allows the registration of foreign aircraft operated on any basis by Chilean air transport companies. A Chilean airline company can use both Chilean and foreign-registered aircraft to provide air transport services.

4.199. Airline companies can establish their tariffs freely, but must register them with the JAC. The JAC is only allowed to register the tariffs, lacking the authority to set or challenge them. Exceptionally, however, it may set tariffs on international routes where the authority of the other country involved does not accept free pricing, although this has never happened in practice. It should be noted that before approving the merger between LAN and LADECO in 1995, the Resolutive Commission (predecessor of the TDLC) required these companies to submit a plan for the self-regulation of tariffs that establishes certain restrictions with respect to the tariffs that LAN Chile may charge in the domestic markets.

181 The Council is composed as follows: Minister of Telecommunications and Transport, who acts as chairman; Director-General of Civil Aeronautics; Undersecretary for Foreign Affairs; Undersecretary for Social Development; Director of Airports-MOP; and two representatives appointed by the President of the Republic. JAC online information. Viewed at: http://www.jac-chile.cl.
185 Resolution No. 496 of 1997 of the Resolutive Commission approved the plan proposed by LAN and Ladeco.
4.200. There are no restrictions on the participation of foreign investors in airport concessions. The market for airport services and air transport auxiliary services is open to foreign companies. For example, there are no legal provisions requiring national aircraft to be repaired or maintained in Chile. If these services are provided in Chile, they may be supplied by either domestic or foreign companies. Similarly, there are no restrictions on the supply of ground handling services by either domestic or foreign companies. Providers of computer reservation services do not have to be established in Chile in order to offer their services, nor are there any restrictions on the number of providers of computer reservation systems that can operate in Chile.

4.201. By 2014, in conformity with its air transport liberalization policy, Chile had negotiated 56 bilateral air transport agreements or conventions with varying degrees of openness (Table 4.12). The degrees of freedom accorded vary with the agreement: in 49 cases third and fourth freedom rights are established without restrictions, while in 38 agreements fifth and sixth freedom rights are also accorded without restrictions, and in 25 agreements the seventh freedom is also granted with respect to passenger and/or cargo transport. In addition and without prejudice to the unilateral liberalization of cabotage which Chile has practised with respect to all countries, in 15 bilateral conventions the right of air cabotage is granted bilaterally.

4.202. In some of its RTAs Chile has included a chapter on air transport (for example, those with Central America and Mexico), by incorporating previously concluded bilateral conventions within the framework of these agreements. Chile participates in the Fortaleza Agreement on regional air transport services concluded with Argentina, the Plurinational State of Bolivia, Brazil, Paraguay, Peru and Uruguay. Chile also forms part of the Multilateral Agreement on the Liberalization of Air Transportation (MALIAT) concluded between various members of APEC (Brunei Darussalam, Chile, New Zealand, Samoa, Singapore and United States). Moreover, in 2003, Chile, together with Brunei Darussalam, New Zealand and Singapore, signed an optional protocol to the MALIAT agreement allowing national cabotage and the seventh freedom for passenger transport. Finally, Chile promoted a Multilateral Open Skies Agreement for the member countries of the Latin American Civil Aviation Commission (CLAC), adopted in November 2010.

4.203. Under the GATS, where air transport is concerned, Chile made specific commitments on aircraft maintenance and auxiliary air transport services. It bound the commercial presence of foreign providers to offer aircraft maintenance services, the opening of offices, the issue and sale of air transport fares and tickets, the ground operation of support equipment and computer reservation systems; for the latter cross-border supply was also bound.

<table>
<thead>
<tr>
<th>Table 4.12 Rights for foreign airlines in Chile</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Country</strong></td>
</tr>
<tr>
<td>---------------------------------------------</td>
</tr>
<tr>
<td>Former Yugoslav Republic of Macedonia</td>
</tr>
<tr>
<td>Macao, China</td>
</tr>
<tr>
<td>Qatar</td>
</tr>
<tr>
<td>Bahrain</td>
</tr>
<tr>
<td>Kuwait</td>
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<tr>
<td>United Kingdom</td>
</tr>
<tr>
<td>Cook Islands</td>
</tr>
<tr>
<td>United Arab Emirates</td>
</tr>
<tr>
<td>Paraguay</td>
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<tr>
<td>Uruguay</td>
</tr>
<tr>
<td>New Zealand</td>
</tr>
<tr>
<td>Singapore</td>
</tr>
<tr>
<td>Brunei Darussalam</td>
</tr>
<tr>
<td>Finland</td>
</tr>
<tr>
<td>Honduras</td>
</tr>
<tr>
<td>El Salvador</td>
</tr>
<tr>
<td>Barbados</td>
</tr>
<tr>
<td>Iceland</td>
</tr>
<tr>
<td>Tonga</td>
</tr>
<tr>
<td>United States</td>
</tr>
<tr>
<td>Samoa</td>
</tr>
<tr>
<td>Guatemala</td>
</tr>
<tr>
<td>Panama</td>
</tr>
<tr>
<td>Country</td>
</tr>
<tr>
<td>--------------------------------</td>
</tr>
<tr>
<td>Dominican Republic</td>
</tr>
<tr>
<td>Jamaica</td>
</tr>
<tr>
<td>Brazil</td>
</tr>
<tr>
<td>Ecuador</td>
</tr>
<tr>
<td>Malaysia</td>
</tr>
<tr>
<td>Belgium</td>
</tr>
<tr>
<td>Korea, Republic of</td>
</tr>
<tr>
<td>Denmark</td>
</tr>
<tr>
<td>Netherlands</td>
</tr>
<tr>
<td>Luxembourg</td>
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<tr>
<td>Norway</td>
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<tr>
<td>Sweden</td>
</tr>
<tr>
<td>Italy</td>
</tr>
<tr>
<td>Costa Rica</td>
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<tr>
<td>Colombia</td>
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<tr>
<td>Israel</td>
</tr>
<tr>
<td>China</td>
</tr>
<tr>
<td>Argentina</td>
</tr>
<tr>
<td>Spain</td>
</tr>
<tr>
<td>Canada</td>
</tr>
<tr>
<td>Switzerland</td>
</tr>
<tr>
<td>Mexico</td>
</tr>
<tr>
<td>Aruba</td>
</tr>
<tr>
<td>Bolivia, Plurinational State of</td>
</tr>
<tr>
<td>Russian Federation</td>
</tr>
<tr>
<td>Cuba</td>
</tr>
<tr>
<td>Israel</td>
</tr>
<tr>
<td>Peru</td>
</tr>
<tr>
<td>India</td>
</tr>
<tr>
<td>Germany</td>
</tr>
<tr>
<td>France (Paris)</td>
</tr>
<tr>
<td>France (Papeete)</td>
</tr>
<tr>
<td>Australia</td>
</tr>
<tr>
<td>Venezuela, Bolivarian Republic of</td>
</tr>
</tbody>
</table>

Open skies with 49 countries   | Open skies with 38 countries   | Open skies with 25 countries                                       |

a Open skies within Latin America; up to 15 scheduled flights outside the region.
b Open skies within Latin America; up to 3 scheduled flights outside the region.
c With 5th freedom: 14 scheduled passenger flights and 14 cargo flights.
d Open skies for 6th freedom; without rights for 5th.
ed Open skies within Latin America for scheduled cargo flights.

Note: Open skies means without limitation on the number of flights or operating points.

Source: Chilean Civil Aeronautics Board (JAC).

4.204. In 2014, a new national airport facilitation programme was introduced. The general objective of the National Programme for the Facilitation of International Air Transport (PNFTA) is to implement in Chile the standards and recommendations of the Chicago Convention and its Annex 9, where applicable, with a view to expediting the required procedures for aircraft, passengers and their baggage, crews, cargo, mail and supplies in international transit, by promoting the effectiveness and efficiency of border controls. The Programme is advancing by systematizing various aspects of facilitation to be addressed by the competent bodies and establishing specific initiatives to be developed in the future. The Programme also defines the jurisdictions of the various bodies involved in the facilitation process, as well as the passenger and cargo entry and exit processes, in order to provide general information and serve as a means of coordinating the actions of those bodies within the context of their lawful powers. The new version of the National Programme for the Facilitation of International Air Transport was approved by decision of the National Facilitation Commission of 30 July 2014. Once the corresponding decision had been signed, the Secretary-General of the Civil Aeronautics Board issued Exempt Resolution No. 457 of 8 September 2014, which establishes the Programme.
4.5.4 Maritime transport and ports

4.205. In general, Chile's maritime transport policy is based on reciprocity. Although this is true, in principle, with respect to international maritime traffic cargoes, where in accordance with its legislation Chile may require reciprocity, in practice, Chile applies more flexible and pragmatic criteria in this respect. 186 Cabotage is reserved for vessels registered in Chile, although, in practice, in this case too exceptions are permitted. There are certain registration requirements. To register a merchant vessel in Chile a majority of the capital must be owned by Chilean natural or legal persons. There are no restrictions on foreign participation in Chilean ports.

4.5.4.1 Maritime transport

4.206. Maritime transport is of vital importance for the Chilean economy. Largely due to the relative proximity of the production centres to the ports, more than 90% of Chile's foreign trade is carried by sea. The national merchant fleet consists of 220 vessels with a total transport capacity of 984,404 deadweight tonnes, 15% higher than the tonnage reported in the last trade policy review in 2009.


4.208. The public institutions that regulate the maritime transport sector are: the Transport Undersecretariat of the Ministry of Telecommunications and Transport, which is responsible for the commercial aspects of international maritime transport and cabotage; the Directorate-General of the Maritime Territory and Merchant Marine (DIRECTEMAR) of the Ministry of National Defence, which is responsible for the technical aspects of the merchant marine and safety at sea; and the Merchant Marine Development Commission, which oversees the application of the principle of reciprocity where cargo preferences are concerned.

4.209. The Shipping Law classifies ships as merchant ships and special ships and, according to their capacity, as large and small. Merchant ships are those used for transport, whether domestic or international. Special ships are those used for specific services, activities or purposes and having characteristics appropriate to their intended function, such as tug-boats, fishing-boats, dredgers, research ships, recreational craft, etc. The Law defines vessels of more than 50 gross register tons as large and those of 50 or fewer gross register tons as small.

4.210. For a vessel to fly the Chilean flag it must be enrolled in the appropriate ship register. There are five registers: the Large Vessel Register; the Small Vessel Register; the Register of Vessels under Construction; the Floating Structure Register; and the Register of Mortgages, Liens and Injunctions. For a merchant ship to be registered in Chile its owner must be a Chilean national. If the ship owner is a company, it must have its principal domicile and its actual and effective principal place of business in Chile, its chairman, manager and a majority of its directors must be Chilean, and a majority of the equity must be owned by Chilean natural or legal persons. Special ships, other than fishing vessels, belonging to foreign natural or legal persons domiciled in Chile may also be registered there, provided that the persons concerned have their principal place of business in Chile or are permanently engaged in an industry or profession there. For reasons of national security, special restrictions may be imposed on their operations. The registration of fishing vessels is subject to the principle of reciprocity: fishing companies established in Chile with a majority of foreign capital may register their ships as special, if in the country of origin of that capital there are provisions for the development of fishing activities and the registration of foreign vessels from which Chilean natural or legal persons can benefit. 187 Once a vessel has been entered in the corresponding register, it is deemed to be Chilean and taken into

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186 Article 4 of the Law on the Development of the Merchant Marine, contained in Decree Law No. 3.059 of 22 December 1979, of the Ministry of Telecommunications and Transport, establishes the principle of reciprocity for maritime cargo transport from or to Chile.

187 For the purposes of determining reciprocity and equivalence, prior certification by the Ministry of Foreign Affairs is required.
home use for customs purposes and from that point on may fly the Chilean flag. To keep the national flag flying, the captain of the vessel and its officers and crew must be Chilean. However, under the law, by reasoned decision, it is possible to authorize the temporary hiring, if indispensable, of foreign personnel, except for the captain, who must always be Chilean.

4.211. For towing or other manoeuvres in Chilean ports, only national flag tug-boats may be used. However, in qualifying cases the use of foreign flag tug-boats may be authorized.

4.212. In general, the international provisions relating to Chilean maritime transport are based on the principle of reciprocity. Under the LFMM, the percentage access to maritime cargoes, from or to the country, for foreign merchant vessels depends on the percentage access allowed, in the corresponding traffic, to Chilean vessels by the country in question. Thus, 50% of the cargoes from or to Chile are reserved for Chilean vessels only in bilateral traffic from or to another country involved in the exchange that reserves all or part of its cargo from or to Chile for its merchant marine. However, if a country imposes for its vessels cargo preferences above or below 50% of the cargo it originates, the cargo preference percentage that will be applied to Chilean vessels with respect to that country will be raised or reduced in the same proportion. For cargo preferences to operate the service requested must be provided by an appropriate vessel, within the time-limits requested, and the tariffs charged may not exceed the best offer received by the user.

4.213. In accordance with the LFMM, national maritime cabotage is reserved for vessels registered in Chile. However, without prejudice to the above, foreign merchant vessels may participate in national cabotage if the volumes of cargo involved exceed 900 tonnes, subject to a public tender procedure organized by the user. In this case, and solely for tender acceptance purposes, bids involving foreign vessels are increased by a percentage equivalent to the general customs tariff rate. If the cargo volume is equal to or less than 900 tonnes and no Chilean flag vessels are available, cabotage in foreign merchant ships may be allowed. Such authorization may also be given for the exclusive transport of passengers. Moreover, foreign vessels are also allowed to carry empty containers in cabotage traffic, subject to reciprocity. Without prejudice to the above, the maritime authority may exclude one or more foreign merchant ships from cabotage traffic if it considers there is good reason to do so.

4.214. Chilean or foreign shipping companies (including lightering, wharfage and towing companies) that provide international freight and passenger transport services are deemed to be exporters for the purposes of Decree Law No. 825 of 1974 and its regulations and may recoup the VAT paid to purchase or import goods or use services, insofar as these operations are necessary for the development of their activities. If the shipping companies are unable to make use of this benefit, the shipyard and dockyard companies will be exempt from VAT on the sale of goods and the provision of services to the said companies, provided they are not engaging in cabotage.

4.215. Under the Chilean legislation, an additional 5% tax may be levied on the income received by persons not domiciled or resident in Chile by way of charges for carrying ocean freight to or from Chilean ports. On the basis of the principle of reciprocity, which applies to all the sector's activities, this tax is not levied if in the country in which the foreign vessels are registered there is no similar tax or Chilean shipping companies are granted exemptions, which is generally the case. This tax features in Chile's List of MFN Exemptions under the GATS.

4.216. Chile is a signatory to the United Nations Convention on the Law of the Sea, has been a member of the International Maritime Organization since 1972, and within that context has signed various international maritime transport agreements. Chile applies a Bilateral Agreement on Maritime Transport concluded with Brazil in 1974. Chile has not made any specific commitments on maritime transport under the GATS.

4.5.4.2 Ports

4.217. Chile has 52 ports, of which 10 are State-owned. Seven of the State-owned ports are operated by private companies under concessions. Of the 42 privately owned ports, 20 are exclusively for private use and 22 are free-access. As far as cargo handling is concerned, the most active ports are Quintero, San Antonio, Valparaiso, Huasco, Lirquén, San Vicente and Mejillones.

188 Article 7 of the LFMM.
189 Article 59, No. 4 of the Income Tax Law.
The volume of freight moved through Chilean ports (including transit but excluding cabotage) rose from 83.6 million tonnes in 2007 to 111.5 million tonnes in 2013, which amounts to an increase of 33% over the period. In 2013, the privately owned ports handled 66.8% of cargo (mainly bulk), while the rest was handled by the State port enterprises (including private concession-holders). The freight volume carried by cabotage rose from 12.3 million tonnes in 2007 to 13.7 million tonnes in 2013.

4.218. Law No. 19,542 created ten State port enterprises to be the legal successors of the Port Enterprise of Chile and operate in the corresponding port: Arica, Iquique, Antofagasta, Coquimbo, Valparaiso, San Antonio, Talcahuano-San Vicente, Puerto Montt, Chacabuco, and Austral (Punta Arenas). The port enterprises are legal persons governed by public law, constitute a State-owned enterprise with its own assets, of indefinite duration, and are linked with the Government through the Ministry of Telecommunications and Transport (MTT). The ports and terminals managed by these enterprises are for public use. The port enterprises are responsible for the management, operation, development and maintenance of the ports and terminals, as well as for all related activities. The Enterprise System (SEP) oversees the management of the State port enterprises.

4.219. The Law provides for port enterprises to be able to achieve their objectives either directly or through third parties. In this latter case, they do so by granting port concessions, concluding leasing agreements or by establishing corporations with Chilean or foreign natural or legal persons. The corporations may not have as their purpose the management or operation of wharves and are governed by the rules applicable to open joint-stock companies. To engage in port activities in a private port it is necessary to obtain a maritime concession granted directly by the Armed Forces Undersecretariat of the Ministry of National Defence; the port thus put out on concession may be for public or private use.190

4.220. Ports are subject to regulation and supervision by other public agencies such as the Customs, the SAG, the Ministry of Health and DIRECTEMAR. The Law stipulates that the provision of loading, unloading, cargo transfer (from port to vessel and vice versa) and intra-port transport services, insofar as they form part of the purpose for which the enterprises were established, must be carried out by duly qualified persons. Private companies may participate in the provision of these services through port concessions granted under a public tender procedure, in accordance with the Regulations established by Supreme Decree No. 104 (1998) of the MTT. Chilean or foreign natural or legal persons may participate in the bidding.

---

190 Decree with Force of Law No. 340 of 1960.
## 5 APPENDIX TABLES

### Table A1.1 Merchandise exports by product, 2009-2014

(US$ million and %)

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total exports</td>
<td>55,459</td>
<td>71,106</td>
<td>81,438</td>
<td>77,965</td>
<td>76,684</td>
<td>76,639</td>
</tr>
<tr>
<td>Total primary products</td>
<td>85.7%</td>
<td>86.6%</td>
<td>85.2%</td>
<td>85.2%</td>
<td>85.2%</td>
<td>85.2%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>25.9</td>
<td>22.2</td>
<td>23.2</td>
<td>24.2</td>
<td>27.1</td>
<td>28.8</td>
</tr>
<tr>
<td>Food</td>
<td>20.0</td>
<td>16.6</td>
<td>17.5</td>
<td>18.5</td>
<td>20.8</td>
<td>22.1</td>
</tr>
<tr>
<td>0579 Fruit, fresh or dried, n.e.s.</td>
<td>2.2</td>
<td>2.1</td>
<td>2.1</td>
<td>2.3</td>
<td>2.5</td>
<td>3.0</td>
</tr>
<tr>
<td>1121 Wine of fresh grapes (including fortified wine); grape must in fermentation or with fermentation arrested</td>
<td>2.5</td>
<td>2.2</td>
<td>2.1</td>
<td>2.3</td>
<td>2.6</td>
<td>2.4</td>
</tr>
<tr>
<td>0342 Fish, frozen (excluding fillets and minced fish)</td>
<td>1.9</td>
<td>1.4</td>
<td>1.8</td>
<td>1.7</td>
<td>1.8</td>
<td>2.2</td>
</tr>
<tr>
<td>0575 Grapes, fresh or dried</td>
<td>2.4</td>
<td>2.1</td>
<td>2.0</td>
<td>2.1</td>
<td>2.3</td>
<td>2.2</td>
</tr>
<tr>
<td>0345 Fish fillets, fresh or chilled, etc.</td>
<td>1.1</td>
<td>0.6</td>
<td>0.8</td>
<td>1.1</td>
<td>1.4</td>
<td>1.7</td>
</tr>
<tr>
<td>0344 Fish fillets, frozen</td>
<td>1.0</td>
<td>0.8</td>
<td>0.9</td>
<td>0.9</td>
<td>1.1</td>
<td>1.3</td>
</tr>
<tr>
<td>0574 Apples, fresh</td>
<td>0.9</td>
<td>0.9</td>
<td>0.8</td>
<td>0.9</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td>0341 Fish, fresh (live or dead) or chilled (excluding fillets and minced fish)</td>
<td>0.4</td>
<td>0.4</td>
<td>0.4</td>
<td>0.4</td>
<td>0.6</td>
<td>0.7</td>
</tr>
<tr>
<td>Agricultural raw materials</td>
<td>5.9</td>
<td>5.6</td>
<td>5.7</td>
<td>5.7</td>
<td>6.3</td>
<td>6.7</td>
</tr>
<tr>
<td>2515 Chemical wood pulp, soda or sulphate, other than dissolving grades, semi-bleached or bleached</td>
<td>3.3</td>
<td>3.1</td>
<td>3.1</td>
<td>3.0</td>
<td>3.3</td>
<td>3.4</td>
</tr>
<tr>
<td>2482 Wood of coniferous species, sawn or chipped lengthwise, etc.</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
<td>0.9</td>
<td>1.1</td>
<td>1.3</td>
</tr>
<tr>
<td>Mining</td>
<td>59.8</td>
<td>64.4</td>
<td>62.0</td>
<td>60.4</td>
<td>58.1</td>
<td>56.4</td>
</tr>
<tr>
<td>Ores and other minerals</td>
<td>22.5</td>
<td>25.1</td>
<td>23.4</td>
<td>25.4</td>
<td>26.8</td>
<td>26.9</td>
</tr>
<tr>
<td>2831 Copper ores and concentrates</td>
<td>17.8</td>
<td>19.3</td>
<td>17.8</td>
<td>20.5</td>
<td>22.0</td>
<td>21.9</td>
</tr>
<tr>
<td>2878 Ores and concentrates of molybdenum, niobium, tantalum, vanadium and zirconium</td>
<td>2.1</td>
<td>1.7</td>
<td>1.8</td>
<td>1.6</td>
<td>1.1</td>
<td>1.6</td>
</tr>
<tr>
<td>2815 Iron ore and concentrates, not agglomerated</td>
<td>0.6</td>
<td>1.0</td>
<td>1.5</td>
<td>1.5</td>
<td>1.5</td>
<td>1.3</td>
</tr>
<tr>
<td>2881 Ash and residues (other than from the manufacture of iron or steel) containing metals or metal compounds, n.e.s.</td>
<td>0.2</td>
<td>0.3</td>
<td>0.4</td>
<td>0.3</td>
<td>0.5</td>
<td>0.6</td>
</tr>
<tr>
<td>2882 Other non-ferrous base metal waste and scrap, n.e.s.</td>
<td>0.8</td>
<td>1.4</td>
<td>0.7</td>
<td>0.3</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>Non-ferrous metals</td>
<td>35.9</td>
<td>38.4</td>
<td>37.6</td>
<td>34.0</td>
<td>30.4</td>
<td>28.6</td>
</tr>
<tr>
<td>6821 Copper, refined and unrefined; copper anodes</td>
<td>34.7</td>
<td>37.0</td>
<td>35.9</td>
<td>32.5</td>
<td>29.2</td>
<td>27.5</td>
</tr>
<tr>
<td>6824 Copper wire</td>
<td>0.5</td>
<td>0.7</td>
<td>0.7</td>
<td>0.6</td>
<td>0.6</td>
<td>0.7</td>
</tr>
<tr>
<td>Fuels</td>
<td>1.3</td>
<td>0.8</td>
<td>1.0</td>
<td>0.9</td>
<td>0.9</td>
<td>0.8</td>
</tr>
<tr>
<td>Manufactures</td>
<td>12.7</td>
<td>11.9</td>
<td>13.0</td>
<td>13.4</td>
<td>13.0</td>
<td>13.4</td>
</tr>
<tr>
<td>Iron and steel</td>
<td>0.5</td>
<td>0.6</td>
<td>0.7</td>
<td>0.6</td>
<td>0.4</td>
<td>0.5</td>
</tr>
<tr>
<td>Chemicals</td>
<td>3.8</td>
<td>4.0</td>
<td>4.3</td>
<td>4.9</td>
<td>4.7</td>
<td>4.4</td>
</tr>
<tr>
<td>5222 Other chemical elements</td>
<td>0.6</td>
<td>0.6</td>
<td>0.8</td>
<td>1.2</td>
<td>1.1</td>
<td>0.9</td>
</tr>
<tr>
<td>5623 Mineral or chemical fertilizers, potassic</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.7</td>
<td>0.7</td>
<td>0.6</td>
</tr>
<tr>
<td>5235 Nitrites; nitrates</td>
<td>0.3</td>
<td>0.4</td>
<td>0.4</td>
<td>0.5</td>
<td>0.4</td>
<td>0.4</td>
</tr>
<tr>
<td>Other semi-manufactures</td>
<td>3.4</td>
<td>3.0</td>
<td>3.3</td>
<td>3.2</td>
<td>3.4</td>
<td>3.4</td>
</tr>
<tr>
<td>6253 Tyres, pneumatics, new, of a kind used on motor cars</td>
<td>0.1</td>
<td>0.2</td>
<td>0.4</td>
<td>0.4</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>6417 Paper, paperboard, cellulose wadding and webs of cellulose fibres, etc.</td>
<td>0.5</td>
<td>0.5</td>
<td>0.4</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>6345 Fibreboard of wood or other ligneous materials, whether or not bonded</td>
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<tr>
<td>Machinery and transport equipment</td>
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<td>2.9</td>
<td>3.0</td>
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<td>0.1</td>
<td>0.0</td>
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<td>0.0</td>
</tr>
<tr>
<td>Other non-electrical machinery</td>
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<td>0.9</td>
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<tr>
<td>7284 Machinery and mechanical appliances specialized for particular industries, n.e.s.</td>
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<td>Agricultural machinery and tractors</td>
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<td>0.0</td>
<td>0.0</td>
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<td>Office machines and telecommunications equipment</td>
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<td>1.1</td>
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<td>0.5</td>
<td>0.6</td>
<td>0.5</td>
<td>0.4</td>
<td>0.5</td>
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<td>2011</td>
<td>2012</td>
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<td>2014</td>
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<tr>
<td>6584 Bed linen, table linen, toilet linen and kitchen linen</td>
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<td>0.1</td>
<td>0.1</td>
<td>0.0</td>
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<td>0.5</td>
<td>0.5</td>
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<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
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<tr>
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<td>0.9</td>
<td>0.9</td>
<td>0.9</td>
<td>0.9</td>
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<tr>
<td>8931 Articles for the conveyance or packing of goods, of plastics</td>
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<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.2</td>
<td>0.1</td>
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Source: WTO Secretariat estimates, based on data from the Comtrade database (SITC Rev.3).
### Table A1. 2 Merchandise imports by product, 2009-2014

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<td>74,694</td>
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<td>(% of imports)</td>
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<td></td>
<td></td>
<td></td>
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<td>Total primary products</td>
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<td>8.0</td>
<td>8.0</td>
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<td>Food</td>
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<td>7.1</td>
<td>7.4</td>
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<td>8.5</td>
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<td>1.0</td>
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<td>1.0</td>
<td>1.1</td>
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<tr>
<td>0813 Olique and other solid residues (except dregs), whether or not ground in the form of pellets, resulting from the extraction of fats or oils from oil-seeds, oleaginous fruits and germs of cereals</td>
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<td>0.3</td>
<td>0.4</td>
<td>0.4</td>
<td>0.4</td>
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<tr>
<td>0449 Other maize, unmilled</td>
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<td>0.3</td>
<td>0.3</td>
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<tr>
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<td>0412 Other wheat (including spelt) and meslin, unmilled</td>
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<td>1.4</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>2831 Copper ores and concentrates</td>
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<td>0.7</td>
<td>0.9</td>
<td>0.6</td>
<td>0.5</td>
<td>0.5</td>
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<tr>
<td>2878 Ores and concentrates of molybdenum, niobium, tantalum, titanium, vanadium and zirconium</td>
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<td>0.7</td>
<td>0.9</td>
<td>0.6</td>
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<td>3330 Petroleum oils and oils obtained from bituminous minerals, crude</td>
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<td>8.7</td>
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<td>8.4</td>
<td>8.3</td>
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<td>10.0</td>
<td>10.1</td>
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<td>10.9</td>
</tr>
<tr>
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<td>0.7</td>
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<td>0.6</td>
<td>0.7</td>
<td>0.9</td>
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<td>0.7</td>
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<td>Other semi-manufactures</td>
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<td>7.3</td>
<td>6.7</td>
<td>6.9</td>
<td>7.0</td>
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<td>0.9</td>
<td>0.9</td>
<td>0.8</td>
<td>0.6</td>
<td>0.7</td>
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<tr>
<td>6255 Other new pneumatic tyres</td>
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<td>0.6</td>
<td>0.7</td>
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<td>0.7</td>
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<td>Machinery and transport equipment</td>
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<td>37.2</td>
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<td>1.2</td>
<td>1.0</td>
<td>1.3</td>
<td>2.1</td>
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<tr>
<td>Other non-electrical machinery</td>
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<td>9.0</td>
<td>9.4</td>
<td>9.7</td>
<td>9.6</td>
<td>8.3</td>
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<tr>
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<td>0.7</td>
<td>0.6</td>
<td>0.6</td>
<td>0.5</td>
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<tr>
<td>7232 Mechanical shovels, excavators and shovel-loaders, self-propelled</td>
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<td>1.2</td>
<td>1.0</td>
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<tr>
<td>7436 Filtering or purifying machinery and apparatus, for liquids or gases</td>
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<td>0.3</td>
<td>0.3</td>
<td>0.4</td>
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<td>0.5</td>
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<tr>
<td>Agricultural machinery and tractors</td>
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<td>0.4</td>
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<tr>
<td>Office machines and telecommunications equipment</td>
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<td>7.6</td>
<td>7.6</td>
<td>8.2</td>
<td>7.6</td>
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<td>1.7</td>
<td>1.9</td>
<td>2.3</td>
<td>1.9</td>
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<td>7611 Television receivers, colour</td>
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<td>1.1</td>
<td>1.1</td>
<td>1.1</td>
<td>1.2</td>
</tr>
<tr>
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<td>1.1</td>
<td>1.1</td>
<td>1.0</td>
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<tr>
<td>Other electrical machinery</td>
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<td>2.7</td>
<td>2.8</td>
<td>3.1</td>
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<td>7731 Wire, cable (including co-axial cable) and other electric conductors, optical fibre cables</td>
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<td>0.4</td>
<td>0.4</td>
<td>0.4</td>
<td>0.4</td>
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<tr>
<td>Automotive products</td>
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<td>11.5</td>
<td>11.9</td>
<td>10.5</td>
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<td>7812 Motor vehicles for the transport of persons, n.e.s.</td>
<td>3.3</td>
<td>5.3</td>
<td>5.0</td>
<td>4.7</td>
<td>5.6</td>
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<td>3.5</td>
<td>3.8</td>
<td>3.3</td>
<td>2.7</td>
</tr>
<tr>
<td>7843 Other parts and accessories of the motor vehicles of groups 722, 781, 782 and 783</td>
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<td>1.5</td>
<td>1.3</td>
<td>1.2</td>
<td>1.4</td>
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<td>2009</td>
<td>2010</td>
<td>2011</td>
<td>2012</td>
<td>2013</td>
<td>2014</td>
</tr>
<tr>
<td>-----------------------------------------------------------------------------</td>
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<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td>Other transport equipment</td>
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<td>2.6</td>
<td>2.6</td>
<td>4.6</td>
<td>3.0</td>
<td>2.6</td>
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<td>7924 Aeroplanes and other aircraft, mechanically-propelled (other than helicopters), of an unladen weight exceeding 15,000 kg</td>
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<td>3.1</td>
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</tr>
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<td>1.6</td>
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<td>1.5</td>
<td>1.8</td>
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<td>3.1</td>
<td>3.4</td>
<td>3.4</td>
<td>3.6</td>
<td>4.1</td>
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<td>6.6</td>
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<td>6.5</td>
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Source: WTO Secretariat estimates, based on data from the Comtrade database (SITC Rev.3).
### Table A1. 3 Merchandise exports by trading partner, 2009-2014

(US$ million and %)

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<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
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<td><strong>Total exports</strong></td>
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<td>81,438</td>
<td>77,965</td>
<td>76,684</td>
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<td>31.5</td>
<td>32.5</td>
<td>31.2</td>
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<td>11.1</td>
<td>12.3</td>
<td>12.8</td>
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<td>Other America</td>
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<td>19.2</td>
<td>19.7</td>
<td>19.0</td>
</tr>
<tr>
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<td>5.9</td>
<td>5.5</td>
<td>5.5</td>
<td>5.8</td>
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</tr>
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<td>1.7</td>
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Source: WTO Secretariat estimates, based on data from the Comtrade database (SITC Rev.3).
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Source: WTO Secretariat estimates, based on data from the Comtrade database (SITC Rev.3).
Table A2.1 Principal notifications submitted pursuant to the WTO Agreements, 1 January 2009 to 31 December 2014

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<td>General Agreement on Tariffs and Trade 1994</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Article XXIV:7 Regional agreements</td>
<td>Ad hoc</td>
<td>WT/REG272/N/1 (S/C/N/509) of 25.08.2009; WT/REG293/N/1 of 25.02.2011; WT/REG304/N/1 (S/C/N/613) of 01.12.2011; WT/REG303/N/1 (S/C/N/612) of 01.12.2011; WT/REG312/N/1 (S/C/N/622) of 04.04.2012; WT/REG330/N/1 of 13.02.2013; WT/REG344/N/1 (S/C/N/697) of 18.06.2013; WT/REG356/N/1 (S/C/N/773) of 17.10.2014</td>
</tr>
<tr>
<td>Article XVII:4(a) State trading</td>
<td>Ad hoc</td>
<td>G/STR/N/15/CHL of 25.09.2014; G/STR/N/14/CHL of 02.05.2012; G/STR/N/13/CHL of 15.09.2010</td>
</tr>
<tr>
<td>Agreement on Agriculture</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Article 18.2 (Table MA:2) Imports under tariff quotas</td>
<td>On an annual basis</td>
<td>G/AG/N/CHL/44 of 06.08.2014; G/AG/N/CHL/42 of 24.06.2013; G/AG/N/CHL/38 of 04.05.2012; G/AG/N/CHL/36 of 27.05.2011; G/AG/N/CHL/33 of 12.05.2010</td>
</tr>
<tr>
<td>Article 18.2 and 18.3 (Table DS:1) Domestic support</td>
<td>On an annual basis</td>
<td>G/AG/N/CHL/43 of 06.08.2014; G/AG/N/CHL/40 of 10.06.2013; G/AG/N/CHL/37 of 04.05.2012; G/AG/N/CHL/34 of 27.05.2011</td>
</tr>
<tr>
<td>Article 18.2 (ES:1 and ES:2) Export subsidies</td>
<td>On an annual basis</td>
<td>G/AG/N/CHL/45 of 06.08.2014; G/AG/N/CHL/41 of 21.06.2013; G/AG/N/CHL/39 of 14.05.2012; G/AG/N/CHL/35 of 27.05.2011; G/AG/N/CHL/32 of 12.05.2010</td>
</tr>
<tr>
<td>Agreement on the Application of Sanitary and Phytosanitary Measures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agreement on Technical Barriers to Trade</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Article 2.10 Technical regulations (urgent)</td>
<td>Immediately after adoption</td>
<td>G/TBT/N/CHL/221 of 21.02.2013; G/TBT/N/CHL/219/Add.4 of 22.08.2014; G/TBT/N/CHL/219/Add.3 of 27.06.2014; G/TBT/N/CHL/219/Add.2 of 24.03.2014; G/TBT/N/CHL/219/Add.1 of 17.01.2013; G/TBT/N/CHL/219 of 16.01.2013; G/TBT/N/CHL/203 of 01.06.2012; G/TBT/N/CHL/203/Add.1 of 08.06.2012</td>
</tr>
<tr>
<td>Agreement on Implementation of Article VI of the GATT 1994 (Anti-Dumping Agreement)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Article 16.4 Preliminary and final actions</td>
<td>Ad hoc</td>
<td>G/ADP/N/250/ of 15.11.2013; G/ADP/N/246/ of 19.08.2013; G/ADP/N/242/ of 30.05.2013; G/ADP/N/232/ of 10.08.2012; G/ADP/N/221/ of 11.11.2011; G/ADP/N/204/ of 10.08.2010; G/ADP/N/198/ of 15.03.2010; G/ADP/N/182 of 19.02.2009</td>
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<tr>
<td>Article 16.4 Anti-dumping actions</td>
<td>On a semi-annual basis</td>
<td>G/ADP/N/259/CHL of 13.10.2014; G/ADP/N/252/CHL of 28.03.2014; G/ADP/N/244/CHL of 07.10.2013; G/ADP/N/237/CHL of 13.02.2013; G/ADP/N/230/CHL of 02.08.2012; G/ADP/N/223/CHL of 02.04.2012; G/ADP/N/216/CHL of 14.10.2011; G/ADP/N/209/CHL of 13.04.2011; G/ADP/N/202/CHL of 18.10.2010; G/ADP/N/195/CHL of 01.03.2010; G/AD/N/188/CHL of 14.09.2009</td>
</tr>
<tr>
<td>Article 16.5 Investigating authority</td>
<td>Once only, subsequently notification of changes</td>
<td>G/ADP/N/14/Add.36; G/SCM/N/18/Add.36 of 14.10.2013</td>
</tr>
<tr>
<td>Article 18.5 Laws and regulations</td>
<td>Once only, subsequently notification of changes</td>
<td>G/ADP/N/1/CHL/2/Suppl.1; G/SCM/N/1/CHL/2/Suppl.1; G/SG/N/1/CHL/2/Suppl.2 of 13.05.2013</td>
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<tr>
<td>Agreement on Implementation of Article VII of the GATT 1994 (Agreement on Customs Valuation)</td>
<td></td>
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</tr>
<tr>
<td>Article 22.2 Legislation</td>
<td>Once only, subsequently notification of changes</td>
<td>G/VAL/N/1/CHL/2 of 25.02.2014</td>
</tr>
<tr>
<td>Agreement on Rules of Origin</td>
<td></td>
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</tr>
<tr>
<td>Agreement on Import Licensing Procedures</td>
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<tr>
<td>Article 7.3 Questionnaire</td>
<td>On an annual basis</td>
<td>G/LIC/N/3/CHL/7 of 18.03.2013; G/LIC/N/3/CHL/6 of 16.09.2011; G/LIC/N/3/CHL/5 of 17.09.2010</td>
</tr>
<tr>
<td>WTO Agreement/Description of requirement</td>
<td>Frequency</td>
<td>Reference</td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>-----------</td>
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</tr>
<tr>
<td><strong>Agreement on Subsidies and Countervailing Measures</strong></td>
<td></td>
<td></td>
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<tr>
<td>Articles 25.12 and 16.5 Investigating authority and domestic procedures governing investigations</td>
<td>Once only</td>
<td>G/ADP/N/14/Add.36; G/SCM/N/18/Add.36 of 14.10.2013</td>
</tr>
<tr>
<td>Article 32.6 Laws and regulations</td>
<td>Once only, subsequently notification of changes</td>
<td>G/ADP/N/1/CHL/2/Suppl.1; G/SCM/N/1/CHL/2/Suppl.1; G/SG/N/1/CHL/2/Suppl.2 of 13.05.2013</td>
</tr>
<tr>
<td>Article 25.1 Subsidy programmes</td>
<td>On an annual basis</td>
<td>G/SCM/N/253/CHL of 17.02.2014; G/SCM/N/220/CHL of 27.07.2011; G/SCM/N/186/CHL of 27.10.2009</td>
</tr>
<tr>
<td><strong>Agreement on Safeguards</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Article 12.1(a) Initiation of an investigation relating to serious injury or threat thereof</td>
<td>Ad hoc</td>
<td>G/SG/N/6/CHL/15/Corr.1 of 19.06.2013; G/SG/N/6/CHL/15 of 06.06.2013; G/SG/N/6/CHL/14; G/SG/N/8/CHL/6 of 23.04.2013; G/SG/N/6/CHL/13; G/SG/N/7/CHL/10 of 02.05.2012; G/SG/N/6/CHL/12 of 18.09.2009</td>
</tr>
<tr>
<td>Article 12.1(b) Finding of serious injury or threat thereof</td>
<td>Ad hoc</td>
<td>G/SG/N/6/CHL/14; G/SG/N/8/CHL/6 of 23.04.2013; G/SG/N/8/CHL/5; G/SG/N/10/CHL/8; G/SG/N/11/CHL/7 of 04.09.2012</td>
</tr>
<tr>
<td>Article 12.1(c) Adoption of a safeguard measure</td>
<td>Ad hoc</td>
<td>G/SG/N/8/CHL/5; G/SG/N/10/CHL/8; G/SG/N/11/CHL/7 of 04.09.2012</td>
</tr>
<tr>
<td>Article 12.4 Adoption of a provisional safeguard measure</td>
<td>Prior to adoption of measure</td>
<td>G/SG/N/7/CHL/11/Suppl.1 of 29.04.2013; G/SG/N/7/CHL/11; G/SG/N/11/CHL/8 of 23.04.2013; G/SG/N/11/CHL/6; G/SG/N/6/CHL/13; G/SG/N/7/CHL/10 of 02.05.2012; G/SG/N/7/CHL/9/Suppl.1 of 03.02.2010; G/SG/N/7/CHL/9 of 15.10.2009</td>
</tr>
<tr>
<td>Article 12.6 Laws and regulations</td>
<td>Once only, subsequently notification of changes</td>
<td>G/ADP/N/1/CHL/2/Suppl.1; G/SCM/N/1/CHL/2/Suppl.1; G/SG/N/1/CHL/2/Suppl.2 of 13.05.2013</td>
</tr>
<tr>
<td>Article 12 Termination of an investigation</td>
<td></td>
<td>G/SG/N/9/CHL/8 of 30.10.2013; G/SG/N/9/CHL/7 of 07.08.2013</td>
</tr>
<tr>
<td><strong>General Agreement on Trade in Services</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Article V:7(a) Economic integration agreements</td>
<td>Once only</td>
<td>S/C/N/773 (WT/REG356/N/1) of 17.10.2014; S/C/N/697 (WT/REG344/N/1) of 18.06.2013; S/C/N/622 (WT/REG312/N/1) of 18.04.2012; S/C/N/613 (WT/REG304/N/1) of 01.12.2011; S/C/N/612 (WT/REG303/N/1) of 01.12.2011; S/C/N/577 of 22.11.2010; S/C/N/509 (WT/REG272/N/1) of 25.08.2009</td>
</tr>
<tr>
<td><strong>Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Article 63.2 Laws and regulations</td>
<td>Notification of existing laws and regulations and changes</td>
<td>IP/N/1/CHL/10 of 08.09.2009; IP/N/1/CHL/19 of 08.09.2009; IP/N/1/CHL/1/8 of 07.09.2009; IP/N/1/CHL/1/7 of 07.09.2009; IP/N/1/CHL/1/6 of 07.09.2009; IP/N/1/CHL/0/2 of 07.09.2009; IP/N/1/CHL/2 of 01.09.2009</td>
</tr>
</tbody>
</table>

Source: WTO Secretariat.
### Table A2.2 Overview of Chile’s regional trade agreements that entered into force between 2009 and 2014

<table>
<thead>
<tr>
<th>Trade agreement</th>
<th>Parties</th>
<th>Date of signature/date of entry into force</th>
<th>Deadline for full tariff elimination (Chile)</th>
<th>Percentage of duty-free lines (Chile)</th>
<th>Provisions relating to trade in goods</th>
<th>Provisions relating to trade in services</th>
<th>Other provisions</th>
<th>Relevant WTO documents</th>
<th>Website</th>
</tr>
</thead>
</table>
| **CHILE–AUSTRALIA** | Chile and Australia | 30 July 2008/6 March 2009 | 1 January 2015 | 87.5% in 2009 and 100% in 2015. The category "Sugar" is excluded from tariff elimination. This category contains six products for which the ad valorem tariff (6%), but not the specific duty, is eliminated progressively. | Market access; rules of origin; customs valuation; special regimes; sanitary and phytosanitary measures; technical regulations, standards and conformity assessment procedures; safeguard measures (global and for balance-of-payments purposes); anti-dumping and countervailing measures; subsidies and State aid; customs procedures. | Cross-border trade in services; telecommunications services; financial services; movement of natural persons. | Transparency; exceptions; taxation, government procurement, intellectual property rights; electronic commerce (electronic transmissions); dispute settlement; institutional framework; competition policy; cooperation. | Notification: WTO documents WT/REG263/N/1 and S/C/N/484
Factual presentation: WTO document WT/REG263/1
Questions and replies: WTO document WT/REG263/2
| **CHILE–CHINA (Services and investment)** | Chile and China | 13 April 2008/8 February 2014 (services)
8 February 2014 (investment) | Not applicable | Not applicable | Market access; temporary movement of business persons; horizontal and sector-specific liberalization commitments (based on a positive-list approach). The scope of the Agreement is narrower than that of the GATS in that it excludes subsidies, financial services and maritime cabotage. But it is also wider than the scope of the GATS in that it includes specialty air services, airport operation services and ground handling services, three subsectors not explicitly listed in paragraph 3 of the GATS air transport annex. The Agreement also excludes government procurement. | The Supplementary Agreement on Investment, which entered into force on 8 February 2014, introduces provisions on the settlement of disputes between investors and the State (with the possibility of recourse to international arbitration), performance requirements and the principle of non-discrimination between foreign and national investors. | The Agreement also excludes government procurement. | Notification: WTO document S/C/N/577
Factual presentation: WTO document WT/REG230/3
Questions and replies: WTO documents WT/REG230/4 and WT/REG230/5
| **CHILE–COLOMBIA** | Chile and Colombia | 27 November 2006/8 May 2009 | 1 January 2012 | 98.30% in 2009 (7,552 lines had already been liberalized under the ACE 24) and 100% in 2012. Tariff elimination excludes the specific duty applicable to products subject to the price band mechanism. | Market access, rules of origin; sanitary and phytosanitary measures; technical barriers to trade; global and bilateral safeguards; anti-dumping and countervailing measures; subsidies and State aid; customs procedures; trade facilitation. | Market access; commercial presence; movement of natural persons. | Investment; transparency; current payments and capital movements; exceptions; dispute settlement; government procurement; electronic commerce; labour issues; environmental issues; cooperation. | [http://www.direcon.gob.cl](http://www.direcon.gob.cl)
### Trade Agreement

**Relevant WTO documents:**
- Notification: WTO documents WT/REG272/N/1 and S/C/N/509
- Factual presentation: WTO documents WT/REG272/1 and WT/REG272/1/Rev.1
- Questions and replies: WTO documents WT/REG272/2 and WT/REG272/3
- Consideration of the Agreement: WTO document WT/REG272/M/1

**Website:**
- [http://www.direcon.cl](http://www.direcon.cl)

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#### CHILE–HONG KONG, CHINA

**Parties:** Chile and Hong Kong, China

**Date of signature/date of entry into force:** 7 September 2012/9 October 2014

**Deadline for full tariff elimination (Chile):** 1 January 2016

**Percentage of duty-free lines (Chile):** 88.02%, or 6,852 tariff lines, at the date of entry into force. 9.65% will be liberalized in three years: 33% in 2014 (1st year), 67% in 2015 (2nd year) and 100% in 2016 (3rd year). 2.34% of tariff lines, including products subject to price bands, are excluded from the tariff preferences.

**Provisions relating to trade in goods:** Tariff reductions, rules of origin; customs procedures, sanitary and phytosanitary measures; technical barriers to trade; countervailing measures.

**Provisions relating to trade in services:** Cross-border trade in services; local presence; financial services.

**Other provisions:** Government procurement; competition policy, environment, transparency; dispute settlement.

**Website:**
- [http://www.direcon.gob.cl](http://www.direcon.gob.cl)

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#### CHILE–GUATEMALA

**Parties:** Chile and Guatemala

**Date of signature/date of entry into force:** 19 October 1999 (Agreement) and 7 December 2007 (Bilateral Protocol)/23 March 2010

**Deadline for full tariff elimination (Chile):** 1 January 2024

**Percentage of duty-free lines (Chile):** 65.3% in 2010 and 92.9% in 2024. 517 tariff lines (6.7% of Chile’s tariff schedule) and 26 tariff lines with preferences (food preparations, animal feed, etc.) are excluded from elimination. For products subject to price bands, wheat and wheat flour are two of the tariff lines excluded from elimination. In the case of sugar, only the specific duty is excluded.

**Provisions relating to trade in goods:** Market access; rules of origin; customs procedures; sanitary and phytosanitary measures; standardization measures, metrology and authorization procedures; safeguards (bilateral and global, for balance-of-payment purposes); anti-dumping and countervailing measures; subsidies and State aid.

**Provisions relating to trade in services:** Cross-border trade in services; temporary movement of business persons; local presence. The Agreement does not cover financial services.

**Other provisions:** Transparency; exceptions; government procurement; competition policy; dispute settlement; intellectual property rights (recognition of geographical indications); investment. Within two years from the entry into force of the Agreement, the Parties shall examine the possibility of developing and expanding the rules and disciplines on investment.

**Website:**
- [http://www.direcon.gob.cl](http://www.direcon.gob.cl)
- [http://portaldace.mineco.gob.gt/tratados-y-acuerdos-comerciales](http://portaldace.mineco.gob.gt/tratados-y-acuerdos-comerciales)

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#### CHILE–MALAYSIA

**Parties:** Chile and Malaysia

**Date of signature/date of entry into force:** 13 November 2010/25 February 2012 (for Chile)

**Deadline for full tariff elimination (Chile):** 25 February 2016

**Percentage of duty-free lines (Chile):** 90.2% in 2012 and 98.9% in 2016. 86 tariff lines (1.1% of Chile’s tariff schedule), including products subject to the price band mechanism, are excluded from elimination.

**Provisions relating to trade in goods:** Market access; rules of origin; customs administration; sanitary and phytosanitary measures; technical barriers to trade; safeguards (global, bilateral and for balance-of-payments purposes); anti-dumping and countervailing measures; subsidies and State aid; customs procedures.

**Provisions relating to trade in services:** Not applicable

**Other provisions:** Transparency; exceptions; intellectual property rights (recognition of geographical indications); cooperation; environment; dispute settlement. Within two years from the entry into force of the Agreement, the Parties shall begin consultations on the inclusion of a chapter on services and a chapter on investment. Future negotiations on financial services are also envisaged.

**Website:**
- [http://www.direcon.gob.cl](http://www.direcon.gob.cl)
- [http://portaldace.mineco.gob.gt/tratados-y-acuerdos-comerciales](http://portaldace.mineco.gob.gt/tratados-y-acuerdos-comerciales)
### Trade agreement

**Relevant WTO documents:**
- Notification: WTO document WT/REG330/N/1
- Factual presentation: WTO document WT/REG330/1
- Questions and replies: WTO documents WT/REG330/2 and WT/REG330/3
- Consideration of the Agreement: WTO document WT/REG330/M/1

**Website:**
- [http://www.direcon.gob.cl](http://www.direcon.gob.cl)

### CHILE-NICARAGUA

**Parties:** Chile and Nicaragua

**Date of signature/date of entry into force:** 19 October 1999 (Agreement) and 2 February 2011 (Bilateral Protocol)

**Deadline for full tariff elimination (Chile):** 1 January 2021

**Percentage of duty-free lines (Chile):** 97.1% in 2012 and 99.5% in 2021.

**Provisions relating to trade in goods:**
- Market access; rules of origin; sanitary and phytosanitary measures; standardization measures; metrology and authorization procedures; safeguards (global, bilateral, for balance-of-payments purposes); anti-dumping and countervailing measures; subsidies and State aid; customs procedures.

**Provisions relating to trade in services:**
- Cross-border trade in services; local presence; temporary movement of business persons; investment (the Agreement envisages extending the coverage of disciplines on investment).

**Other provisions:**
- Competition policy; government procurement; transparency, dispute settlement; exceptions; intellectual property rights (recognition of geographical indications).

**Relevant WTO documents:**
- Notification: WTO document WT/REG330/N/1 and S/C/N/697
- Factual presentation: WTO document WT/REG330/1 and WT/REG330/1/Rev.1
- Questions and replies: WTO document WT/REG330/2
- Consideration of the Agreement: WTO document WT/REG330/M/1

**Website:**
- [http://www.direcon.gob.cl](http://www.direcon.gob.cl)

### CHILE-PERU

**Parties:** Chile and Peru

**Date of signature/date of entry into force:** 22 August 2006/1 March 2009

**Deadline for full tariff elimination (Chile):** 1 July 2016

**Percentage of duty-free lines (Chile):** 95.8% in 2009 and practically 100.0% in 2016.

**Provisions relating to trade in goods:**
- Market access; rules of origin; sanitary and phytosanitary measures; technical barriers to trade; safeguards (global and bilateral); anti-dumping duties and countervailing duties; subsidies and State aid; customs procedures.

**Provisions relating to trade in services:**
- Cross-border trade in services (market access, national treatment and MFN treatment); local presence; temporary movement of business persons; senior managers and board of directors; expropriation and compensation. Financial services, air transport and government procurement are excluded from this Agreement.

**Other provisions:**
- Regulatory provisions; transparency; exceptions; intellectual property rights; competition; public pricing policies, cooperation and trade promotion; dispute settlement; investment. The Agreement provides for the initiation of negotiations on government procurement.

**Relevant WTO documents:**
- Notification: WTO document WT/REG304/N/1 and S/C/N/613
- Factual presentation: WTO document WT/REG304/1
- Questions and replies: WTO document WT/REG304/2
- Consideration of the Agreement: WTO document WT/REG304/M/1

**Website:**
- [http://www.direcon.gob.cl](http://www.direcon.gob.cl)

### CHILE-TURKEY

**Parties:** Chile and Turkey

**Date of signature/date of entry into force:** 14 July 2009/1 March 2011

**Deadline for full tariff elimination (Chile):** 1 January 2017

**Percentage of duty-free lines (Chile):** 94.3% in 2011 and 98.3% in 2017. 131 tariff lines (1.7% of Chile’s tariff schedule), including products subject to price bands, are excluded from elimination. The average final tariff applicable to these lines shall be the same as the MFN tariff.

**Provisions relating to trade in goods:**
- Market access; rules of origin; sanitary and phytosanitary measures; technical regulations, standards and conformity assessment procedures; safeguards (general, for balance-of-payments purposes); anti-dumping and countervailing measures.

**Provisions relating to trade in services:** Not applicable
Trade agreement

Other provisions: Intellectual property rights; cooperation; dispute settlement; transparency; exceptions. The Parties shall begin exploratory talks on trade in services and investment no later than two years following the entry into force of the Agreement. According to the Parties, such negotiations have not yet begun (WT/REG293/1).

Relevant WTO documents:
- Notification: WTO document WT/REG293/N/1
- Factual presentation: WTO document WT/REG293/1
- Questions and replies: WTO document WT/REG293/2
- Consideration of the Agreement: WTO document WT/REG293/M/1

Website:
- http://www.direcon.gob.cl

Source: WTO Secretariat.
### Table A3.1 Customs destinations 2014

<table>
<thead>
<tr>
<th>Regime</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Temporary admission</strong></td>
<td>The National Customs Service may authorize foreign goods to enter the country temporarily without losing their foreign status. The National Director of Customs establishes the period for which temporary admission is authorized and the extensions which may be granted on a once-only basis for a period not exceeding one year. The President of the Republic may, however, authorize extensions by means of a supreme decree. The temporary admission of goods is subject to a fee equivalent to a percentage of the total amount of customs levies and taxes that would be payable upon the definitive importation of the goods, determined according to how long the goods are going to remain in the country. These percentages are as follows: from 1 day to 15 days: 2.5%; from 16 days to 30 days: 5.0%; from 31 days to 60 days: 10%; from 61 days to 90 days: 15%; from 91 days to 120 days: 20%; for 121 days or more: 100%. This fee must be paid before the goods are removed from the customs storage area. Goods used in exhibitions, shows or sight-seeing tours, livestock brought from neighbouring countries for grazing purposes, ranch goods, containers, and foreign civil ships and aircraft, are not subject to the payment of this fee. The storage of goods, except for those imported under Chapter 0 of the Customs Tariff, i.e. those exempt from tariffs, shall, on a daily basis, from the 31st day, accrue interest amounting to the daily equivalent of the monthly average interest rate charged by the financial system for non-adjustable operations of 30 to 89 days, as set by the Central Bank of Chile, on the corresponding duties and taxes resulting from the importation of the goods.</td>
</tr>
<tr>
<td><strong>Special storage</strong></td>
<td>The special storage regime shall not apply to goods such as fish, crustaceans and molluscs; milk and cream; vegetable oils; meat and edible offal; fruit; and live plants and floricultural products. The National Director of Customs may, ex officio or at the request of interested parties, authorize the use, for up to 90 days, of certain special storage areas for goods, without prior payment of the duties and taxes arising from their importation. The use of a special storage area shall only be granted for goods with a customs value of US$ 10,000 or more.</td>
</tr>
<tr>
<td><strong>Transit</strong></td>
<td>The transiting of foreign goods through national territory, on a journey that begins and ends abroad, may be formalized through the International Freight Document - Transit Declaration (MIC-DTA).</td>
</tr>
<tr>
<td><strong>Special storage for inward processing</strong></td>
<td>Domestic, imported and foreign goods may be transhipped in order to reach their final destination. The transfer of goods from one vehicle to another shall be formalized by means of a transhipment declaration signed by a mandated dispatcher.</td>
</tr>
<tr>
<td><strong>Redirection</strong></td>
<td>This entails shipping foreign goods from one Customs point in the country to another for the purposes of their immediate importation or continued storage.</td>
</tr>
</tbody>
</table>

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a. Customs Ordinance (DFL No. 30) of 2004 of the Ministry of Finance and amendments thereto.
b. Resolution No. 3629 of 8 June 2009 and Resolution No. 8561 of 30 October 2012.
e. Resolution No. 3517 of 11 April 2013.

Source: Customs Ordinance (DFL No. 30) of 2004 and amendments thereto; Resolution No. 3629 of 8 June 2009; Resolution No. 8561 of 30 October 2012; Ministry of Finance Decree No. 135 of 18 April 1983 and Ministry of Finance Decree No. 473 of 28 August 2003.
Table A3. 2 Analysis of the MFN tariff, 2014

<table>
<thead>
<tr>
<th>Product description</th>
<th>No. of lines</th>
<th>MFN Average (%)</th>
<th>Range (%)</th>
<th>Coefficient of variation (CV)</th>
<th>Average bound tariff (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>7,785</td>
<td>6.0</td>
<td>0 - 6</td>
<td>0.1</td>
<td>25.1</td>
</tr>
<tr>
<td><strong>HS 01-24</strong></td>
<td>1,978</td>
<td>6.0</td>
<td>6 - 6</td>
<td>0.0</td>
<td>25 - 98</td>
</tr>
<tr>
<td><strong>HS 25-97</strong></td>
<td>5,807</td>
<td>6.0</td>
<td>0 - 6</td>
<td>0.1</td>
<td>0 - 25</td>
</tr>
<tr>
<td><strong>By WTO category</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agricultural products</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Animals and animal products</td>
<td>1,413</td>
<td>6.0</td>
<td>6 - 6</td>
<td>0.0</td>
<td>25 - 98</td>
</tr>
<tr>
<td>- Dairy products</td>
<td>52</td>
<td>6.0</td>
<td>6 - 6</td>
<td>0.0</td>
<td>25 - 25</td>
</tr>
<tr>
<td>- Fruit, vegetables and garden produce</td>
<td>510</td>
<td>6.0</td>
<td>6 - 6</td>
<td>0.0</td>
<td>25 - 25</td>
</tr>
<tr>
<td>- Coffee and tea</td>
<td>34</td>
<td>6.0</td>
<td>6 - 6</td>
<td>0.0</td>
<td>25 - 25</td>
</tr>
<tr>
<td>- Cereals and cereal preparations</td>
<td>155</td>
<td>6.0</td>
<td>6 - 6</td>
<td>0.0</td>
<td>25 - 31.5</td>
</tr>
<tr>
<td>- Oilseeds, fats and oils and their products</td>
<td>117</td>
<td>6.0</td>
<td>6 - 6</td>
<td>0.0</td>
<td>25 - 31.5</td>
</tr>
<tr>
<td>- Sugar and confectionery</td>
<td>30</td>
<td>6.0</td>
<td>6 - 6</td>
<td>0.0</td>
<td>25 - 98</td>
</tr>
<tr>
<td>- Beverages, alcohol and tobacco</td>
<td>116</td>
<td>6.0</td>
<td>6 - 6</td>
<td>0.0</td>
<td>25 - 25</td>
</tr>
<tr>
<td>- Cotton</td>
<td>5</td>
<td>6.0</td>
<td>6 - 6</td>
<td>0.0</td>
<td>25 - 25</td>
</tr>
<tr>
<td>- Other agricultural products</td>
<td>240</td>
<td>6.0</td>
<td>6 - 6</td>
<td>0.0</td>
<td>25 - 25</td>
</tr>
<tr>
<td><strong>Non-agricultural products (including petroleum)</strong></td>
<td>6,372</td>
<td>6.0</td>
<td>0 - 6</td>
<td>0.1</td>
<td>0 - 25</td>
</tr>
<tr>
<td>- Non-agricultural products (excluding petroleum)</td>
<td>6,343</td>
<td>6.0</td>
<td>0 - 6</td>
<td>0.1</td>
<td>0 - 25</td>
</tr>
<tr>
<td>- Fish and fish products</td>
<td>634</td>
<td>6.0</td>
<td>6 - 6</td>
<td>0.0</td>
<td>25 - 25</td>
</tr>
<tr>
<td>- Mineral products and metals</td>
<td>1,009</td>
<td>6.0</td>
<td>6 - 6</td>
<td>0.0</td>
<td>0 - 25</td>
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<td>- Chemicals and photographic products</td>
<td>1,330</td>
<td>6.0</td>
<td>6 - 6</td>
<td>0.0</td>
<td>25 - 25</td>
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<tr>
<td>- Wood, wood pulp, paper and furniture</td>
<td>393</td>
<td>5.9</td>
<td>0 - 6</td>
<td>0.1</td>
<td>25 - 25</td>
</tr>
<tr>
<td>- Textiles</td>
<td>674</td>
<td>6.0</td>
<td>6 - 6</td>
<td>0.0</td>
<td>25 - 25</td>
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<tr>
<td>- Clothing</td>
<td>292</td>
<td>6.0</td>
<td>6 - 6</td>
<td>0.0</td>
<td>25 - 25</td>
</tr>
<tr>
<td>- Leather, rubber, footwear and travel articles</td>
<td>193</td>
<td>6.0</td>
<td>6 - 6</td>
<td>0.0</td>
<td>25 - 25</td>
</tr>
<tr>
<td>- Non-electrical machinery</td>
<td>674</td>
<td>6.0</td>
<td>0 - 6</td>
<td>0.0</td>
<td>23 - 25</td>
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<tr>
<td>- Electrical machinery</td>
<td>353</td>
<td>6.0</td>
<td>6 - 6</td>
<td>0.1</td>
<td>25 - 25</td>
</tr>
<tr>
<td>- Transport equipment</td>
<td>313</td>
<td>5.5</td>
<td>0 - 6</td>
<td>0.3</td>
<td>3 - 25</td>
</tr>
<tr>
<td>- Non-agricultural products n.e.s.</td>
<td>478</td>
<td>6.0</td>
<td>0 - 6</td>
<td>0.0</td>
<td>15 - 25</td>
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<tr>
<td>- Petroleum</td>
<td>29</td>
<td>6.0</td>
<td>6 - 6</td>
<td>0.0</td>
<td>25 - 25</td>
</tr>
<tr>
<td><strong>By ISIC sector</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Agriculture and fishing</td>
<td>820</td>
<td>6.0</td>
<td>6 - 6</td>
<td>0.0</td>
<td>0 - 31.5</td>
</tr>
<tr>
<td>Mining</td>
<td>117</td>
<td>6.0</td>
<td>6 - 6</td>
<td>0.0</td>
<td>25 - 25</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>6,847</td>
<td>6.0</td>
<td>0 - 6</td>
<td>0.1</td>
<td>3 - 98</td>
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<tr>
<td><strong>By HS section</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>01 Live animals and animal products</td>
<td>742</td>
<td>6.0</td>
<td>6 - 6</td>
<td>0.0</td>
<td>25 - 31.5</td>
</tr>
<tr>
<td>02 Vegetable products</td>
<td>704</td>
<td>6.0</td>
<td>6 - 6</td>
<td>0.0</td>
<td>25 - 31.5</td>
</tr>
<tr>
<td>03 Fats and oils</td>
<td>68</td>
<td>6.0</td>
<td>6 - 6</td>
<td>0.0</td>
<td>25 - 31.5</td>
</tr>
<tr>
<td>04 Prepared foodstuffs, etc.</td>
<td>464</td>
<td>6.0</td>
<td>6 - 6</td>
<td>0.0</td>
<td>25 - 98</td>
</tr>
<tr>
<td>05 Mineral products</td>
<td>195</td>
<td>6.0</td>
<td>6 - 6</td>
<td>0.0</td>
<td>0 - 25</td>
</tr>
<tr>
<td>06 Products of the chemical or allied industries</td>
<td>1,219</td>
<td>6.0</td>
<td>6 - 6</td>
<td>0.0</td>
<td>25 - 25</td>
</tr>
<tr>
<td>07 Plastics and rubber</td>
<td>295</td>
<td>6.0</td>
<td>6 - 6</td>
<td>0.0</td>
<td>25 - 25</td>
</tr>
<tr>
<td>08 Hides and skins</td>
<td>74</td>
<td>6.0</td>
<td>6 - 6</td>
<td>0.0</td>
<td>25 - 25</td>
</tr>
<tr>
<td>09 Wood and articles of wood</td>
<td>137</td>
<td>6.0</td>
<td>6 - 6</td>
<td>0.0</td>
<td>25 - 25</td>
</tr>
<tr>
<td>10 Wood pulp, paper, etc.</td>
<td>200</td>
<td>5.9</td>
<td>0 - 6</td>
<td>0.1</td>
<td>25 - 25</td>
</tr>
<tr>
<td>11 Textiles and textile articles</td>
<td>949</td>
<td>6.0</td>
<td>6 - 6</td>
<td>0.0</td>
<td>25 - 25</td>
</tr>
<tr>
<td>12 Footwear, hats and other headgear</td>
<td>60</td>
<td>6.0</td>
<td>6 - 6</td>
<td>0.0</td>
<td>25 - 25</td>
</tr>
<tr>
<td>13 Articles of stone</td>
<td>166</td>
<td>6.0</td>
<td>6 - 6</td>
<td>0.0</td>
<td>25 - 25</td>
</tr>
<tr>
<td>14 Precious stones, etc.</td>
<td>56</td>
<td>6.0</td>
<td>6 - 6</td>
<td>0.0</td>
<td>25 - 25</td>
</tr>
<tr>
<td>15 Base metals and articles of base metal</td>
<td>613</td>
<td>6.0</td>
<td>6 - 6</td>
<td>0.0</td>
<td>25 - 25</td>
</tr>
<tr>
<td>16 Machinery and mechanical appliances</td>
<td>1,042</td>
<td>6.0</td>
<td>0 - 6</td>
<td>0.1</td>
<td>23 - 25</td>
</tr>
<tr>
<td>17 Transport equipment</td>
<td>326</td>
<td>5.5</td>
<td>0 - 6</td>
<td>0.3</td>
<td>3 - 25</td>
</tr>
<tr>
<td>18 Precision instruments</td>
<td>247</td>
<td>6.0</td>
<td>6 - 6</td>
<td>0.0</td>
<td>25 - 25</td>
</tr>
<tr>
<td>19 Arms and ammunition</td>
<td>21</td>
<td>6.0</td>
<td>6 - 6</td>
<td>0.0</td>
<td>25 - 25</td>
</tr>
<tr>
<td>20 Miscellaneous manufactured articles</td>
<td>200</td>
<td>6.0</td>
<td>6 - 6</td>
<td>0.0</td>
<td>15 - 25</td>
</tr>
<tr>
<td>21 Works of art, etc.</td>
<td>7</td>
<td>6.0</td>
<td>6 - 6</td>
<td>0.0</td>
<td>25 - 25</td>
</tr>
</tbody>
</table>

a  For price band products, 6% was used.
b  The bindings are given in HS 07 and the applied rates in HS 2012; consequently, there may be differences in the number of lines included in the analysis.
c  ISIC (Rev.2), except for electricity (one line).

Source: WTO Secretariat estimates, based on data provided by the Chilean authorities.
Table A3. 3 Preferential tariff quotas, 2014a

<table>
<thead>
<tr>
<th>Product</th>
<th>Out-of-quota tariff (%)</th>
<th>Quota volume (tonnes)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009</td>
<td>2010</td>
</tr>
<tr>
<td>Chile-United States (2004)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chicken and turkey meat</td>
<td>0²</td>
<td>9,261</td>
</tr>
<tr>
<td>Meat of bovine animals, frozen; 02020000; 02020300; 02020320; 02020390</td>
<td>6</td>
<td>2,600</td>
</tr>
<tr>
<td>Meat and edible offal, of swine; 02030190; 02032210; 02032220; 02032290; 02032990; 02064910; 02064990</td>
<td>6</td>
<td>45,500</td>
</tr>
<tr>
<td>Prepared meat, of swine; 16021000; 16021900; 16022000; 16022900</td>
<td>6</td>
<td>675</td>
</tr>
<tr>
<td>Edible offal, of bovine animals, frozen; 02062100; 02062200; 02062900</td>
<td>6</td>
<td>4,500</td>
</tr>
<tr>
<td>Cuts and offal, of fowls of the species Gallus domesticus, frozen 02071410; 02071421; 02071422; 02071423; 02071424; 02071425; 02071430</td>
<td>6</td>
<td>4,100</td>
</tr>
<tr>
<td>Chile-Honduras (2008)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cane or beet sugar; 17019100; 17019190; 17019920; 17019990</td>
<td>Price</td>
<td>Band</td>
</tr>
<tr>
<td>Price band</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chile-Colombia (2009)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meat of bovine animals; 02013000</td>
<td>0</td>
<td>3,000</td>
</tr>
<tr>
<td>Milk; 04011000</td>
<td>0</td>
<td>1,000</td>
</tr>
<tr>
<td>Sugara</td>
<td>17019100</td>
<td>0</td>
</tr>
<tr>
<td>17019190</td>
<td>0</td>
<td>6,000</td>
</tr>
<tr>
<td>17019920</td>
<td>0</td>
<td>6,000</td>
</tr>
<tr>
<td>Chile-Guatemala (2010)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Milk in powder; 04021000; 04021110; 04022112; 04022113; 04022114; 04022115; 04022116; 04022117</td>
<td>6</td>
<td>200.0</td>
</tr>
<tr>
<td>Condensed milk; 04029910</td>
<td>6</td>
<td>350.0</td>
</tr>
<tr>
<td>Concentrated milk; cream; 04039000; 04049000</td>
<td>6</td>
<td>200.0</td>
</tr>
<tr>
<td>Butter; 04051000</td>
<td>6</td>
<td>100.0</td>
</tr>
<tr>
<td>Cow's milk (Gouda); 04069010</td>
<td>6</td>
<td>200.0</td>
</tr>
<tr>
<td>Ripened or cured goat's cheese, ripened or cured sheep's cheese; 04069090</td>
<td>6</td>
<td>40.0</td>
</tr>
<tr>
<td>Cream with a basis of cooked milk with added sugar (dulce de leche); 19019011</td>
<td>6</td>
<td>40.0</td>
</tr>
<tr>
<td>Juices and purées of tomato; 20029011; 20029012; 20029019; 20029090</td>
<td>6</td>
<td>40.0</td>
</tr>
<tr>
<td>Chile-EU (2003)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fresh hake, chilled; 030269</td>
<td>6</td>
<td>5,000</td>
</tr>
<tr>
<td>Smoked salmon; 030530; 030541</td>
<td>6</td>
<td>40</td>
</tr>
<tr>
<td>Cheese; 040610; 040620; 040630; 040640; 040690</td>
<td>6</td>
<td>2,025</td>
</tr>
<tr>
<td>Olive oil; 150910; 150990; 151000</td>
<td>6</td>
<td>150</td>
</tr>
<tr>
<td>Tuna loins; 160414; 160420</td>
<td>6</td>
<td>150</td>
</tr>
<tr>
<td>Chile - EFTA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cheese, granted to Norway; 0406</td>
<td>6</td>
<td>200</td>
</tr>
</tbody>
</table>

n/a  Not available.

a  Agreements notified to the WTO.
b  The tariff decreased gradually. In 2009 it was 12.5%; in 2010, 9.3%; in 2011, 6.2%; in 2012, 6%; and in 2013, 0%.
c  Pooled quota of 6,000 tonnes for subheadings HS 170191 and HS 170199 and additional quota of 15,000 tonnes for subheading HS 170191.
d  The tariff decreased gradually. In 2009 it was 2.22%; in 2010, 1.68%; in 2011, 1.14%; in 2012, 0.6%; and in 2013, 0%.

Source: WTO Secretariat, based on Agreements notified to the WTO and information provided by the authorities.
<table>
<thead>
<tr>
<th>Programme</th>
<th>Beneficiary</th>
<th>Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooperative Promotion Projects (Profo)</td>
<td>Companies with a taxable cash income or net annual sales of more than 2,400 UF but less than 100,000 UF.</td>
<td>Subsidy financing up to 70% of the cost of diagnostic activities and the development of a work plan (ceiling US$8 million) and up to 70% of the implementation phase (ceiling US$40 million).</td>
</tr>
<tr>
<td>Technological Innovation for Businesses</td>
<td>Chilean companies; naturals persons who are business persons and entrepreneurs.</td>
<td>Non-repayable subsidy, with an overall ceiling of US$200 million per project, to co-finance product and/or process development or improvement projects.</td>
</tr>
<tr>
<td>CORFO Credit for Micro and Small Enterprises</td>
<td>Natural or legal persons producing goods and services, with annual sales of less than 25,000 UF.</td>
<td>Credit to finance investments and working capital for small businesses and micro and small enterprises. Maximum of 5,000 UF over a 120-month period.</td>
</tr>
<tr>
<td>Fund for Development and Growth</td>
<td>Small and medium-sized enterprises (SMEs)</td>
<td>Investment funds that finance the development of SMEs with high growth potential. Financing in the form of capital contributions or loans.</td>
</tr>
<tr>
<td>CORFO Guarantee Investment and Working Capital (FOGAIN)</td>
<td>Private companies producing goods and services, with sales of up to 100,000 UF per year; emerging companies with projected sales of up to 100,000 UF; and investment projects in indigenous areas.</td>
<td>CORFO gives the company a partial guarantee vis-à-vis the financial institution (bank or cooperative association) in order to obtain a loan, and serves as backing if the company fails to pay back the loan. The percentage of the guarantee depends on what is required by the financial entity when enterprises apply for funding.</td>
</tr>
<tr>
<td>Technological Absorption for Innovation in SMEs</td>
<td>SMEs with annual sales not exceeding 100,000 UF.</td>
<td>Support enabling SMEs to conduct technological prospection activities, and technical advice on the use of technology and investment, for up to 80% of the total cost of the project, with a ceiling of US$15 million.</td>
</tr>
<tr>
<td>SME Innovation Voucher (under review)</td>
<td>SMEs (national enterprises, cooperatives or individual entrepreneurs) with annual sales not exceeding 100,000 UF.</td>
<td>Co-financing of up to 90% of the cost of contracting services to help develop new products and processes (ceiling US$5 million).</td>
</tr>
<tr>
<td>Fénix Mining Exploration Fund</td>
<td>Small and medium-sized mining enterprises established in Chile, with assets not exceeding 200,000 UF.</td>
<td>Funding of mining prospection and/or exploration projects in Chilean territory.</td>
</tr>
<tr>
<td>Early Stages Fund – Mining</td>
<td>SMEs with assets not exceeding 50,000 UF.</td>
<td>CORFO finances investment funds so that they can invest through loans or capital contributions.</td>
</tr>
<tr>
<td>Pre-investment programmes for small-scale fisheries management areas</td>
<td>Natural persons registered as small-scale fishermen with SERNAPESCA, with net annual sales of up to 1 million UF, which possess an authorized marine area.</td>
<td>Initially subsidizes up to 70% of the total cost of a baseline position study (ceiling US$9 million) and subsequently up to 50% of the cost of the consultancy services required for a follow-up (ceiling US$2 million).</td>
</tr>
<tr>
<td>Seed Capital Competition</td>
<td>Legal persons established in Chile for less than 2 years.</td>
<td>Funding of up to US$2 million, which cannot exceed 75% of the total amount of the budget presented. The resources allocated are non-repayable.</td>
</tr>
<tr>
<td>CORFO Risk Capital for Innovative Enterprises</td>
<td>Companies with high growth potential seeking to develop technological innovation in products (goods and services) or processes.</td>
<td>Funding in the form of long-term credit for investment funds, which enables them to invest in companies through capital contributions or loans.</td>
</tr>
<tr>
<td>Irrigation Pre-investment Programme</td>
<td>Companies with net annual sales of up to 1 million UF and water user associations established under the Water Code.</td>
<td>Subsidizes up to 70% of the total cost of studies on irrigation and/or drainage, and water distribution within a holding, with a ceiling of US$3 million (on-farm) or US$9 million (off-farm).</td>
</tr>
<tr>
<td>Seed Expansion Competition</td>
<td>Chilean legal persons interested in consolidating their operations in Chile.</td>
<td>Non-repayable subsidy of up to 70% of the total cost of the project.</td>
</tr>
<tr>
<td>Supplier Development Programme (PDP)</td>
<td>Companies with a taxable cash income and net annual sales exceeding 50,000 UF.</td>
<td>Subsidizes up to 50% of the total cost of the programme to improve the supply process, with a ceiling of US$59 million for the implementation phase.</td>
</tr>
<tr>
<td>Tax incentive for private investment in research and development</td>
<td>Companies paying income tax.</td>
<td>Tax credit equivalent to 35% of payments made for projects and contracts.</td>
</tr>
<tr>
<td>Agricultural Insurance Premium Subsidy</td>
<td>Farmers, of any scale, and owners or tenants, who are taxpayers.</td>
<td>The support consists of 50% of the net premium plus 1.5 UF per policy, with a maximum of 35 UF per farmer, per growing season. For unirrigated wheat crops, grain maize and tomatoes for consumption and industrial use, the State provides 65% of the net premium plus 1 UF per policy.</td>
</tr>
</tbody>
</table>

Source: CORFO.
Table A4. 1 Selected agricultural support programmes

<table>
<thead>
<tr>
<th>Programme</th>
<th>Description</th>
<th>Regulatory framework</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. IRRIGATION SERVICES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Associative Irrigation Programme (PIA)</td>
<td>Up to 90% of the total cost of the investment, with an annual ceiling of 2,000 UF per project and 200 UF per beneficiary. Aid of up to 90% of the gross cost of consultancy services to resolve problems relating to the use of water.</td>
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<tr>
<td>Water Voucher Scheme</td>
<td>Financing of up to 99% of the total cost of studies or projects that cover irrigation or drainage works.</td>
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<tr>
<td>Irrigation and drainage studies</td>
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<tr>
<td>Long-term individual or corporate loan for irrigation and drainage works</td>
<td>Interest-free loan linked to the incentive payment granted by the State to promote irrigation, established in Law No. 18.450. Available for up to 2 years, including a one-year grace period.</td>
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</tr>
<tr>
<td><strong>2. TERRITORIAL DEVELOPMENT</strong></td>
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<tr>
<td>Local Development Programme (PRODESAL)</td>
<td>Finances advisory services, investment and working capital for INDAP farmers, for up to 90% of the gross value of the investment. The programme is implemented through municipalities.</td>
<td>Resolutions No. 167.309 of 19.12.2013 and No. 2.2831 of 28.02.2014. Exempt Resolution No. 7.299 of 31.01.2014.</td>
</tr>
<tr>
<td>Agricultural Programme for the Comprehensive Development of Small-Scale Peasant Farmers in Non-Irrigated Areas in the Region of Coquimbo (PADIS)</td>
<td>Finances technical advisory services, investment and working capital to improve agricultural and forestry productivity in family farming, through municipalities in the region of Coquimbo, which implement PADIS with resources transferred to them by INDAP.</td>
<td></td>
</tr>
<tr>
<td>Training and Education for Women in Rural Areas (INDAP - PRODEMU Agreement)</td>
<td>Various types of support granted according to objective. Up to 90% of the cost of the project is subsidized by INDAP.</td>
<td>Resolutions No. 2.469 of 16.01.2014 and No. 54.941 of 24.05.2011.</td>
</tr>
<tr>
<td><strong>3. INVESTMENT</strong></td>
<td></td>
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</tr>
<tr>
<td>Investment Development Programme (PDI)</td>
<td>Co-finance investment projects to modernize agricultural, agro-industrial and livestock production processes.</td>
<td>Resolutions No. 75.718 of 29.05.2014 and No. 1.071 of 07.01.2014.</td>
</tr>
<tr>
<td><strong>4. SOIL RECLAMATION</strong></td>
<td></td>
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<tr>
<td>Agri-Environmental Sustainability of Agricultural Land (SIRSD-S)</td>
<td>Non-repayable co-financing of 50% to 90% of the net costs of agricultural soil reclamation activities for small-scale farmers cultivating a maximum of 12 basic irrigation hectares whose assets do not exceed 3,500 UF. Short-term non-indexed loan linked to the co-financing of projects under the SIRSD-S. Subsidy of 80% of the net costs related to inputs and other work required to establish additional pastures and/or fodder resources.</td>
<td>Law No. 20.412 of 09.02.2010; Supreme Decrees No. 51/2012, No. 04/2013 and No. 83/2010. INDAP General Credit Regulations. Exempt Resolution No. 16.754/2012. INDAP General Credit Regulations. Decree Law No. 701 of 1974. Law No. 20.283 of 30.07.2008.</td>
</tr>
<tr>
<td>Short-term loan linked to the SIRSD-S</td>
<td>Short-term loan, non-indexed and interest-free.</td>
<td></td>
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<tr>
<td>Additional Pastures and Fodder Resources (PPSRF)</td>
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<tr>
<td>Individual short-term loan linked to the PPSRF</td>
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<tr>
<td>Incentive payments for forestry development</td>
<td>Financing for reforestation and soil reclamation with emphasis on smallholders.</td>
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<tr>
<td>Native Woodland Management</td>
<td>Financing of the costs of lumber, non-lumber and conservation activities.</td>
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<tr>
<td><strong>5. TECHNICAL ADVICE</strong></td>
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<tr>
<td>Technical Advisory Service (SAT)</td>
<td>Technical advice on improving production systems. Subsidy covering the legal costs paid by small-scale agricultural producers to resolve legal problems concerning their land.</td>
<td>Resolution No. 5.924 of 29.01.2014. Resolution No. 43.795 of 03.04.2012.</td>
</tr>
<tr>
<td>Land Tenure Consolidation Programme</td>
<td></td>
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<tr>
<td><strong>6. DEVELOPMENT OF PRODUCTION AND BUSINESS CAPACITY</strong></td>
<td></td>
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<tr>
<td><strong>7. FINANCIAL ASSISTANCE PROGRAMMES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Delegated Cash Management Fund (FAD)</td>
<td>The Chilean State grants resources to financial institutions to facilitate access to credit for small-scale agricultural producers and their associations.</td>
<td>Resolution No. 149/2008; Supreme Decrees No. 24/2005 and No. 42/2004; and Exempt Resolution No. 1.457/2008.</td>
</tr>
<tr>
<td>Programme</td>
<td>Description</td>
<td>Regulatory framework</td>
</tr>
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<td>-----------------------------------------------</td>
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<tr>
<td><strong>Supplementary long-term investment loan</strong></td>
<td>Long-term indexed loan for up to 10 years.</td>
<td>INDAP General Credit Regulations (Resolution No. 286 of 20.12.2003).</td>
</tr>
<tr>
<td><strong>Short-term investment loan</strong></td>
<td>Loan for up to 359 days to partially finance the working capital required for forestry and agricultural activities.</td>
<td></td>
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<tr>
<td><strong>Individual short-term pre-approved loan</strong></td>
<td>Loan for up to 359 days.</td>
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<tr>
<td><strong>Individual long-term loan</strong></td>
<td>Loan for a period of between 360 days and 10 years to finance forestry and agricultural activities.</td>
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<tr>
<td><strong>Long-term loan for native woodland management</strong></td>
<td>Indexed interest-free loan for a maximum of between 2 and 4 years, according to type of activity.</td>
<td></td>
</tr>
<tr>
<td><strong>Short-term individual or corporate loan</strong></td>
<td>Loan for up to 359 days, for forestry and agricultural activities.</td>
<td></td>
</tr>
</tbody>
</table>

Source: Viewed at: [www.indap.cl](http://www.indap.cl) (INDAP), [www.conaf.cl](http://www.conaf.cl) (CONAF) and [www.fia.cl](http://www.fia.cl) (FIA).
Table A4. 2 Fishery support programmes, 2009-2014

<table>
<thead>
<tr>
<th>Programme/Description</th>
<th>Disbursement</th>
<th>Regulatory framework</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Volvamos a la mar</strong></td>
<td></td>
<td>Supreme Decree No. 150 of 27 February 2010</td>
</tr>
<tr>
<td>Subsidy for the replacement or repair of semi-autonomous diving equipment with a view to reactivating the production activities of small-scale fishermen affected by the earthquake and subsequent tsunami.</td>
<td>Implemented in 2010 only. Total amount disbursed: 4,623 million pesos</td>
<td>Supreme Decree No. 150 of 27 February 2010</td>
</tr>
<tr>
<td><strong>Support for shore fishermen</strong></td>
<td></td>
<td>Supreme Decree No. 150 of 27 February 2010</td>
</tr>
<tr>
<td>The purchasing of diving suits and equipment for seaweed extraction.</td>
<td>700 million pesos</td>
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</tr>
<tr>
<td><strong>Agreement with the National Bureau for Women (SERNAM)</strong> Programme to promote women’s rights in the small-scale fisheries sector. Support is granted through a competition.</td>
<td>65.1 million pesos</td>
<td>Exempt Resolution No. 1.198 of 2012</td>
</tr>
<tr>
<td><strong>Research</strong></td>
<td></td>
<td>Articles 91 to 97 of the General Law on Fisheries and Aquaculture</td>
</tr>
<tr>
<td>Payments for fishery and aquaculture research. The Institute for the Promotion of Fishing (IFOP) is responsible for basic research, while the Fishery and Aquaculture Research Fund (FIP) is responsible for non-basic and occasional research.</td>
<td>Annual disbursements (million pesos): 2010: 7,502.2; 2011: 8,212.5; 2012: 9,090.7; 2013: 13,015.8.</td>
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<tr>
<td><strong>Fisheries Administration Fund (FAP)</strong></td>
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<td>Article 173 of Law No 18.892, General Law on Fisheries and Aquaculture</td>
</tr>
<tr>
<td>Finances fishery and aquaculture research projects through 5 work streams: (a) small-scale fisheries promotion and development; (b) training, re-training, and social support for displaced workers; (c) research into, and promotion, development, administration, surveillance and monitoring of, recreational fishing activities; (d) monitoring and administration of fishery activities; and (e) promotion of marine product consumption.</td>
<td>Annual disbursements (million pesos): 2010: 4,518.6; 2011: 4,318.4; 2012: 5,583.9; 2013: 5,992.7; 2014: 8,926.5</td>
<td></td>
</tr>
<tr>
<td>13 regional programmes have been implemented. The development of these programmes was co-financed by Regional Governments (GORE), the Fund for the Promotion of Small-Scale Fisheries (FPFA) and FAP. Resources of more than 5,000 million pesos were earmarked for these programmes, which benefit more than 400 fishermen. The programmes operate through a call for applications.</td>
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<tr>
<td><strong>Territorial programmes/projects</strong></td>
<td>500 million pesos</td>
<td>Regional committee requirements</td>
</tr>
<tr>
<td>Programmes/projects that seek to increase the added value of marine resources through the installation of processing facilities in fishing coves.</td>
<td></td>
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<tr>
<td><strong>FAP research</strong></td>
<td>629 million pesos</td>
<td>Supreme Decree No. 150 of 2010</td>
</tr>
<tr>
<td>Payments to research new species or to determine their spatial orientation at a given moment.</td>
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<tr>
<td><strong>National project competition</strong></td>
<td>More than 2,042 million pesos disbursed in 2011 and 2012.</td>
<td>Application requirements</td>
</tr>
<tr>
<td>Non-repayable financing for projects aimed at promoting and developing small-scale fisheries in the Valparaiso region.</td>
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<tr>
<td><strong>Consumption promotion</strong></td>
<td>Annual disbursements (million pesos): 2011: 68.9; 2012: 2.2; 2013: 0.2; 2014: 74.2</td>
<td>Not available</td>
</tr>
<tr>
<td>Funding for projects that promote the consumption of marine products.</td>
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<tr>
<td><strong>Business creation programme</strong></td>
<td>186 million pesos</td>
<td>Exempt Resolution No. 3312/2012</td>
</tr>
<tr>
<td>Funding for the formalization of beneficiary organizations and the marketing of their fishery resources.</td>
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<tr>
<td><strong>Gender-focused entrepreneurship</strong></td>
<td></td>
<td>Regional Agreement GORE Los Lagos- FAP-FFPA 2011-2014</td>
</tr>
<tr>
<td>Competition-based funding for projects that seek to strengthen the role of fisherwomen and diversification in fishing-related areas in the Los Lagos region. Project implemented since 2011.</td>
<td>Amounts disbursed (million pesos): 2011: 30; 2012: 70; 2013: 120; 2014: 41</td>
<td></td>
</tr>
<tr>
<td><strong>Programme on non-conventional renewable energy (NCRE)</strong> Funding to provide clean energy for production facilities and processes in coves used by small-scale fishermen.</td>
<td>58.04 million pesos</td>
<td>Exempt Resolution No. 3.452-2013</td>
</tr>
<tr>
<td>2,902 million pesos in 2010-2014. The programmes benefited 1,259 former crewmen and 2,189 processing plant and fleet workers.</td>
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<tr>
<td><strong>Industry workers</strong></td>
<td></td>
<td>Decree No. 131 of 4 August 2013; Law No. 20.657 of 9 February 2013</td>
</tr>
<tr>
<td>Support (non-repayable) and grants for workers and former workers in the fishing industry, provided through 4 programmes: workforce reintegration, training activities, high-level technical study programmes and social support programmes.</td>
<td>2,902 million pesos in 2010-2014. The programmes benefited 1,259 former crewmen and 2,189 processing plant and fleet workers.</td>
<td></td>
</tr>
</tbody>
</table>

Source: Information provided by the authorities.