

# **JOINT STUDY GROUP ON THE PROSPECTIVE FREE TRADE AGREEMENT BETWEEN CHILE AND TURKEY**

**FINAL REPORT BY CHILE<sup>1</sup>**  
SANTIAGO, NOVEMBER 7, 2007

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<sup>1</sup> Final Report by Chile after the Second Meeting of the “Joint Study Group on the Prospective Free Trade Agreement Between Chile and Turkey”, Ankara, Turkey, October 25 and 26, 2007.

## FINAL REPORT

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## EXECUTIVE SUMMARY

1. On May 17, 2007, in Ankara, authorities of the Republic of Chile headed by Ambassador Carlos Furche, Vice Minister for International Economic Affairs, Ministry of Foreign Affairs, and of the Republic of Turkey headed by Mr. Cemalettin Damlaci, Director General for the EU Affairs, Prime Ministry, Undersecretariat for Foreign Trade, agreed on the need to intensify the Turkey-Chile economic partnership by commencing together a feasibility study to look into a potential Chile-Turkey Free Trade Agreement (FTA)
2. Chile has experienced a process of stable and lasting economic growth since 1990, which has meant a 5.5% yearly rate of growth of GDP in the last 17 years, reaching an expected rate around 5-6% for 2007. Poverty has been reduced from 45% in 1987 to 13.7% of the population in 2006. Inflation has been persistently lowered in the last 17 years, and in 2006 reached 2.6% (the inflation target established by the Central Bank in the range of 3% +/- 1% for the coming years). Unemployment is being gradually reduced, after a peak of 9.7% in 1999, and has continued to drop in 2006, standing at 7.1 percent for the first quarter of 2007, below the 9.2 percent of 2006. Public finances present a balanced budget, with a rule of structural surplus over GDP, which has meant that in 2006 the public sector surplus reached a record 7.7% of GDP, and also a surplus in 2007, equivalent to 7.1% of GDP. The risk classification of Chile by international agencies is constantly improving and is leading in Latin American.
3. An essential part of the strategy has been the opening of the economy to foreign trade and investment. Chile has followed 3 ways in that respect: a) unilateral reduction of tariffs up to a level of a flat 6% in 2003, b) an active multilateral policy in the international negotiations, WTO, APEC and others, c) bilateral negotiations resulting in signed trade agreements with 20 partners, which represent around 91% of the whole foreign trade of Chile. (Mexico, Mercosur, Canada, European Union, Central America, Andean Community, Korea, United States, EFTA, China, India, Japan, and the P-4 (New Zealand-Singapore-Brunei Darussalam)). In 2007, additional treaties have become in operation with Japan (September 3) and India (August 17), and with the new partners of the European Union (Romania and Bulgaria, January 1).
4. Chilean trade reached US\$ 92.7 billions in 2006, increased by 12.4% yearly in the last thirteen years. Exports are concentrated on copper (57% of the total), food, agriculture and fisheries (15.6%), other mineral products (7.9%), chemical products (7.2%) and forest industry products (6.8%). Imports are distributed among intermediate goods (62.4%), capital goods (20.8%) and consumer goods (16.8%).
5. Trade with Turkey has increased from US\$ 8.3 million in 1994 to a figure of US\$ 444.8 million in 2006, faster than the increase of Chilean overall trade in the same period. Exports to Turkey represent 0.71% of total Chilean exports and imports from Turkey a 0.11% of Chilean imports. Direct investment levels have not been significant, and there are not registered Turkish investments in Chile by the Chilean Foreign Investment Committee.
6. An FTA between Chile and Turkey would have a positive impact on bilateral trade and economic welfare. The tariffs elimination would increase bilateral trade by an amount of approximately US\$ 12.1 millions that is a 20.0% over the 2006 (current) level of non copper trade.
7. This estimate does not capture the effects that might be created because of the several goods that Turkey imports from the rest of the world and does not import from Chile, and that also is true in the other way round. Turkey imports from the rest of the world goods corresponding to 2,178 sub-headings at 6 digits level for an amount of US \$ 70.8 billion (FOB values), goods that are not imported from Chile (2006), and Chile already sells those same items to other countries. Because of the tariffs reduction in an FTA, it is estimated that this “trade of

- non traded goods” would increase potential exports by a significant amount, between US \$ 368 millions and US \$ 780 millions
8. The dynamic effects because of a better resource allocation in Chile and Turkey would create additional positive impacts on both countries.
  9. A comprehensive FTA between Chile and Turkey would induce a reduction in the transaction costs of trade between the two countries, because of the inclusion of trade facilitation measures, customs procedures, rules of origin, phytosanitary rules and administration.
  10. It is observed that Chilean exports might increase by 6.0 million dollars FOB, equivalent to a 58.1% growth of the pre-FTA figure. This increase is concentrated in edible fruit and nuts, beverages, spirits and vinegar, inorganic chemicals, organic or inorganic compounds of precious metals, and miscellaneous chemical products. The most significant impact, however, would be on potential trade, as it might mean additional exports between US \$ 360 million and US \$ 780 million in other products not yet exported by Chile to Turkey.
  11. In the imports side, trade creation would be of 3.5 million dollars CIF, equivalent to a growth of 9.6% with respect to the imports level of the year 2006. Trade creation would be concentrated in manufacturing industry, being in the first place the manufacture of fabricated metal products, machinery and equipment, the manufacture of basic metal industries, manufacture of chemicals, chemical, petroleum, coal, rubber and plastic products, and others. On the other hand, trade diversion would be around 2.5 million dollars CIF, mostly explained by the manufacturing industry. It is necessary to take into account that even if trade diversion means more imports from Turkey, they do not indicate higher total Chilean imports, as they imply a substitution of the supply sources.
  12. The liberalization in services might mean additional trade in services between Chile and Turkey of at least US \$ 2.1 millions over the 2006 figure, which would substantially increase if one takes into account the potential trade. Provisions concerning trade in services to be included in an FTA would contribute to generating a better business environment, by making effective regulations more transparent and by committing the Parties not to adopt restrictive practices. Enhanced transparency for Chile achieved by a modern chapter on services would be a contribution for expanding trade on services.
  13. Chile’s experience in other FTAs indicates that the subscribing of an agreement comprising these aspects, it ascertains the image of the country among new investors, more so if the counterpart is a large economic power in the world. It is estimated that the FTA may encourage higher Turkish investment in Chile and it would also induce investment into higher value added activities.
  14. An FTA with Turkey should include the areas of intellectual property rights, the competition policy, standardization of sanitary and phytosanitary measures, technical barriers to trade, government procurement, movement of persons, trade remedies, dispute settlement mechanisms and transparency procedures.
  15. The overall objective of comprehensive initiatives in the field of cooperation should be to facilitate and encourage Chile and Turkey partnership in the pursuit of increased competitiveness, therefore fostering innovation and creating new opportunities for trade and joint ventures, including mutual consultation on common interest issues. The areas to be included could be government procurement, intellectual property rights, environment, labor, trade and investment promotion, science and technology, education, tourism and other areas of common interest to both parties.

# **I. INTRODUCTION**

## **I. INTRODUCTION**

### **I.1. Main Characteristics of the Chilean/Turkish Economy and institutional framework**

#### **I.1.A. Macroeconomic Feature**

A high and sustained economic growth and a marked improvement in social development have been the most distinctive characteristics of the Chilean economy since the 90s; noteworthy was the reduction of poverty. The governments of the coalition of parties of the Democratic Concertation, since 1990 supplemented growth-oriented economic policies with focused social policies and an enhancement in investment in human capital, coupled with a liberalization of the economy. Although growth slowed down at the end of the 90's due to external factors<sup>2</sup> and the first years of the 2000s, a period of economic recovery has been experienced since 2004. This has meant a GDP growth of 5.5% in the last 15 years and an expected growth of 5% - 6% of GDP in 2007<sup>3</sup>, based on the macroeconomic fundamentals that created the sustained growth since the 90's.

The national development strategy is based on a social market economy open to international trade, where the foreign trade sector is the main driving force of growth. At the same time, the core elements of the economic policy over the past 15 years have been based on macroeconomic stability, elimination of domestic market distortions and a gradual lowering of barriers to foreign trade. Under such conditions, the Chilean economy has achieved a high level of competitiveness and opening to the world economy.

Chile's macroeconomic stability and its general socioeconomic performance have been acknowledged by the main international risk rating agencies. In 2007, both Moody's and Standard and Poor' s<sup>4</sup> rated the Chilean economy as the less risky in the whole of Latin America and in an equal standing with many countries with high development levels. In 2007, IMD (Geneva) ranked Chile as the 26<sup>th</sup> more competitive nation (the most competitive in Latin America, and just below Japan (24) and Belgium (25))<sup>5</sup>.

#### **a. Gross Domestic Product.**

The economic activity has shown high dynamism and sustained growth over the last two decades, and particularly after the recession that hit the country in the early 80s. According to the Central Bank of Chile, in the period 1990 – 2006, the economy grew at an annual rate of 5.5 percent<sup>6</sup>. In 2007, the growth rate of GDP is expected to reach between 5% and 6%, signaling the full recovery of the Chilean economy. As a result, these indexes basically doubled in the course of the 90s decade. At the end of the 90s, economic growth first slowed down (3,4 percent in 1998) and then

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<sup>2</sup> In the late 1990s, end of 1998 and early 1999, Chile's economy experienced an impact of the Asian crisis with adverse effects on its terms of trade and export volumes, "sharp fluctuations in domestic interest rates, exchange rate pressures, and a serious drought (attributable to the weather phenomenon La Niña)" in Aninat, Eduardo (2000) "Chile in the 1990s: Embracing Development Opportunities", Finance & Development March 2000, Vol. 37, Number 1, IMF, Washington, D.C

<sup>3</sup> The Chilean Central Bank estimates a 5%-6% growth of GDP in 2007. Banco Central de Chile (2007) "Informe de Política Monetaria. Mayo 2007". Address by the President of the Chilean Central Bank in Congress, Valparaiso, May 16, 2007, page 11

<sup>4</sup> Standard and Poor' s credit rating in foreign currency for Chile was A, the best classification in Latin America in <http://www2.standardandpoors.com/portal/site/sp/es/la/page/article/2,1,8,0,1148444382351.html>, May 21, 2007

<sup>5</sup> IMD (2007) "World Competitiveness Yearbook 2007", Geneva in <http://www.imd.ch/research/publications/wcy/upload/scoreboard.pdf>.

<sup>6</sup> GDP Series since 2003 at 2003 constant prices; earlier series at 1996 prices linked by Central Bank of Chile in Stanger V., Michael (2007) "Empalme del PIB y de los Componentes del Gasto: Series anuales y trimestrales 1986-2002, Base 2003", N° 55, March, 2007, Santiago, Chile.

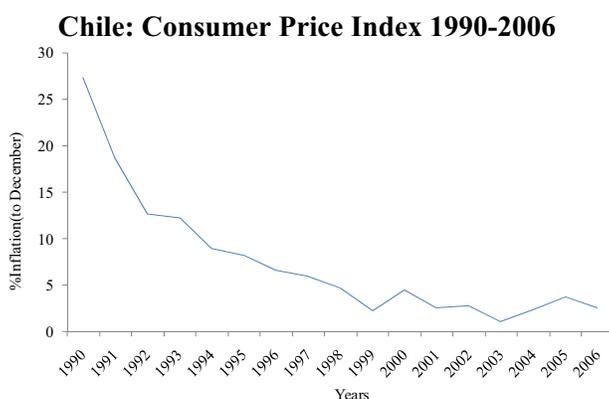
dipped (-1.1 percent in 1999). In the year 2000, the Chilean economy began a reactivation process and is estimated that for current 2007, GDP will get a rate of growth in the region of 5-6%<sup>7</sup>, and by the end of 2007 most forecasts suggest that it will be nearer the 6% rate of growth than the 5%.

The fastest growing sectors in the last years (2003 – 2006) have been communications, financial services, agriculture, and commerce, hotel and restaurants<sup>8</sup>. During 2006 the share of services (financial, firms and personal) in the total economic activity represented 34.0 percent of GDP, commerce, hotel and restaurants 10.7 percent, manufacturing industry 17.4 percent; mining 7.9 percent and agriculture and fishing 5.3 percent. Among the rest of the economic sectors, transport and communications attained increasing importance over time, reaching 10.0 percent in 2006, and construction has recovered with the increase in investment reaching to 7.6 percent of GDP in the second quarter of 2007.

## b. Inflation

The endemic problem of persistently high inflation rates that characterized the Chilean economy in the past has been reined in and is no longer a main public issue. One of the most significant bases of the inflation control policy has been the independence of the Central Bank. In the early 90s, the Central Bank established a policy aimed at the gradual reduction of the inflation rate, announcing the inflation goal to be reached annually, which has been strictly met ever since.

As from 1994 the inflation rate fell to a one-digit figure, reaching the levels exhibited by developed economies. While in 1990 inflation stood at 27.3 percent, in the period 1995-1999 it was less than 6 percent, falling to only 2.3 percent in 1999. Although in 2000 inflation showed a moderate increase, reaching only in one year (2001) an inflation over 4%, keeping within the target range of the monetary policy. In 2006, the rate of inflation reached to 2.6%. The inflation goal has been deemed to be the nominal anchor of the economy, becoming a determinant sign for private stakeholders. Until 2006, the inflation goal established by the Central Bank stood in the range 2 – 4 percent, in line with the experience in the last 5 years<sup>9</sup>, while since 2007 the target is to keep the rate of inflation in 3% (+-1%) most of the time<sup>10</sup>.



Source: Calculated from Central Bank data

<sup>7</sup> Banco Central de Chile (2006) “Informe de Política Monetaria. Mayo 2006”. Presentation by the President of the Chilean Central Bank in Congress, Valparaiso, May 17, 2006

<sup>8</sup> A serie of GDP by industries at constant 2003 prices is available only for the 2003-2006 period.

<sup>9</sup> Central Bank of Chile “Informe de Política Monetaria” 18 de enero de 2006, Santiago de Chile. “The Board ...keeps a projected inflation in the range of 2 to 4%, centered in 3% in the customary policy horizon of 12 to 24 months”.

<sup>10</sup> “El Consejo reafirma su compromiso de conducir la política monetaria de manera que la inflación proyectada se ubique en 3% en el horizonte de política”, Central Bank of Chile “Informe de Política Monetaria” 16 de mayo de 2007, Santiago de Chile, page 50

**c. Export Sector**

The driving force behind economic growth has been the export sector. With growth rates well above GDP, exports multiplied by more than six between 1990 and 2006<sup>11</sup>. Considering that there is a direct relation between economic growth and the development of foreign trade (exports plus imports), the rate of growth of foreign trade was around 9.3% percent per year, between 1990 and 2006, higher than the growth of the GDP which reached annually in average 5.5%. Total foreign trade represents in 2006, nearly 80% of GDP. The opening of the Chilean economy to international markets has been beneficial for the growth prospects. From 1996 to 2006, exports of goods grew at an annual average of 14%<sup>12</sup>; reaching a peak in 2006, with an amount that exceeds 57 billion dollars.

Between 1990 and 2006 Chile continued to open to international markets. The nominal foreign tariff was reduced from a flat 15 percent to an 11 percent rate in 1992, with unanimous Congress agreement. As from 1999, the flat tariff rate was scheduled to drop 1 percent each year until 2003, remaining at 6 percent. It should be noted that flat tariffs are a central aspect of the non-discriminatory market economy that characterizes Chile's economic policy.

**d. Foreign Investment**

As a result of the liberalization process, foreign direct investment has exhibited a significant growth. In the period 1990 – 2006 foreign direct investment totaled 75.5 billion dollars. This figure compares favorably with the 8.6 billion dollars of FDI recorded in the period 1974 – 1989<sup>13</sup>. Foreign direct investment in 1990 represented 5.7 percent of GDP in 1990 and reached 7.6 percent in 2004<sup>14</sup>. In 2006, foreign investment reached a level of US \$ 5.918 millions.

The increasing flows of exports and foreign investment have been the two cornerstones of the Chilean economic globalization in the 1990 – 2006 period. Reserves reached 19,429 million dollars in 2006, an amount that represents more than 6 months of imports, while net foreign debt (foreign debt minus international reserves) in relation to Chilean exports dropped from a 3.13 ratio in the period 1984 – 1989 to 0.68 in the period 2004 – 2006. In 2006, the ratio of net foreign debt in relation to Chilean exports reached a 0.49 figure<sup>15</sup>.

**e. Investment and Savings**

The great dynamism of the Chilean economy in the 90's was spurred by the high investment rates recorded during the period, which also constitute the best guarantee of future growth, although at the end of this period there was a fall due to the economic slump as a result of the Asian crisis. While in the period 1986 – 1989 investment represented 14.8 percent of GDP, in 1990 – 2006 this rate reached an average 20.6 percent<sup>16</sup>. Very important indeed was also the high rate of domestic savings in the 90s and the first five years of the new millennium, with an average of 21.8 percent

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<sup>11</sup> In 1990 Chilean exports were US\$ 8.4 billion and reached in 2006 US\$ 57.8 billion

<sup>12</sup> In current US \$

<sup>13</sup> Includes investment through the Foreign Investment Statute (D.L.600), Chapter XIV and Chapter XIX.

<sup>14</sup> Includes investment through the Foreign Investment Statute (D.L.600), Chapter XIV and Chapter XIX.

<sup>15</sup> Figures calculated from Central Bank data

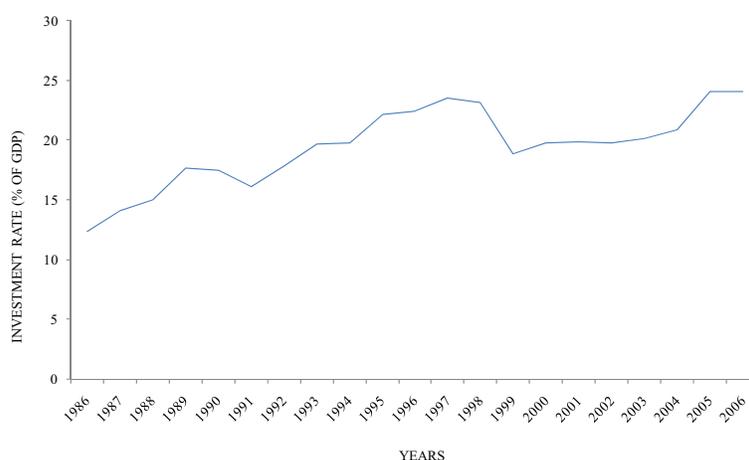
<sup>16</sup> Central Bank of Chile in Stanger V., Michael (2007) "Empalme del PIB y de los Componentes del Gasto: Series anuales y trimestrales 1986-2002, Base 2003", N° 55, March, 2007, Santiago, Chile.

over the GDP for the period 1996-2005, one of the highest in Latin America, and a record of 23.6 percent over the GDP in 2006<sup>17</sup>.

In 2005 and 2006, there was a surge in investment, as gross fixed capital formation increased to reach by 24.1% of GDP, higher than the peaks of 1997, with an increase of 21.9% in 2005 and 4.0% in 2006; much higher than the rate of growth of GDP of 4.8% on average of 2005 and 2006.

In 2005 and 2006, there was an increase in investment; mostly due to an improvement in expectations, a sound macroeconomic policy, a recovery in the prices of Chilean exports, and the firm expansion of the international economy. This was also supplemented with the growth of infrastructure investment in public transport (highways, underground metropolitan transport of Santiago, urban rail net in Viña – Valparaiso and other cities).

### CHILE: INVESTMENT RATE AS % OF GDP 1986-2006 (CONSTANT 2003 PRICES)



Source: Calculated from Central Bank data.

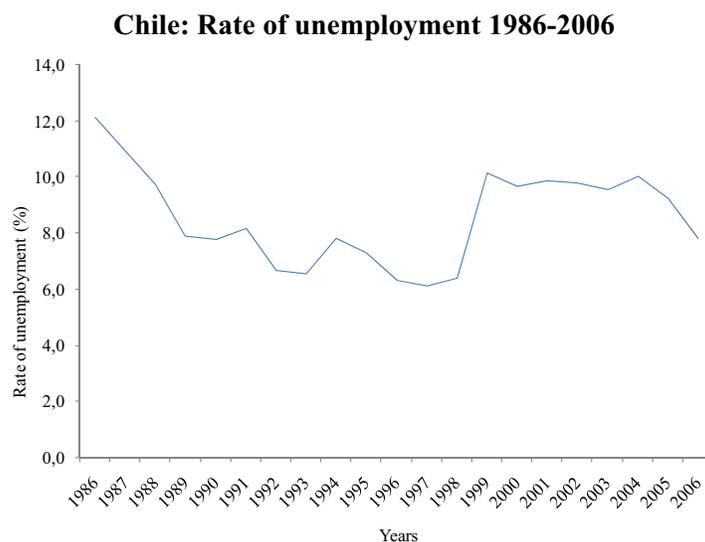
#### f. Employment and Salaries

The reduction of inflation, high GDP growth rates and export increases went hand-in-hand with high investment and domestic savings rates, which favored a high employment rate, considered by many experts to be close to full employment. While in the period 1986 – 1989 the average unemployment rate was 10.2 percent, in the period 1990 – 1998 it fell to 7.0 percent. However, as a result of the Asian crisis, unemployment climbed considerably in 1999, reaching its highest level in 1999 (10.1 percent). The unemployment rate has been reduced since 2004 and has continued to drop in 2006, standing at 7.1 percent for the first quarter of 2007, below the 9.2 percent of 2006. As a result of economic reactivation and recent pro-employment measures fostered by the government, together with interest rates cuts fixed by the Central Bank in 2004 the rate of unemployment continued to drop during 2005 and 2006 and has continued to fall again in 2007.

Equally important has been the rise in real salaries, for these have grown at an average 2.3 percent in the period 1994 – 2006, which translates into a 32 percent increase for that period. It should be

<sup>17</sup> Savings data in current pesos in Central Bank , [http://si2.bcentral.cl/Basededatoseconomicos/951\\_705.asp?f=A&s=PPIB7&idioma=E&sep=coma&a=0.7801773865312633&crec=n](http://si2.bcentral.cl/Basededatoseconomicos/951_705.asp?f=A&s=PPIB7&idioma=E&sep=coma&a=0.7801773865312633&crec=n)

noted that from 1990 to 1997 real salaries rose at 3.1 percent annually. In 2006, real wages had increased by 2.0%.<sup>18</sup>



Source: Calculated from Central Bank data.

On the other hand, average labor productivity also rose significantly since the 90s. In the period 1986 – 1989 it grew at only 2.5 percent annually; while in the period 1990 – 2006 the average annual growth rate was 3.3 percent, with a peak of 9.2 percent in 1995. Productivity growth has been a decisive factor in the competitiveness of national industries. As a result of this important productivity growth, the rise of real salaries has not affected the inflation goals set by economic authorities.

The evolution of employment and productivity are two of the most positive characteristics of recent economic performance, with an emphasis on social progress. These have been the main mechanisms whereby the benefits of economic growth have been transferred to the poorer sectors of the Chilean society. The population below the poverty line fell from 45 percent in 1987 to only 22 percent in 1998, a reduction that constitutes the most significant progress among all Latin American countries for this period. Moreover, the most recent available survey shows that this trend has been further established, as the population below the poverty line for 2006 was reduced to 13.7 percent<sup>19</sup>

## **I.1.B. Trade Policy Regime: Formulation and Implementation**

### **I.1.B.i Legal and Institutional Framework**

The Constitution of 1980 defines Chile as a unitary and democratic republic. For administrative purposes, the country is divided into 15 regions. The regions consist of provinces, which are subdivided into communes (*comunas*), which are administrated by municipalities.

Executive power is exercised by the President of the Republic who is also the Head of State and is elected by universal suffrage for a term of four years. The President appoints cabinet ministers.

<sup>18</sup> Figures from National Institute of Statistics (INE) in [http://si2.bcentral.cl/Basededatoseconomicos/951\\_705.asp?f=A&s=REM\\_R\\_HORA&idioma=E&sep=coma&a=0.7508357498669635&crec=n](http://si2.bcentral.cl/Basededatoseconomicos/951_705.asp?f=A&s=REM_R_HORA&idioma=E&sep=coma&a=0.7508357498669635&crec=n)

<sup>19</sup> CASEN 2006 survey, performed by the Ministry of Planning MIDEPLAN in MIDEPLAN (2007) <http://www.mideplan.cl/final/noticia.php?idnot=1336>

Legislative power is exercised by the National Congress, which comprises a House of Representatives and a Senate. The House of Representatives is composed of 120 members elected for a four-year term. The Senate is composed of 38 senators elected for an eight-year term. Members of both chambers may be re-elected. The next presidential and congressional elections are scheduled for December 2009.

Judicial power is vested in the Supreme Court of Justice, 17 regional courts of appeal, and other courts established by law. The 21 Supreme Court judges are appointed by the President and confirmed by a two-thirds majority in the Senate. The Supreme Court appoints members of the lower courts.

### **I.1.B.ii Trade Policy Objectives and Formulation**

Chile's trade policy follows a number of objectives, the most important being: stimulating the efficiency and competitiveness of national producers; reducing the level of effective protection and any existing anti-export bias in the tariff structure; and fostering regional economic cooperation. The authorities consider secured and permanent access to foreign markets, together with the capacity to attract foreign investment, essential to Chile's economic growth. To this end, efforts towards the negotiation and administration of new preferential trade agreements have intensified in recent years.

Trade policy formulation is under the responsibility of the Executive, with the General Directorate of International Economic Affairs (DIRECON), in the Ministry of Foreign Affairs, taking the lead role in trade negotiations. Other Ministries involved in the formulation of trade policy include the Ministries of Finance, Economy, and Agriculture. Chile's mission to the WTO is under the competence of the Ministry of Foreign Affairs.

The Inter Ministerial Committee for International Economic Negotiations, advises the President in matters regarding international economic negotiations. The Minister of Foreign Affairs chairs the Committee; its members are the Minister of Finance, the Minister of the Presidency, the Minister of Economy and the Minister of Agriculture.

The government is in permanent dialogue with the private sector in various forums, being the most important the Export Council, which was created in April 2003. It brings together representatives of the private and public sectors and its main objective is to make recommendations on export policy formulation. The Council has several working groups: on trade facilitation, international integration, support of exporters, on promotion of exports and tourism and transport.

### **I.1.B.iii Main Trade Laws and Regulations**

**Table I.1  
Main Domestic Laws and Regulations Relating to Foreign Trade, June 2006**

<b>Name or description</b>	<b>Domestic statute</b>	<b>Date of issue</b>
<b>General legislation</b>		
Constitution of Chile	n.a.	8.8.1980
Incorporation of WTO Agreements into domestic law	Supreme Decree N° 16 of the Ministry of Foreign Affairs	17.5.1995

<b>Name or description</b>	<b>Domestic statute</b>	<b>Date of issue</b>
Law on the Importation of Goods	Law N° 18,525	30.6.1986
Reduction of MFN tariffs	Law N° 19,589	14.11.1998
<b>Preferential trade agreements</b>		
Free Trade Agreement between the Government of Canada and the Government of the Republic of Chile	Decree N° 1020	05.07.1997
Free Trade Agreement Chile – Mexico	Decree N° 1.101	31.01.1999
Free Trade Agreement between Chile and Central America . Addendum to the Free Trade Agreement between Chile and Central America (Chile – Costa Rica) . Addendum to the Free Trade Agreement between Chile and Central America (Chile – El Salvador) . Addendum to the Free Trade Agreement between Chile and Central America (Chile – Honduras) <sup>20</sup>	Decree N° 14	14.02.2002
Agreement Establishing an Association between the Republic of Chile and the European Community	Decree N° 28	01.02.2003
Chile- United States of America Free Trade Agreement	Decree N° 312	31.12.2003
Free Trade Agreement between the Republic of Chile and the Republic of Korea	Decree N° 48	01.04.2004
Free Trade Agreement between the Republic of Chile and the EFTA States	Decree N° 262	01.12.2004
Free Trade Agreement between the Republic of Chile and the People's Republic of China	Decree N° 317	23.09.2006
Trans-Pacific Strategic Economic Partnership	Decree N° 354	08.11.2006
Preferential Trade Agreement Between the Republic of Chile and the Republic of India	Decree N° 148	18.08.2007
Agreement Between the Republic of Chile and Japan for a Strategic Economic Partnership	Decree N° 143	03.09.2007
<b>Tariff agreements under ALADI (Latin American Integration Association)</b>		
ACE 22 Chile-Bolivia	Decree N° 402	30.06.1993
ACE 23 Chile-Venezuela	Decree N° 321	30.06.1993
ACE 24 Chile-Colombia <sup>21</sup>	Decree N° 1535	27.04.1994
ACE 32 Chile-Ecuador	Decree N° 1967	18.05.1995
ACE 35 Chile-Mercosur	Decree N° 1411	04.10.1996
ACE 38 Chile-Peru <sup>22</sup>	Decree N° 1093	21.07.1998
<b>Customs procedures</b>		
Customs Law	Decree with Force of Law N° 30/2004 of the Ministry of Finance	18.10.2004
Regulations on the Application of GATT Article VII	Decree N° 1134	20.6.2002
<b>Tax and tariff concessions</b>		
Simplified duty drawback system	Law N° 18,480	19.12.1985

<sup>20</sup> Under domestic approval of the National Congress.

<sup>21</sup> FTA (addendum to ACE 24) is under domestic approval of the National Congress.

<sup>22</sup> FTA (addendum to ACE 38) is under domestic approval of the National Congress.

<b>Name or description</b>	<b>Domestic statute</b>	<b>Date of issue</b>
Modification of export promotion programs	Law N° 19,589	14.11.1998
<b>Contingency measures</b>		
Law on the Importation of Goods	Law N° 18,525	30.6.1986
<b>Intellectual property</b>		
Intellectual Property Law	Law N° 17,336	2.10.1970
Law establishing Rules Applicable to Industrial Privileges and Protection of Industrial Property Rights	Law N° 19,039	25.1.1991
Law on the rights of breeders of new varieties of plants. This regulation incorporates UPOV (78) standards	Law N° 19,342	11.03.1994

n.a. Not applicable.

Law N° 18,525 of 19 June 1986, establishing Rules on the Importation of Goods, is Chile's main trade law. The Law has been amended and modified a number of times since 1997 and contains regulations on customs valuation, customs duties, contingency measures, and a price band system for a limited number of agricultural products. Moreover, the Customs Law (Decree Law N° 2/97 of the Ministry of Finance) of 12 November 1997, which consolidates a number of former legal instruments, contains provisions on export and import procedures. Law No. 19.589 of 14 November 1998 provided for a reduction of Chile's MFN tariffs and revised some export promotion programs with a view to bring them into line with Chile's WTO commitments.

A law on miscellaneous WTO-related matters (Law 19.912) entered into force as of November 4, 2003 with the aim to bring various individual provisions of Chile's legislation in line with the WTO Agreements. It contains provisions on customs valuation, technical regulations, taxation, and intellectual property. The law provides for notification procedures for technical regulations and conformity assessments. It also eliminates the Dispatch Tax on goods imported duty-free, and some trade-related investment measures in the automotive sector. Furthermore, it amends Chile's intellectual property legislation by specifying protection for computer programs, data compilations, and textile designs.

Chile does not have any pending implementation of WTO Agreements.

### **Participation in the World Trade Organization**

Chile is a founding member of the GATT, and as such it has unwaveringly maintained its commitment to the multilateral trading system as represented by the WTO. Thus, it actively supported efforts to launch a new round of negotiations in the Ministerial Conferences in Seattle (1999) and Doha (2001). Chile welcomed the launching of the Doha Development Round, which represents an opportunity to settle problems in our trade relations, which have proven impossible to solve in the context of bilateral or regional agreements. This has been the case, in particular, for agricultural subsidies and the abuse of anti-dumping measures. Likewise, the Doha Development Round has provided Chile with a potential to improve access for its exports to important markets with which it has no preferential trade arrangements, particularly in Asia.

In line with these objectives, Chile has submitted various negotiating proposals and has participated actively in formal and informal coalitions with other Members, which share its interests. These coalitions include, in particular, the Cairns Group and the G20 in agriculture, and the Friends of the

Anti-Dumping Negotiations (FANs). We have also been active in other areas of the Doha Development Round such as market access for non-agricultural products and the reform of the Dispute Settlement Understanding.

The importance that Chile attributes to the WTO is not limited to the gains to be achieved through negotiation. For Chile, the WTO also derives its importance from the ongoing work of its different technical bodies, above all the Dispute Settlement Body. This is the mechanism that ultimately ensures that multilateral trade rules are respected and that countries of extremely varied political and economic weight can solve their problems on the basis of commonly agreed rules, on an equal footing, and with the full opportunity to present their arguments, rather than being subjected to the decisions of the most powerful. Chile has in fact been active in using the DSB as complainant, respondent and third party.

### **I.1.C. Structure and Features of the Market**

Chile has an open economy with low tariff levels and a liberal trade and investment environment. Domestically, competition is enforced through the application of the Chilean Competition Act, which is becoming increasingly important in maintaining market efficiency and reaping the benefits of an open economy.

Although the first Chilean Competition law was enacted in 1959, the proper legal basis of the Chilean Competition law is Decree Law N° 211 of 1973 of the Ministry of Economy, as amended by D.F.L. N° 1, 2004, published in the Chilean Official Gazette on the 7th March, 2005.

In 1999, law 19,610 led to the institutional strengthening of the Competition enforcement agency, the National Economic Prosecutor's Office (FNE).

In 2003, law N° 19.911 introduced important reforms to the original Decree Law N°211. It fulfilled the need for increased independence of the decision-making body and for a more technical assessment of cases. Law N° 19.911 created a Competition Tribunal and clearly separated the functions of the enforcement agency, the FNE, and the decision-making body, the Court. The Tribunal is a special judicial body fully independent of the FNE. To ensure its independence, the Supreme Court of Justice may remove its members only on legally established grounds. The Tribunal has its own budget and staff (lawyers and economists) and its members are remunerated and have a fixed period in office. The Tribunal has the power to sanction and provide remedies (including interim measures) and is also responsible for merger decisions. Likewise, law N° 19.911 strengthened the enforcement powers of the FNE.

Law 19.911 explicitly sanctions abuse of dominant position such as resale price maintenance, tying or territorial distribution by dominant firms and predatory practices.<sup>23</sup> In addition, this law eliminated criminal sanctions with respect to anticompetitive practices but substantially increased the amount of the fines that can be imposed. This is to prevent competition cases being tried by criminal judges with no expertise in competition while providing sufficiently high fines that work as deterrents.

Chile is involved in international cooperation in the competition policy arena at various levels. In this respect, Chile has signed Cooperation Agreements with Canada, Mexico, Salvador and Costa Rica, and it has included Competition Policy Chapters in most of the Trade Agreements it has

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<sup>23</sup> It should be noted that even though there was no explicit prohibition, abuse of dominant position was already sanctioned by the Antitrust Commission prior to the reform that took place in 2003 on the basis of a generic reference in Article 6 of Law DL211.

negotiated. Chile participates in OECD, APEC, UNCTAD and ICN activities, and in 2003, Chile was subject of a Peer Review by the Latin American Competition Forum organized by the OECD and the Inter American Development Bank.

#### **I.1.D. Banking System and Credit Policies**

##### **a. General Overview of the Banking System**

The modern Chilean banking system dates from 1925 and has been characterized by periods of substantial regulation and state intervention and by periods of deregulation. After the Chilean financial crisis of 1982 and 1983, the Central Bank and the Superintendence of Banks and Financial Institutions (SBIF is its acronym in Spanish), established strict controls on the funding, lending and general business matters of the banking industry in Chile. The SBIF regulates the banking sector while the Central Bank, which is fully independent of the government, oversees exchange rate policy, regulates international capital movements and certain bank operations, and oversees the stability of the financial system.

As of December 2005, Chile's banking system was composed of 25 privately owned banks and one state-owned bank, Banco Estado. As of December 2005, total outstanding loans in the Chilean banking system amounted to US\$ 87.2 billion.

Commercial banks in Chile face growing competition from several sources, which has led to consolidation in the banking industry. Competition in credit provision has come increasingly from department stores and foreign banks.

##### **b. Banking Regulation**

According to the Chilean Constitution, the main objectives of the Central Bank are to maintain the stability of the Chilean peso and the orderly functioning of Chile's internal and external payment systems. To this end the law gives the Central Bank the authority to set reserve requirements for banks, to regulate the amount of money and credit in circulation, to operate as a lender of last resort and to establish regulations and guidelines regarding financial institutions, the formal exchange market and bank deposit-taking activities. These attributes provide the Central Bank with a wide range of policy tools for controlling monetary and exchange rate policy.

The SBIF monitors and oversees Chile's banks. Additionally, the SBIF authorizes the licensing of new banks and has broad powers to issue, interpret and enforce banking regulations (both legal and regulatory). The SBIF must also approve any bank's merger, amendment to its bylaws, or capital increase, and any acquisition of 10% or more of the equity interest in a bank.

Chilean banks may conduct only those activities allowed by the General Banking Act. Banks may lend and accept deposits and, subject to limitations, invest and perform financial services. The General Banking Act limits investments by banks to real estate investments for their own use, gold, foreign exchange and debt securities. Directly or through subsidiaries, banks may also engage in certain specified activities, such as securities brokerage services, mutual fund management, factoring, securities, financial leases and insurance brokerage services (except for pension funds insurance).

**c. The Chilean Insurance System**

Insurance companies are Chile's second largest institutional investors, based on total assets. Although the total asset volume of insurance companies has grown consistently, its rate of increase has not been as large as that of the pension funds during the same period. As of December 31, 2004, the combined value of the portfolios of insurance companies stood at US\$ 18.4 billion.

The Insurance Companies Act of 1979 introduced a framework for the regulation of insurance companies. The basic principles established include market determination of rates and commissions, equal access for foreign insurance companies, minimum capital and solvency criteria and rules for setting up reserve funds. As a general rule, life insurance companies can have liabilities equal to a maximum of 15 times their capital and reserves, while non-life insurance companies are permitted to take on liabilities up to a maximum of five times their capital and reserves.

Under the Insurance Companies Act, any person or entity offering insurance, whether directly or indirectly, must first obtain authorization from the "Superintendencia de Valores y Seguros" (SVS, Superintendence of Securities and Insurance Institutions). Neither individuals nor legal entities may enter into insurance contracts in Chile with an insurer not licensed to operate in Chile.

With regard to the composition of the market, as of December 31, 2004, there were 22 insurance companies operating in non-life insurance and 30 companies in the life insurance sector. The Chilean insurance market is open to foreign investors, who must operate through a Chilean corporation and must have equity of over approximately US\$ 2.5 million. Since June 5, 2007, foreign insurance companies may develop the insurance business in Chile through a branch.

**d. Mutual Funds**

Mutual funds were first created in Chile in the 1960s and their legal framework was comprehensively reformed in 1976. The Chilean mutual fund system faced serious difficulties during the financial crisis of the early 1980s.

Currently, there are three types of mutual funds: mutual funds investing in short-term fixed-income securities, mutual funds investing in medium- and long-term fixed-income securities, and mutual funds investing in variable-income securities, including corporate stocks and similar investments. As of September 2005, 20 managers offered shares in almost 300 different mutual funds in Chile, with over 650,000 shareholders and US\$ 15.5 billion in assets invested in Chile and abroad.

The most recent industry reform was introduced in 2001 and reduced the regulations on mutual funds, allowing them greater flexibility in investment policy while imposing higher standards of transparency and disclosure. Additionally, the legal structure for a general fund management firm was introduced, allowing mutual funds, investment funds and housing funds to be organized under a single management structure, making use of economies of scale in the fund management. The reform bill also provided tax benefits for retirement saving in mutual funds and exempted highly traded stocks from capital gains tax. Naturally, this has led to rapid growth in the industry: assets under management have grown approximately 24% per year between 2000 and 2004.

**e. Investment Funds**

As of December 2005, a total of 41 investment funds were based in Chile, and total assets amounted to US\$ 2.5 billion, distributed mainly among funds specializing in real estate investment, venture capital, securities and international investment.

Investment funds, like mutual funds, have also benefited from the new legal structure created under the first capital markets reform law: the general fund management firm. This development notwithstanding, the second capital market reform law approved by Congress in 2007 provides this industry with more incentives to grow by extending the capital gains tax exemption to the venture capital industry.

**f. Foreign Capital Investment Funds and Foreign Investment Venture Capital Funds**

The Foreign Capital Investment Funds (Fices) are pools of assets funded by investors outside Chilean territory for the purpose of investment in publicly offered securities in Chile, and are managed by a Chilean corporation on behalf of and at the risk of the contributors. Most of the relevant regulation can be found in the Law 18.657 and as a complementary in Decree Law 600. The capital contributed to a Fice may not be removed from the country in the five years following its initial entry into Chile. However, profits may be repatriated at any time, subject to a single tax at a flat rate of 10%.

Fices invest most of their resources in corporate shares, which in December 2004 made up 96% of total investments. However, as of December 2005 this proportion declined to 42% as the largest Fice (Genesis Chile Fund Limited) is in the process of liquidating its assets, most of which are currently held in cash for this purpose. As of December 2005, the 7 existing funds have combined assets amounting to US\$ 812 million.

Another category of fund is the Foreign Investment Venture Capital Funds (Ficers), which allows investors outside Chile to make venture capital investments within Chile. In 2000, several changes to the laws regulating Fices and Ficers took effect, aimed at deregulating these investment vehicles.

As of 2001, Fices and Ficers are exempt from capital gains tax on the sale of highly traded equity and bonds effected in authorized stock exchanges in Chile, provided that the holders of shares in the respective funds are non-residents of Chile.

**g. The Chilean Pension System**

Chile began a comprehensive reform of its social security system in the early 1980s with the adoption of the Private Pensions Funds Act, which eliminated many of the problems associated with the former social security system. Under the Private Pensions Funds Act a privately administered system of individual pension accounts replaced the existing pay-as-you-go social security system. Under the latter system contributions from current workers were used to fund the pension payments of current retirees, although a weak relationship existed between the amount contributed and the amount received by each worker upon retirement.

The first capital market reform of 2001 created a new multi-fund system that allowed affiliates to choose to invest their individual pension accounts in one of 5 funds, each of which caters to a specific risk-appetite. Moreover, a tax benefit (mentioned earlier in connection to mutual funds) was created to stimulate retirement saving by those not obliged to participate in the system by law (free-lance workers) and to increase saving beyond mandatory levels by those already in the system (known as APV). This has also generated an increased flow of funds into the system.

The current pension system is based on individualized accounts with fully funded, vestable and portable benefits. Since its inception, it has averaged real annual returns on the assets under

management of 10.2%, nearly twice the growth rate of the GDP. As of December 2005, the pension funds had accumulated approximately US\$ 75 billion in assets.

#### **h. Financial Services in Chile's FTAs**

Chile's financial authorities have a strong preference for unilateral and gradual liberalization and deregulation of financial services. Such liberalization has gradually eliminated the major restrictions to foreign participation in Chile's financial services markets. Foreign investors generally receive national treatment and there are no quantitative restrictions such as limited number of licenses, limits to foreign participation in ownership of financial institutions or market-share quotas for foreigners.

Until the trade agreements with the US and the EU Chile did not include financial services in bilateral agreements. Its only international commitments were those scheduled in the Uruguay Round negotiations. The negotiations with the US and the EU established the basic precedents for Chile's approach in negotiating financial services.

Firstly, financial services, when they are included in an agreement, are negotiated in a separate and self-contained chapter. Particularly, they are treated separately from and are subject to different disciplines than the rest of services. This allows for a more straightforward approach that addresses the specificities of the financial services industry and the fact that it is a heavy regulated industry because of the economic consequences of financial crises, the risk of moral hazard behavior and the existence implicit or explicit guarantees.

Secondly, in terms of specific provisions, great care is taken not to affect the powers of the regulatory authorities to apply prudential measures, in spite of the commitments taken. The emphasis is on establishment commitments rather than on cross-border trade. Transparency of regulation is also an important discipline that Chile supports. Finally, a separate dispute settlement for financial services is included, particularly when it comes to the members of the panels: they have to be experts in financial services.

All of the above are among others and as a matter of policy, *sine qua non* conditions for negotiating financial services bilaterally.

In addition to the above, the decision to include financial services in a bilateral agreement is made on the basis of the overall balance of the agreement, but also on the characteristics of the counterpart's level of liberalization and deregulation, the quality of its financial supervision and the interest of the private sector.

#### **I.1.E. Employment Policies, Laws and Salaries**

##### **a. Employment Policies**

Labor policies have emphasized in latest years, modernization in order to respond to the challenges of a more open economy and a more active society.

In particular, the major governmental goals have been:

- Firstly, to enhance the build-up of "social capital" in order to stimulate significant progress in the relationship between employers and employees, resulting in better productivity, innovation and quality.

- Secondly, to create a new labor relationship, responding to the challenges of globalization and accelerated technological changes. It is essential in Chile's view to have powerful bilateral labor relations, and a counterpart of employers able to respond to the challenge of a pact on employability where Trade Unions and Employer Organizations could be major players.

**b. Laws**

**i. Constitutional Guarantees**

The Chilean Constitution guarantees the fundamental right for freedom of association. This consists of the right to establish unions without prior authorization and the right to engage in collective bargaining. The Constitution states that law will regulate the exercise of these rights, but that under no circumstances can legislation establish requirements, which, in practice, render the exercise of these fundamental rights null and void.

**ii. Trade union organization**

There are different types of unions and the so-called *sindicato de empresa* [company union] predominates. This is a union made up of workers from the same company. In addition to the unions known as base unions, there are higher levels of organization, which bring together several base unions, so called *federations* and *confederations*, which are structured based on the association of unions from the same sector of the economy or unions from the same territorial zone. There are also the *centrales sindicales* [nation wide labor unions]. Legislation recognizes the freedom to form or join a union and, conversely, the freedom to withdraw from a union.

The employment of no individual may be conditional upon belonging or not to a union.

When workers decide to form a union, they must simply hold a meeting attended by a minimum number of people as established by law. They acquire legal status by the sole act of submitting their articles of incorporation and the minutes of the meeting to the compliance agency. In other words, they do not require prior authorization to be recognized as a union. Two or more unions are allowed to exist in a company, and this does in fact occur.

It is important to note that union leaders enjoy protection under the so-called "*fuero*". This is in fact a protection measure under which a union leader cannot be fired without prior authorization from a Labor Court Judge, and such authorization can only be given where there is serious non-compliance with the leader's labor obligations. This protection is in effect during the leader's term and for up to six months following the end of his or her term as leader. This protection covers also workers during the collective bargaining process.

**iii. Collective Bargaining**

Collective bargaining is totally decentralized and is conducted by each company, and even by establishments within the same company. There is no bargaining at the sector or branch level. Although the law allows collective bargaining to include various companies, employers resist this mechanism.

With respect to collective bargaining procedure, the Labor Code provides for two modalities: the first, so called “*regulated bargaining*” is established in the code itself, with stages and formalities and in which the employer is forced to take part in the bargaining process. This bargaining concludes in a collective agreement, which is called a *collective contract*.

The other modality is a mechanism, called “*non-regulated bargaining*” with minimum formal requirements. The parties bargain when they wish but neither party can force the other neither to bargain nor to arrive at an agreement. There are no deadlines, nor right to strike; however, if the agreement is signed, compliance is fully obligatory and this modality does not avoid the other procedures, if there is no agreement.

The latest modality has been very important in businesses, with more mature and cooperation based labor relations. However, the first type of bargaining predominates, which is characterized by a high degree of regulation.

Collective agreements only apply to workers who participate in the bargaining, and the employer has the unilateral authority to extend this contract or agreement to other workers, although this is not automatic.

#### **iv. Particularities of the Public Sector**

Public sector employees, i.e., those who work for government in ministries, municipalities and other public agencies are not included in labor regulations. Exceptionally are applied to workers in State-owned companies, who are abiding by the standards of the Labor Code for the private sector. Government or public sector employees did not have the right to take part in a union organization until 1994. In March 1994, law No. 19,296 was passed recognizing their right to establish union-type organizations known as "associations of officials".

It should be noted that in the past, government workers had their own organization and bargained with respect to rights exercised on the margins of the Labor Code. During the military regime, this practice was fully restricted. With the return of democracy, a process was initiated for definitive recognition of the rights derived from freedom of association.

As already indicated, public servants were granted the right to organize and the ILO Convention 151, in regard to this topic, has also been ratified by Chile. Each year, government and organizations of these workers meet to negotiate matters on wages and working conditions, which afterward become the basis for draft legislation.

#### **v. The Right to Strike**

Strikes are legally limited to the extent that they can only take place during the collective bargaining process regulated in the Labor Code. Strikes cannot be used in bargaining, which we have referred to as "voluntary" or "non-regulated". During the strike, the employer may hire replacement workers as of the fifteenth day of the strike, but the law allows the employer to hire replacement workers as of the first day of the strike provided that the last offer made to the workers gives them the same benefits they had at the time of bargaining, adjusted for inflation and if he gives workers a special bonus of “replacement”, distributed between strikers once the conflict comes to an end. The purpose of this mechanism is to encourage a minimum acceptable offer for workers and to avoid a misuse of the replacement system. The replacement workers are temporary, for as long as the strike lasts.

**vi. Penalties for Practices that Violate the Exercise of the Rights of Freedom of Association and Collective Bargaining**

Since 1991, Law 19,069 in the Labor Code included a set of standards, which penalize any action, particularly by employers, which violates the right to freedom of association or which affects collective bargaining. A most recent Law, in 2001, N° 19,759 has strengthened this legislation through more severe penalties and controls. According to these laws, now incorporated in the Labor Code, any worker or organization which feels that these rights are being violated through bad faith actions of the employer (for example, offering better benefits to workers who withdraw from the union or refusing to bargain with representatives of the workers, or other actions--the Law lists many) may appeal to the Labor Court Judge. Courts, by means of brief and simple proceedings, must request a report from the compliance agency (Labor Directorate, "Dirección del Trabajo"), institution that is also entitled to act. Courts may determine whether there are unfair practices on the part of the employer and, if so, order those practices be terminated. A fine will also be applied.

**vii. Role of Government**

The role of government through the Ministry of Labor is centered mainly on labor policies and regulations. Besides the Ministry, a special agency is in charge of compliance legislation, *Dirección del Trabajo* (Labor Directorate), which has Labor Inspection Offices distributed throughout the national territory.

The Labor Directorate has three major responsibilities:

- The first is monitoring compliance with labor standards, which includes health and safety aspects in the workplace. To fulfill this task, the Directorate sends officials (labor inspectors) to workplaces to ensure compliance with the standards. If these officials detect violations, they apply the fines set out in the law. These actions known as monitoring are done on the initiative of the Labor Directorate or at the request of the worker or union affected, but the tendency is to carry out preventive monitoring.
- The other major area of action is promoting freedom of association. To this end, a set of policies and actions has been established to promote union organization, enhance collective bargaining and help in the development of labor relations. To this end, the Directorate has programs aimed at raising awareness of labor rights, carries out training activities and develops materials such as guides and books.
- Technical assistance is also provided to labor leaders and to business owners, particularly from the small - and medium-sized business sector. Guidance is given prior to collective bargaining and statistical information is provided on previous bargaining. During collective bargaining and in particular during a strike, assistance is offered to the parties to re-establish the bargaining, which has been interrupted.
- Legislation gives to the Labor Director the power to interpret social legislation and regulations. This legal delegation allows the administrative labor authority to specify the meaning and scope of labor standards, which constitutes an important source of interpretation of law in Chile and a permanent reference both for workers and employers, and even for the courts of justice themselves.

**c. Salaries**

Employers and employees determine and regulate salaries on individual or collective basis. The state regulates minimum wages only, normally once a year through legislation, and after consultations with national labor and employer organizations.

**d. Trade and Labor**

Chile has ratified all the fundamental ILO Conventions concerning freedom of association and the effective recognition of the right to collective bargaining, the elimination of all forms of forced or compulsory labor, the effective abolition of child labor and the elimination of discrimination in respect of employment and occupation and respects the principles enshrined in the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up, 1998.

Chilean government has addressed labor issues in several agreements with its trade partners according to its different realities. The latter has been reflected with different modalities and instruments with Canada, the EU, MERCOSUR, OECD and the USA, with Brunei Darussalam, New Zealand and Singapore, with The People's Republic of China, Peru, Panama, as well as with Japan. Chile sees this issue as an important competitiveness factor.

Constituencies and political world ask strongly for the inclusion of a social dimension in FTAs, thinking on the need to respond to their worries about globalization and their impact on labor, so this issue is a need for the approval of the FTa after the negotiations.

Accordingly, provisions about labor have been addressed in our trade agreements containing different mechanisms, such as aside agreements, labor chapter or independent agreements, with accent in cooperation. Through these provisions guarantees have been given about the enforcement of our own legislation, and about the respect of fundamental labor principles and decent work including also acceptable labor conditions, especially in minimum wages, safety and health and work hours.

Ten years after our first agreement on these issues, with Canada, and nearly five with the US, and also after the entry into force of the MOU with New Zealand, Brunei Darussalam and Singapore (P4), no procedure of consultation processes have been initiated under these agreements and, on the contrary, these areas have been covered very successfully in cooperation activities, earlier with Canada, later the USA and more recently with our P-4 partners.

In this vision, Free Trade Agreements partners are not supposed to harmonize their legislation, but to reiterate their common commitments made within the 1998 ILO Declaration on Principles and Rights at Work.

**I.1.F. Environment Policies and Laws**

Chile's environmental policy is based on the concept of sustainable development, which serves as the fulcrum of a strategy aimed at reconciling environmental protection with economic development in the context of social equity and transparency in the public sector.

This policy is based on seven principles that lend coherence to and permeate the legal, institutional and instrumental aspects used in the government's environmental management activities: 1) The principle of gradualness which acknowledges that environmental management should be implemented progressively, given that reverting the course of environmental deterioration and

reconciling development with the protection of the environmental heritage requires structural reforms that go beyond short-term measures; 2) The principle of realism, which establishes that the objectives should be reachable, given the magnitude of current environmental problems, and the resources available to do so; 3) The preventive principle which implies avoiding situations of deterioration before they are produced; 4) The "the polluter pays" principle; 5) The principle of responsibility, which holds that the party responsible for environmental damage should pay reparations to the victim and restore the deteriorated component; 6) The principle of efficiency that holds that measures adopted to confront environmental deterioration should involve the lowest social cost and privilege instruments that allow for optimal allocation of resources; and 7) The principle of citizen participation.

### **The Environmental Agenda.**

A set of coherent approaches guide the management of renewable natural resources, pollution control programs and actions, and the protection of the urban environment. They can be summarized as follows: Prioritizing tasks; Assigning real costs to the use of public goods; Minimizing social costs; Using market instruments; Maintaining the State's role in the conservation of the environmental heritage; Respecting the right to property; Envisioning environmental quality as a comparative advantage; and Promoting cooperation between the public and private sectors.

These points support the establishment of environmental priorities that could be summarized in five areas: public health; defining limits to sustainable resource use; equality for all people in relation to the objective of environmental quality ("environmental equity"); State intervention when environmental quality diminishes in an extreme manner; and protection of nature and biodiversity.

### **Legal Context**

The Chilean Constitution of 1980 grants all Chileans the right to live in a pollution-free environment, and notes that it is the State's responsibility to ensure that this right is not threatened and to guarantee the preservation of nature. It also identifies the conservation of the environmental heritage as one of its social functions.

Law 19,300 on the General Environmental Framework was approved in 1994. This normative body established a structured environmental management system. The law regulates a series of conflicting interests, beginning with the premise that no activity, however legitimate it may be, can be carried out at the expense of the environment. Specifically, the law establishes a set of legal regulations and definitions, environmental management instruments, areas of responsibility, enforcement mechanisms, the environmental protection fund, and government institutions in charge of addressing issues that are related to the environment. The Principal Environmental Management Instruments are: Instruments for Establishing Environmental Quality Standards, Prevention Instruments, Corrective Instruments, Compliance Instruments, Economic Instruments, Education and Research Instruments, Citizen Participation Instruments, and Instruments for Generating Information

### **Institutional Framework.**

In 1994, Law 19,300 officially created the Comisión Nacional del Medio Ambiente \*CONAMA- (National Commission for the Environment) a public service, functionally decentralized with legal status and own patrimony.

The General Environmental Framework Law did not significantly alter the institutional framework neither within the central government nor in decentralized government levels. However, the law imposes certain tasks and responsibilities on municipalities and confers on them some new authority mainly related to the Environmental Impact Assessment System (SEIA).

After more than a decade of application of Law 19.300 and considering the need of strengthening the environmental institutions, Law 20.173 was issued (March 2007), creating the post of Minister President of CONAMA<sup>24</sup>.

The Minister has the mandate to propose to Parliament on 2008 two Bills of Law: one, to create the Ministry of Environment and another one, to create a Superintendence for Compliance.

### **International Cooperation.**

Over the last fifteen years Chile has increased its profile in the international environmental debate, in particular in the scientific verification of "global environmental problems," becoming a signatory of several environmental conventions (for example, Montreal Protocol, Kyoto Protocol, Biodiversity Convention, Biosafety Protocol, the Stockholm Convention on Persistent Organic Pollutants, and the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals)

### **Trade and the Environment.**

Chile considers that a good comprehension of the ties between trade and environment optimizes the benefits of free trade and mitigates possible negative impacts on sustainability of the natural resources. It also considers that a country can ensure growth rates that help to improve the quality of life for its people, and, at the same time, protect the environment.

Chile has negotiated FTAs with most of its trade partners, acknowledging the importance of incorporating the environmental dimension in this process of economic internationalization.

Chile considers that FTAs which incorporate environment provisions are an appropriate tool to promote high levels of environmental protection, together with securing an open and fair international trading system, by presenting adequate incentives for better environmental management and minimizing the risk of disguised environment barriers to trade.

This approach could optimize the benefits derived from free trade and, at the same time, could enhance potential positive effects and mitigate potential negative impacts on environmental sustainability.

Not only is protecting the environment an important aspect of sustainable development, it is an element of competitiveness. Markets are driven not only around the traditional demands of price and quality, but also according to respect for the environment and other social issues.

Canada - Chile Agreement on Environmental Cooperation (CCAEC): This Agreement was signed, along with the FTA, in 1997, with the aim of generating the conditions necessary for making the economic development of both countries compatible with the protection and improvement of environmental conditions. These Agreements are the firsts of this kind that Chile has signed with a developed nation. The agreement privileges cooperation and emphasizes the importance of the

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<sup>24</sup> On 27<sup>th</sup> March 2007, Ms. Ana Lya Uriarte Rodriguez was appointed as the first Minister President of CONAMA.

exchange of experience, knowledge and technology in this area. It allows for ample citizen participation. Likewise, it reaffirms the right of each Party to establish its own level of environmental protection, policies, and priorities, and, at the same time, incorporates the commitment to maintain high levels of environmental protection.

Association Agreement between Chile and the European Union (2003): The Preamble states that the Agreement should be implemented consistently with environmental protection and conservation; to promote sustainable development; and, to conserve, protect, and improve the environment by efficient environmental management and an adequate participation in the multilateral environmental agreements. The Chapter on Cooperation emphasizes the need for carrying out social development, economic growth, and environmental protection, and states that the purpose of environmental cooperation (article 28) is, inter alia, to promote conservation and improvement of the environment, to prevent pollution and the degradation of natural resources and ecosystems.

FTA Chile-USA.-Chapter 19 “Environmental Affairs” (2004) and Environmental Cooperation Agreement (2004): In this case environmental provisions were incorporated into the FTA, with the aim to minimize the risk that environment laws, regulations, policies and practices could be used for trade protectionist purposes, but with the rigorous commitment to comply with the legislation of these matters, with a spirit of cooperation and with methods to solve controversies according to their specific nature. For the first time, the FTA includes a clause that will help to promote good environmental behavior from the productive sector, hence the Parties agreed to encourage corporations that operate in their territory to voluntarily include principles of corporate responsibility in their policies.

Chapter 19, acknowledges the right of each Party to establish its own levels of environmental protection, policies, and priorities in environmental development, as well as, consequently, adopting and modifying, its environmental legislation, and taking into consideration ample citizen participation in the implementation of the agreement.

Along with the FTA, an Environment Cooperation Agreement was signed that regulates this type of activities between the Parties.

Trans-Pacific Strategic Economic Partnership Agreement (P4)-Agreement on Environmental Cooperation (ACA-P4) (2006):

Chile, Brunei Darussalam, New Zealand and Singapore have signed up to the Trans-Pacific Strategic Economic Partnership Agreement in 2005. Alongside the Trans-Pacific SEP, the parties signed a side Agreement on Environment Cooperation.

This Agreement has 2 main aspects: It establishes principles for environmentally sustainable trade between the Parties and encourages environmental cooperation.

Panama - Chile Agreement on Environmental Cooperation (ACACHP): Chile and Panamá signed an Environmental Cooperation Agreement along with the FTA, in 2006 (not yet in force). It has close similarities to the Trans-Pacific SEP Agreement on Environmental Cooperation.

FTA Chile-Colombia-Chapter 18 “Environment” (signed 2006, not yet in force): In this case environmental provisions were incorporated into the FTA. The approach of this Chapter is the same as the contained in P4- Environment Cooperation Agreement.

Japan- Chile Agreement for Strategic Economic Partnership - Joint Statement (signed 2007): The environmental provisions were included in the Joint Statement, subscribed by the respective

Ministers of Foreign Affairs on the occasion of the signing on the Agreement for a Strategic Economic Partnership.

## APEC

Chile presented at the January 2007 meeting of the Committee on Trade and Investment (CTI) of APEC, in Canberra, a Draft Chapter on the Environment for RTAs/FTAs.

The Model Measures on the Environment, presented by Chile, respond to the instruction of the Leaders. They built on the Best Practices for RTAs/FTAs adopted by APEC members in 2004, where sustainable development and the environment are important elements.

Mercosur – Sub-Group #6: Environment:

Chile participates, as observer, in the Sub-Group on the Environment integrated by Argentina, Brazil, Paraguay and Uruguay.

## I.2 Trade

Chilean global trade, exports plus imports, reached 92,669 million dollars in 2006. This figure not only shows a record high in trade flows, but also is a clear sign that the Chilean external sector is well over the slump it suffered in 1998 and 1999, as a result of the Asian financial crisis. The figure exhibited by external trade in 2006 represent an increase of more than 4 times the trade flows since 1994 (+307%) and to an annual average growth of 12.4%.

**TABLE 1.2**  
**CHILE'S FOREIGN TRADE, 1994 - 2006**

(million of dollars and %)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Exports (FOB)</b>	11,644.7	16,453.6	15,394.6	17,017.0	14,753.9	15,914.6	18,425.0	17,668.1	17,676.3	20,627.2	31,460.1	39,251.9	57,756.6
<b>Imports (CIF)</b>	11,149.1	14,903.1	16,810.0	18,111.6	17,087.4	14,022.0	16,842.5	16,233.9	15,753.2	17,663.6	22,454.2	29,940.1	34,912.0
<b>Trade Balance</b>	495.6	1,550.6	-1,415.4	-1,094.6	-2,333.5	1,892.6	1,582.5	1,434.1	1,923.2	2,963.5	9,006.0	9,311.7	22,844.5
<b>Trade Exchange</b>	22,793.8	31,356.7	32,204.7	35,128.6	31,841.3	29,936.6	35,267.5	33,902.0	33,429.5	38,290.8	53,914.3	69,192.0	92,668.6
<i>Grow rate %</i>													
<b>Exports</b>	23.7	41.3	-6.4	10.5	-13.3	7.9	15.8	-4.1	0.0	16.7	52.5	24.8	47.1
<b>Imports</b>	5.7	33.7	12.8	7.7	-5.7	-17.9	20.1	-3.6	-3.0	12.1	27.1	33.3	16.6
<b>Trade Exchange</b>	14.2	37.6	2.7	9.1	-9.4	-6.0	17.8	-3.9	-1.4	14.5	40.8	28.3	33.9

Source: Studies and Informations Department, DIRECON (June 2007), based on data from Central Bank of Chile

Exports in the past ten years have also thrived, showing an average annual growth rate above 10%. This allowed that in 2006 Chilean exports to exceed the fifty billion dollar barrier, thereof reaching a record high of 57,757 million dollars. In the past decade exports growth has been the norm, except for 1998 where exports suffered a drop of 13%, due to a massive fall in commodity prices as a result of the Asian crisis. Although exports recovered quickly – in 2000 exports had well recovered all the terrain lost in the 1998 crisis – in 2001 there was another fall in exports, this time as a result of the slump in the regional economic environment, mainly caused by the Argentinean crisis, and a slowdown in global demand in the wake of the September 11 events. Since 2003 the latter was reversed stimulated by the strong growth of demand from Asian markets, especially China, India and Japan that raised international commodity prices.

Imports in 2006 reached 34,912 million dollars, which meant an annual increase of 16,6%, marking a record high and reducing the growth of the record year 2005 (33%), similar to the record figure of 1987, when imports reached 18,111 million dollars, after high growth rates of Chilean GDP.

Chile's trade balance reached in 2006 a surplus of 22,845 million dollars, thereof becoming the eight consecutive year that the trade balance has been positive. The latter is not only due to the important raise in exports but also in a picture that shows an upsurge in imports during 2005 (that had begun in 2004), after the huge fall in imports in 1999 and its weak recovery in the earlier years of the present decade.

## I.2.A. Composition of Trade in Goods

### a. Exports

Table I.3 shows the structure of exports according to International Standard of Industrial Classification (ISIC). At a first glance it is obvious that most of Chile's exports are highly concentrated in two sectors: Industry and Mining, which represent 95% of all exports in 2006.

**TABLE 1.3**  
**CHILE'S EXPORT STRUCTURE ACCORDING TO ISIC, 1994 - 2006**  
(%)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>I. Agriculture, Fruit, Livestock Silviculture and Extractive Fishery</b>	<b>10.9</b>	<b>9.3</b>	<b>10.9</b>	<b>9.6</b>	<b>11.4</b>	<b>10.8</b>	<b>8.8</b>	<b>8.8</b>	<b>9.7</b>	<b>9.5</b>	<b>7.1</b>	<b>6.1</b>	<b>4.5</b>
Agriculture, Fruit and Livestock	9.7	8.2	10.0	8.7	11.0	10.3	8.4	8.4	9.4	9.2	6.8	5.9	4.4
Silviculture	1.0	0.9	0.7	0.7	0.2	0.4	0.3	0.2	0.2	0.1	0.1	0.1	0.0
Extractive Fishery	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
<b>II. Mining</b>	<b>44.0</b>	<b>48.5</b>	<b>46.1</b>	<b>48.4</b>	<b>41.3</b>	<b>42.9</b>	<b>45.7</b>	<b>43.1</b>	<b>41.5</b>	<b>42.4</b>	<b>53.5</b>	<b>56.7</b>	<b>64.9</b>
Copper	36.0	40.4	38.2	41.0	33.6	36.4	39.8	37.5	35.5	36.2	45.7	44.9	57.0
Other	8.1	8.1	7.9	7.4	7.7	6.5	5.9	5.6	6.0	6.1	7.8	11.8	7.9
<b>III. Industry</b>	<b>44.7</b>	<b>41.8</b>	<b>42.3</b>	<b>41.4</b>	<b>46.8</b>	<b>45.6</b>	<b>44.9</b>	<b>47.4</b>	<b>47.6</b>	<b>47.2</b>	<b>38.8</b>	<b>36.6</b>	<b>29.9</b>
Foodstuff and beverages	18.4	17.3	20.0	18.5	21.1	20.1	17.4	18.9	19.7	19.5	15.5	14.5	11.4
Textiles and apparel	1.6	1.1	1.3	1.3	1.3	1.0	1.0	1.0	0.8	0.7	0.6	0.5	0.3
Forestry and Furniture	5.0	4.5	4.7	4.9	5.0	5.8	5.1	5.7	6.6	6.2	5.5	4.6	3.5
Cellulose, paper and by-products	7.9	9.9	6.2	5.7	6.5	6.6	7.8	6.7	6.3	6.0	5.2	4.2	3.3
Processed and unprocessed chemicals	6.3	5.0	5.0	6.0	6.4	6.1	8.1	9.5	8.9	10.2	8.0	8.6	7.2
Glass, clay and porcelain products	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2
Basic steel and iron industry	1.4	1.3	1.3	1.2	1.5	1.5	1.5	1.5	1.5	1.6	1.6	1.6	2.2
Metal products, machinery and equipment	3.5	2.4	3.4	3.4	4.5	4.2	3.6	3.7	3.4	2.6	2.1	2.2	1.9
Non specified manufactures	0.3	0.2	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0
<b>IV. Others</b>	<b>0.4</b>	<b>0.3</b>	<b>0.7</b>	<b>0.6</b>	<b>0.5</b>	<b>0.6</b>	<b>0.6</b>	<b>0.8</b>	<b>1.2</b>	<b>1.0</b>	<b>0.7</b>	<b>0.7</b>	<b>0.6</b>
<b>V. Total Exports</b>	<b>100.0</b>												

Source: Studies and Informations Department, DIRECON (June 2007), based on data from Central Bank of Chile

### i. Agriculture, Forestry and Extractive Fishery

In 2006, 4.5% of Chilean exports came from this sector, scoring a currency inflow of 2,622 million dollars. Although this sector may appear to be relatively small compared to the industrial and mining sectors, it is of no lesser importance to Chile's economic activity. The average annual rate of growth over the last 12 years has been 6.2%, and has accelerated in the past years stimulated by an increase of Asian and European markets.

**TABLE 1.4**  
**AGRICULTURE, FRUIT AND LIVESTOCK EXPORTS, 1994 - 2006**  
(million of dollars FOB and %)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Agriculture, Fruit, Livestock Silviculture and Extractive Fishery</b>	<b>1,272.2</b>	<b>1,531.9</b>	<b>1,672.5</b>	<b>1,635.0</b>	<b>1,682.2</b>	<b>1,721.4</b>	<b>1,619.8</b>	<b>1,551.4</b>	<b>1,707.7</b>	<b>1,955.2</b>	<b>2,223.3</b>	<b>2,378.5</b>	<b>2,622.8</b>
Agriculture, Fruit and Livestock	1,131.4	1,355.6	1,532.3	1,488.8	1,620.2	1,633.5	1,541.6	1,485.2	1,655.9	1,901.2	2,153.4	2,311.5	2,566.9
Silviculture	117.4	147.7	111.1	116.4	31.7	57.7	51.7	39.9	28.0	26.8	39.0	30.5	21.9
Extractive Fishery	23.5	28.6	29.0	29.8	30.4	30.2	26.4	26.3	23.8	27.2	31.0	36.4	34.0
<i>Structure</i>													
<b>Agriculture, Fruit, Livestock Silviculture and Extractive Fishery</b>	<b>100.0</b>												
Agriculture, Fruit and Livestock	88.9	88.5	91.6	91.1	96.3	94.9	95.2	95.7	97.0	97.2	96.9	97.2	97.9
Silviculture	9.2	9.6	6.6	7.1	1.9	3.4	3.2	2.6	1.6	1.4	1.8	1.3	0.8
Extractive Fishery	1.8	1.9	1.7	1.8	1.8	1.8	1.6	1.7	1.4	1.4	1.4	1.5	1.3
<i>Growth</i>													
<b>Agriculture, Fruit, Livestock Silviculture and Extractive Fishery</b>		<b>20.4</b>	<b>9.2</b>	<b>-2.2</b>	<b>2.9</b>	<b>2.3</b>	<b>-5.9</b>	<b>-4.2</b>	<b>10.1</b>	<b>14.5</b>	<b>13.7</b>	<b>7.0</b>	<b>10.3</b>
Agriculture, Fruit and Livestock		19.8	13.0	-2.8	8.8	0.8	-5.6	-3.7	11.5	14.8	13.3	7.3	11.0
Silviculture		25.9	-24.8	4.7	-72.8	82.3	-10.4	-22.9	-29.7	-4.3	45.2	-21.7	-28.1
Extractive Fishery		21.5	1.6	2.7	1.9	-0.5	-12.6	-0.6	-9.4	14.1	14.0	17.7	-6.6

Source: Studies and Informations Department, DIRECON (June 2007), based on data from Central Bank of Chile

Exports show a very high concentration in agricultural goods and it has grown in the last three years, representing 98% of all exports, given the reduction in exports in the other sub-sectors. This is not surprising, especially considering that around 88% of this sub sector is fruit exports.

## ii. Mining

In 2006, mining exports amounted to 37,479 million dollars representing 65% of all exports. It was also the sector that experienced the highest rate of growth in 2006, 68.5%, favored by a greater international demand for these products since the second half of 2003.

**TABLE 1.5**  
**MINING EXPORTS, 1994 - 2006**  
(million of dollars FOB and %)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Mining</b>	<b>5,128.3</b>	<b>7,982.1</b>	<b>7,101.5</b>	<b>8,240.5</b>	<b>6,094.0</b>	<b>6,831.5</b>	<b>8,412.9</b>	<b>7,610.8</b>	<b>7,342.4</b>	<b>8,742.2</b>	<b>16,819.1</b>	<b>22,243.4</b>	<b>37,479.2</b>
Copper	4,190.0	6,645.0	5,881.3	6,975.1	4,964.2	5,793.0	7,332.2	6,621.4	6,281.7	7,474.7	14,374.6	17,621.2	32,903.9
Other	938.3	1,337.1	1,220.3	1,265.4	1,129.8	1,038.5	1,080.6	989.4	1,060.8	1,267.5	2,444.6	4,622.1	4,575.3
<i>Structure</i>													
<b>Mining</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>										
Copper	81.7	83.2	82.8	84.6	81.5	84.8	87.2	87.0	85.6	85.5	85.5	79.2	87.8
Other	18.3	16.8	17.2	15.4	18.5	15.2	12.8	13.0	14.4	14.5	14.5	20.8	12.2
<i>Growth</i>													
<b>Mining</b>		<b>55.6</b>	<b>-11.0</b>	<b>16.0</b>	<b>-26.0</b>	<b>12.1</b>	<b>23.1</b>	<b>-9.5</b>	<b>-3.5</b>	<b>19.1</b>	<b>92.4</b>	<b>32.3</b>	<b>68.5</b>
Copper		58.6	-11.5	18.6	-28.8	16.7	26.6	-9.7	-5.1	19.0	92.3	22.6	86.7
Other		42.5	-8.7	3.7	-10.7	-8.1	4.1	-8.4	7.2	19.5	92.9	89.1	-1.0

Source: Studies and Informations Department, DIRECON (June 2007), based on data from Central Bank of Chile

This sector has been one of the most dynamic Chilean export sectors, as well as the most volatile. This volatility is explained by the composition of this sector, which is made mostly of commodities, and thus very sensitive to international price fluctuations.

Copper based exports account for 88% of all mining exports - although 4.6 billion dollars worth of exports coming from the rest of the sector is all but minor. Although Chile has been a traditional copper exporter, given the abundant endowment of this mineral and its relatively low extraction costs, its importance had grown smaller with time, especially considering that in 1960 copper represented almost 70% of all exports and today it represents only half of total exports. The latter doesn't necessarily imply that the amount of copper exports have diminished, on the contrary in the last twelve years exports have grown by 631%, but other sectors such as industrial exports have grown at a great pace as well (+ 232%).

### iii. Industry

In 2006 industrial exports reached 17,280 million dollars accounting for 30% of Chilean exports, as well as showing a second year of robust growth in sales (20%), figure that is well above the average growth rate for the 1994 – 2005 period (9.7%).

The industrial sector has not only been a sector that has shown a rapid growth in the past twelve years (232%), but has experienced more stability, being the only one that has exports growing constantly for the past six years. This can be explained partly because of the diversity that exists within the sector, where not one single sub-sector concentrates more than 50% of all exports, contrary to what happens in the agricultural and mining sector.

**TABLE 1.6**  
**INDUSTRIAL EXPORTS, 1994 - 2006**

(million of dollars FOB and %)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Industry</b>	<b>5,202.6</b>	<b>6,885.7</b>	<b>6,510.8</b>	<b>7,047.7</b>	<b>6,898.7</b>	<b>7,264.6</b>	<b>8,273.1</b>	<b>8,372.7</b>	<b>8,418.4</b>	<b>9,731.9</b>	<b>12,192.9</b>	<b>14,366.6</b>	<b>17,279.9</b>
Foodstuff and beverages	2,144.7	2,851.3	3,071.7	3,152.7	3,111.0	3,197.9	3,214.8	3,340.5	3,477.0	4,020.8	4,888.1	5,701.3	6,568.6
Textiles and apparel	180.7	182.9	198.8	226.4	185.5	163.6	180.7	175.5	142.5	149.9	186.4	192.7	200.6
Forestry and Furniture	581.6	734.1	729.3	837.7	731.4	917.8	935.0	1,013.0	1,164.6	1,272.7	1,734.5	1,811.0	2,005.4
Cellulose, paper and by-products	921.4	1,629.3	952.4	965.7	961.6	1,044.6	1,441.0	1,183.1	1,116.1	1,234.7	1,628.9	1,658.3	1,898.2
Processed and unprocessed chemicals	738.6	822.7	772.2	1,014.0	949.5	965.1	1,494.7	1,672.5	1,575.3	2,108.6	2,507.3	3,387.2	4,155.3
Glass, clay and porcelain products	24.7	28.4	33.0	41.9	49.1	54.5	49.4	52.4	50.7	63.6	68.1	77.6	89.3
Basic steel and iron industry	163.9	221.0	198.3	200.1	224.8	235.0	282.0	258.0	271.9	329.2	512.3	642.9	1,262.8
Metal products, machinery and equipment	413.0	389.0	524.7	586.8	658.4	662.9	660.1	653.0	593.9	535.4	650.4	877.5	1,078.4
Non specified manufactures	34.0	26.9	30.4	22.6	27.4	23.1	15.5	24.7	26.3	16.9	17.0	18.1	21.3
	<i>Structure</i>												
<b>Industry</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Foodstuff and beverages	41.2	41.4	47.2	44.7	45.1	44.0	38.9	39.9	41.3	41.3	40.1	39.7	38.0
Textiles and apparel	3.5	2.7	3.1	3.2	2.7	2.3	2.2	2.1	1.7	1.5	1.5	1.3	1.2
Forestry and Furniture	11.2	10.7	11.2	11.9	10.6	12.6	11.3	12.1	13.8	13.1	14.2	12.6	11.6
Cellulose, paper and by-products	17.7	23.7	14.6	13.7	13.9	14.4	17.4	14.1	13.3	12.7	13.4	11.5	11.0
Processed and unprocessed chemicals	14.2	11.9	11.9	14.4	13.8	13.3	18.1	20.0	18.7	21.7	20.6	23.6	24.0
Glass, clay and porcelain products	0.5	0.4	0.5	0.6	0.7	0.8	0.6	0.6	0.6	0.7	0.6	0.5	0.5
Basic steel and iron industry	3.2	3.2	3.0	2.8	3.3	3.2	3.4	3.1	3.2	3.4	4.2	4.5	7.3
Metal products, machinery and equipment	7.9	5.6	8.1	8.3	9.5	9.1	8.0	7.8	7.1	5.5	5.3	6.1	6.2
Non specified manufactures	0.7	0.4	0.5	0.3	0.4	0.3	0.2	0.3	0.3	0.2	0.1	0.1	0.1
	<i>Growth</i>												
<b>Industry</b>		<b>32.4</b>	<b>-5.4</b>	<b>8.2</b>	<b>-2.1</b>	<b>5.3</b>	<b>13.9</b>	<b>1.2</b>	<b>0.5</b>	<b>15.6</b>	<b>25.3</b>	<b>17.8</b>	<b>20.3</b>
Foodstuff and beverages		32.9	7.7	2.6	-1.3	2.8	0.5	3.9	4.1	15.6	21.6	16.6	15.2
Textiles and apparel		1.3	8.7	13.8	-18.1	-11.8	10.5	-2.9	-18.8	5.2	24.3	3.4	4.1
Forestry and Furniture		26.2	-0.7	14.9	-12.7	25.5	1.9	8.3	15.0	9.3	36.3	4.4	10.7
Cellulose, paper and by-products		76.8	-41.5	1.4	-0.4	8.6	37.9	-17.9	-5.7	10.6	31.9	1.8	14.5
Processed and unprocessed chemicals		11.4	-6.1	31.3	-6.4	1.7	54.9	11.9	-5.8	33.9	18.9	35.1	22.7
Glass, clay and porcelain products		15.1	16.2	27.1	17.2	11.1	-9.4	6.0	-3.2	25.5	7.0	14.0	15.0
Basic steel and iron industry		34.8	-10.3	0.9	12.4	4.5	20.0	-8.5	5.4	21.1	55.6	25.5	96.4
Metal products, machinery and equipment		-5.8	34.9	11.8	12.2	0.7	-0.4	-1.1	-9.1	-9.8	21.5	34.9	22.9
Non specified manufactures		-20.8	12.9	-25.6	21.2	-15.8	-32.8	59.2	6.4	-35.8	0.5	6.6	17.6

Source: Studies and Informations Department, DIRECON (June 2007), based on data from Central Bank of Chile

In terms of sub-sectors, foodstuffs represent 38% of all industrial exports, followed by processed chemicals (24%), forestry (11.6%) and cellulose and paper (11%). This structure differs to the 1994 structure where cellulose and paper came in second place, processed chemicals in third place and forestry in fourth place. The change in order is due to differences in each sub-sectors growth rate, although none have diminished their exports some have grown faster than others, as is the case of the processed chemical sub-sector that grew in 463% compared to the 106% growth rate shown by the cellulose sub-sector in the same period.

Although all of the industrial export sub-sectors have expanded their sales, some sub-sectors have seen their exports reduced for some periods. The textile industry has been identified as one of the sectors that have weakened its foreign sales (growth of a mere 11% in the last twelve years). The main reason for the reduction in the growth of sales is the loss of foreign market share due to a greater competition, mainly from China and India.

#### iv. Products

In 2003 Chile exported 5,226 different types of goods from 6,435 different companies. This contrasts favorably with the 1994 scenario where only 3,615 products were exported through 5,844 companies.

Table 1.7 shows the top twenty five products that Chile exported to the world in 2006. These twenty five products, which represent only 0.2% of the total number of products that are actually exported, account for 75.3% of the total value of exports. This reveals that although exports are very diverse in number, there is still a high concentration in a small number of products. Thus, the Chilean export sector is still very vulnerable towards external shocks such as sharp changes in international commodity prices.

**TABLE 1.7**  
**CHILE'S PRINCIPAL EXPORTS PRODUCTS, 2005 - 2006**  
*(millions of dollars FOB and %)*

HS	Description	Value (FOB)		Structure (%)		Growth (%)
		2005	2006	2005	2006	2006
74031100	Refined copper cathodes and sections	9,732.9	16,710.0	24.8	28.9	71.7
26030000	Copper ores and concentrates	6,142.3	12,199.2	15.6	21.1	98.6
74020010	Unrefined copper	1,148.1	2,808.7	2.9	4.9	144.6
26131010	Molybdenum concentrates, roasted	1,710.8	1,342.2	4.4	2.3	-21.5
74031900	Refined copper , unwrought articles nesoi	566.3	957.3	1.4	1.7	69.0
26139010	Molybdenum ores and concentrates, not roasted	1,092.6	873.0	2.8	1.5	-20.1
47032100	Chemical woodpulp, soda or sulfate, other than dissolving grades	700.0	804.6	1.8	1.4	14.9
29051100	Methanol (Methyl alcohol), other than imported only for use	610.9	782.8	1.6	1.4	28.1
160000	Docking and port services	575.6	777.1	1.5	1.3	35.0
44071019	Coniferous wood sawn or chipped lengthwise	696.9	738.2	1.8	1.3	5.9
72027000	Ferro-molybdenum	460.7	546.5	1.2	0.9	18.6
71081200	Gold, nonmonetary, bullion and dore	336.4	522.7	0.9	0.9	55.4
3041052	Fillets and other meat portions of salmon, fresh or chilled	390.9	486.6	1.0	0.8	24.5
27101129	Other gasoline, except jet fuel	388.0	460.6	1.0	0.8	18.7
74081110	Copper wire, of refined copper, with a maximum cross-sectional dimension over	189.2	411.1	0.5	0.7	117.2
47032900	Chemical woodpulp, soda or sulfate, other than dissolving grades	348.0	388.5	0.9	0.7	11.6
250000	Services considered as exports	262.5	374.1	0.7	0.6	42.5
3042052	Fillets and other meat portions of salmon, Frozen	270.7	363.1	0.7	0.6	34.1
44091022	Profile shapes and moldings, coniferous	247.1	315.8	0.6	0.5	27.8
28012000	Iodine	249.0	277.2	0.6	0.5	11.3
8061090	Other grapes, fresh	247.3	272.9	0.6	0.5	10.3
23012013	Fish meal unfit for human consumption (super prime)	203.1	270.8	0.5	0.5	33.4
8061010	Thompson seedless (Sultanina) grapes, fresh	268.1	266.5	0.7	0.5	-0.6
27101940	Gas oils and diesel oils	118.4	266.3	0.3	0.5	124.8
3031920	Other Pacific salmon , headed and gutted, frozen	259.8	261.9	0.7	0.5	0.8
	<b>Total Principal Products</b>	<b>27,215.5</b>	<b>43,477.6</b>	<b>69.3</b>	<b>75.3</b>	<b>59.8</b>
	Others	12,036.4	14,278.9	30.7	24.7	18.6
	<b>Total Exports</b>	<b>39,251.9</b>	<b>57,756.6</b>	<b>100.0</b>	<b>100.0</b>	<b>47.1</b>

Source: Studies and Informations Department, DIRECON (June 2007), based on data from Central Bank of Chile

#### b. Imports

Imports, according to types of goods, are basically concentrated in intermediate goods, in other words goods that serve as inputs in the production of final goods, be it for internal consumption or export markets. Although traditionally intermediate goods have accounted for more than half of all imports, in 2006 these types of imports reached a record high, not only in value but also in their concentration. This is not surprising if we consider that 39% of all intermediate imports are fossil fuels or fossil fuel based products, which in the past five years have experienced international prices above average.

**TABLE 1.8**  
**CHILE'S IMPORTS ACCORDING TO TYPE OF GOOD, 1994 - 2006**  
 (millions of dollars CIF)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>I. Consumer Goods</b>	1,820.4	2,638.0	3,073.0	3,392.7	3,173.7	2,630.8	3,118.0	3,016.8	2,946.8	3,230.7	3,956.4	4,810.0	5,861.2
<b>II. Intermediate Goods</b>	6,138.4	8,173.7	9,085.5	9,552.3	9,121.3	8,254.9	10,186.1	9,732.1	9,421.0	10,849.1	14,048.1	18,158.3	21,776.0
Petroleum	747.9	905.7	1,158.8	1,131.2	845.2	1,099.9	1,993.7	1,726.8	1,615.1	2,130.5	2,874.6	3,779.1	4,873.2
Other fuels and Lubricants	380.5	466.6	726.4	723.8	696.5	793.9	1,045.1	993.9	1,003.9	1,191.9	1,784.8	2,753.5	3,568.1
<b>III. Capital Goods</b>	3,190.4	4,091.4	4,651.6	5,166.5	4,792.4	3,136.4	3,538.5	3,484.9	3,385.4	3,583.8	4,449.7	6,971.9	7,274.9
<b>IV. Total Imports</b>	11,149.1	14,903.1	16,810.0	18,111.6	17,087.4	14,022.0	16,842.5	16,233.9	15,753.2	17,663.6	22,454.2	29,940.1	34,912.0

Source: Studies and Informations Department, DIRECON (June 2007), based on data from Central Bank of Chile

Capital good imports come in at a far second, representing a fifth of all imports (21%) in 2006, lower than the 23% it represented in 2005. In 1999, although there were reductions across the board in imports, the capital goods sector was the most hurt, and since then has shown signs of strong recovery since 2003, so the current figure has more than compensated the 1999 fall, basically due to high costs of this type of products and the upsurge of domestic investment in capital goods.

Regarding consumer goods purchases, this category was also heavily impacted by the drop in internal demand but has recovered satisfactorily, reaching in 2006 imports levels a record 5.9 billion dollars, higher than the earlier peaks of 3.4 billion dollars in 1997 and the 4.8 billion dollars of 2005.

**TABLE 1.9**  
**CHILE'S IMPORT STRUCTURE ACCORDING TO TYPE OF GOOD, 1994 - 2006**  
 (%)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>I. Consumer Goods</b>	16.3	17.7	18.3	18.7	18.6	18.8	18.5	18.6	18.7	18.3	17.6	16.1	16.8
<b>II. Intermediate Goods</b>	55.1	54.8	54.0	52.7	53.4	58.9	60.5	59.9	59.8	61.4	62.6	60.6	62.4
Petroleum	6.7	6.1	6.9	6.2	4.9	7.8	11.8	10.6	10.3	12.1	12.8	12.6	14.0
Other fuels and Lubricants	3.4	3.1	4.3	4.0	4.1	5.7	6.2	6.1	6.4	6.7	7.9	9.2	10.2
<b>III. Capital Goods</b>	28.6	27.5	27.7	28.5	28.0	22.4	21.0	21.5	21.5	20.3	19.8	23.3	20.8
<b>IV. Total Imports</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Studies and Informations Department, DIRECON (June 2007), based on data from Central Bank of Chile

Contrary to exports, imports show a lesser degree of concentration in terms of products. Table 1.10 shows the top 25 products imported by Chile in 2006. These 25 products, which represent 0.2% of the total number of imported products, account for 37% of total import value.

**TABLE 1.10**  
**CHILE'S PRINCIPAL IMPORT PRODUCTS, 2005 - 2006**

*(millions of dollars CIF and %)*

HS	Description	Value (CIF)		Structure (%)		Growth (%)
		2005	2006	2005	2006	2006
27090020	Petroleum oils and oils from bituminous minerals, crude, testing 25	2,527.5	3,143.0	8.4	9.0	24.4
27090010	Petroleum oils and oils from bituminous minerals, crude, testing under 25	1,251.6	1,730.3	4.2	5.0	38.2
27101940	Distilled combustion oils (gasoil, diesel oil )	910.8	1,529.6	3.0	4.4	67.9
87032391	Mtr cars & o/mtr. vehicles for transport of persons, w/spark-ign. Int	663.4	744.4	2.2	2.1	12.2
85252030	Cellular phones	482.5	704.3	1.6	2.0	46.0
26139010	Molybdenum ores and concentrates, unroasted	716.4	548.9	2.4	1.6	- 23.4
27112100	Natural Gas	521.7	512.4	1.7	1.5	- 1.8
87042121	Mtr. vehicles for transport of goods, w/compress.-ign. int. combust.	284.8	297.2	1.0	0.9	4.3
2013090	Bovine meat cuts, boneless, fresh or child., not descr in gen. note 15	299.4	297.0	1.0	0.9	- 0.8
27111200	Liquefied propane	234.4	287.8	0.8	0.8	22.8
87041090	Other Dumpers designed for off-highway use	222.6	284.2	0.7	0.8	27.7
30049010	Other medicines (except the ones classified as 30.02, 30.05 or 30.06) equipped fo	217.1	253.4	0.7	0.7	16.7
27101123	Gasoline for terrestrial vehicles, without Pb, of 97 octanes	144.4	244.0	0.5	0.7	69.0
87032291	Automobiles for tourism with cylinder >1000cc =<1500cc	223.4	243.9	0.7	0.7	9.2
10059000	Other Maize (excl. seed)	138.3	241.7	0.5	0.7	74.7
84713000	Digital computers, portable, weighing <= 10 kg, consisting of at least a central pr	145.3	226.6	0.5	0.6	56.0
26030000	Copper ores and concentrates	79.1	222.1	0.3	0.6	180.8
87021091	Motor vehicles, w/diesel engine, for transport of 10 but	396.6	218.8	1.3	0.6	- 44.8
39012000	Polyethylene with a specific gravity of >= 0,94, in primary forms	188.3	214.2	0.6	0.6	13.7
87012020	Road tractors for semi-trailers, with diesel engine power > 200 HP	149.2	177.5	0.5	0.5	19.0
27011220	Bituminous coal "ECSC" for thermal use, whether or not pulverized, non-agglom	121.3	171.9	0.4	0.5	41.7
10019000	Others Wheat and meslin (excl. durum wheat)	20.0	160.2	0.1	0.5	699.3
85281260	Television receivers, colour, whether or not incorporating radio-broadcast receive	96.6	146.5	0.3	0.4	51.7
87042351	Cab. Chassis, motor vehicles for the transport of goods, with compression-ignitio	138.8	138.5	0.5	0.4	- 0.2
87042271	Diesel Cab. chassis, motor vehicles for the transport of goods, with compression-i	100.6	137.9	0.3	0.4	37.1
	<b>Total Principal Products</b>	<b>10,274.3</b>	<b>12,876.1</b>	<b>34.3</b>	<b>36.9</b>	<b>25.3</b>
	Others	19,665.9	22,035.9	65.7	63.1	12.1
	<b>Total Imports</b>	<b>29,940.1</b>	<b>34,912.0</b>	<b>100.0</b>	<b>100.0</b>	<b>16.6</b>

Source: Studies and Informations Department, DIRECON (June 2007), based on data from Central Bank of Chile

## I.2.B. Origin and Destination of Trade in Goods

### a. Exports

In 2004, Chile exported products to 165 different markets. Although this might seem as very diverse spectrum of export markets, in 2006 only 15 of these markets concentrate 80.6% of total exports. In the same year, the United States, Japan and China were the main export markets for Chilean goods, accounting for 36% of all exports.

**TABLE 1.11**  
**CHILEAN EXPORTS ACCORDING TO MARKET DESTINATION, 1994 - 2006**  
 (millions of dollars FOB and %)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
United States	2,011.8	2,373.8	2,554.3	2,710.0	2,610.0	3,087.5	3,183.7	3,351.7	3,664.7	3,705.7	4,834.5	6,531.6	9,290.5
Japan	1,976.5	2,906.1	2,495.5	2,676.3	1,956.4	2,276.3	2,548.5	2,144.1	1,946.7	2,287.3	3,732.9	4,592.1	6,374.1
P.R. China	133.3	287.9	354.1	433.4	459.7	359.1	907.2	1,021.8	1,240.1	1,865.4	3,227.5	4,445.7	5,104.4
Holland	345.5	438.2	398.2	423.3	432.7	511.1	452.7	545.1	543.2	811.7	1,712.5	2,341.4	3,953.8
South Korea	583.7	896.7	863.3	987.6	384.7	683.7	806.3	563.2	710.5	1,023.4	1,821.3	2,230.9	3,546.2
Brazil	604.7	1,056.7	934.3	955.6	778.9	687.6	961.6	852.6	686.2	839.6	1,422.8	1,736.6	2,831.1
Italy	358.7	608.8	475.3	499.4	668.5	636.7	825.5	812.5	862.8	924.2	1,362.7	1,679.6	2,927.8
Mexico	212.1	132.6	146.6	376.4	488.4	622.8	818.1	830.6	912.4	926.9	1,314.3	1,584.4	2,293.0
France	403.9	508.3	392.8	458.0	443.8	495.4	633.1	610.9	640.2	743.4	1,292.9	1,402.0	2,478.7
China Taipei	538.3	703.5	629.1	784.9	524.5	509.6	610.7	356.8	531.3	594.2	971.9	1,303.7	1,596.4
Canada	70.2	96.0	139.5	131.2	143.4	173.5	243.7	265.6	263.7	415.0	780.3	1,071.1	1,291.7
Spain	219.0	319.5	281.9	345.1	274.9	328.1	386.2	345.2	398.2	491.6	747.8	986.6	1,416.3
Germany	583.7	837.6	743.6	745.4	538.5	557.0	457.8	528.2	428.7	601.9	912.3	937.8	1,828.1
Peru	329.3	438.2	321.3	347.6	352.9	354.1	439.2	479.1	465.2	426.5	524.0	726.8	931.9
England	522.5	1,075.6	886.3	1,061.8	1,161.1	1,085.2	1,075.9	1,232.0	808.7	714.9	898.8	658.8	697.9
<b>I. Sub-Total</b>	<b>8,893.2</b>	<b>12,679.5</b>	<b>11,616.0</b>	<b>12,935.9</b>	<b>11,218.6</b>	<b>12,367.5</b>	<b>14,350.4</b>	<b>13,939.2</b>	<b>14,102.8</b>	<b>16,371.8</b>	<b>25,556.6</b>	<b>32,229.1</b>	<b>46,561.8</b>
Others	2,751.5	3,774.1	3,778.7	4,081.1	3,535.2	3,547.1	4,074.6	3,728.8	3,573.5	4,255.4	5,903.5	7,022.8	11,194.8
<b>II. Total Exports</b>	<b>11,644.7</b>	<b>16,453.6</b>	<b>15,394.6</b>	<b>17,017.0</b>	<b>14,753.9</b>	<b>15,914.6</b>	<b>18,425.0</b>	<b>17,668.1</b>	<b>17,676.3</b>	<b>20,627.2</b>	<b>31,460.1</b>	<b>39,251.9</b>	<b>57,756.6</b>
<b>I. Over II.</b>	<b>76.4%</b>	<b>77.1%</b>	<b>75.5%</b>	<b>76.0%</b>	<b>76.0%</b>	<b>77.7%</b>	<b>77.9%</b>	<b>78.9%</b>	<b>79.8%</b>	<b>79.4%</b>	<b>81.2%</b>	<b>82.1%</b>	<b>80.6%</b>

Source: Studies and Informations Department, DIRECON (June 2007), based on data from Central Bank of Chile

China was during the 90's, on average, in the bottom half of the top ten destinations; furthermore, in 1994 China was the thirteenth largest buyer of Chilean products, behind Mexico. The huge expansion of exports to the Chinese market has made China the third destination market of Chilean exports since 2000.

In terms of geography, it is apparent that the Americas is not only the most important destination for Chilean goods, but also the most stable one, showing a constant annual growth rate except for 1998 and 2002, when the negative regional impact of the Asian crisis and the decline of sales to Latin America due to regional economic turbulence in Argentina and Brazil, that the growth of exports to North America failed to compensate.

Asia has traditionally occupied the second place among export markets; shipments over the second half of the decade, however, declined substantially due to heavy falls in demand and commodity prices, seeing a certain recovery in 2000 and a defiant rebound since 2003, fueled by higher demands from China, Japan, South Korea and India.

**TABLE 1.12**  
**CHILEAN EXPORTS ACCORDING TO GEOGRAPHIC ZONE, 1994 - 2006**  
 (millions of dollars FOB)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Africa	104.2	133.0	122.8	109.0	67.4	52.1	81.6	83.3	71.6	101.3	101.8	125.7	165.8
America	4,527.3	5,565.4	5,741.3	6,345.6	6,229.5	6,681.7	7,427.8	7,613.2	7,488.2	8,049.9	11,155.0	14,286.3	20,168.6
Asia	3,861.6	5,661.7	5,258.1	5,891.9	3,920.4	4,587.4	5,671.1	4,643.0	5,141.2	6,603.6	11,167.3	14,158.4	19,800.4
Europe	2,945.4	4,840.6	3,996.5	4,374.8	4,309.8	4,352.1	4,888.1	4,963.7	4,577.4	5,360.8	8,506.5	9,964.9	16,657.8
Oceania	55.7	93.8	112.2	89.2	59.9	56.9	64.3	57.4	75.9	128.5	123.3	130.4	165.3
Others	150.5	159.1	163.8	206.4	167.0	184.5	292.1	307.4	322.0	383.2	406.1	586.2	798.6
<b>Total</b>	<b>11,644.7</b>	<b>16,453.6</b>	<b>15,394.6</b>	<b>17,017.0</b>	<b>14,753.9</b>	<b>15,914.6</b>	<b>18,425.0</b>	<b>17,668.1</b>	<b>17,676.3</b>	<b>20,627.2</b>	<b>31,460.1</b>	<b>39,251.9</b>	<b>57,756.6</b>

Source: Studies and Informations Department, DIRECON (June 2007), based on data from Central Bank of Chile

Exports destined for Europe, although with moderate highs and lows, like America, show a greater degree of stability in their performance. Exports are directed mainly to Western Europe; mostly concentrated in the Netherlands, Italy, France, Spain, Germany and Great Britain.

Table 1.13 shows Chilean exports to all destinations with which Chile has negotiated some form of trade agreement. This is of great importance considering that since October 1<sup>st</sup> 2006 three quarters of Chilean exports receive some form of tariff preferences.

In terms of the results that Chile's trade agreements have had, it can be said that the performances of the Mexico and Canada FTAs, without a doubt, have been outstanding, thus being perceived by the Chilean exporters as two of the most successful agreements that Chile has signed.

Also exports to the European Union have shown important growth within the period that the agreement has been in force (since 2003), an increase of 255%, compared to an increase of 221% (including the European Union) of the countries with which Chile has agreements and for the same period (2006 compared to 2002). But apparently, given the momentum of the current scenario, great prospects can be foreseen.

In the case of Mercosur and the Andean Community – the agreements that have been in force for a longer period- although these have not shown a clear positive trend in past years, due to the economic turbulence that has affected the whole region, there are clear signs of recovery since 2003, reaching to an increase of 174% in the period 2002-2006. The importance of these agreements cannot be diminished, especially if it is taken into account that around 60% of exports to Latin America are manufactured exports.

**TABLE 1.13**  
**CHILEAN EXPORTS ACCORDING TO TRADE AGREEMENTS, 1994 - 2006**  
(millions of dollars FOB and %)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
China	133,3	287,9	354,1	433,4	459,7	359,1	907,2	1.021,8	1.240,1	1.865,4	3.227,5	4.445,7	5.104,4
Canada	70,2	96,0	139,5	131,2	143,4	173,5	243,7	265,6	263,7	415,0	780,3	1.071,1	1.291,7
Central America	37,1	41,3	52,3	67,4	71,7	94,8	107,0	149,0	181,2	272,9	385,2	391,3	511,4
Andean Community	774,1	1.083,6	1.009,4	1.117,1	1.185,3	1.059,8	1.227,9	1.381,6	1.339,5	1.293,2	1.569,2	1.986,6	2.134,7
South Korea	583,7	896,7	863,3	987,6	384,7	683,7	806,3	563,2	710,5	1.023,4	1.821,3	2.230,9	3.546,2
United Satates	2.011,8	2.373,8	2.554,3	2.710,0	2.610,0	3.087,5	3.183,7	3.351,7	3.664,7	3.705,7	4.834,5	6.531,6	9.290,5
Mercosur	1.352,4	1.774,8	1.759,8	1.860,9	1.631,5	1.520,2	1.709,0	1.517,4	984,3	1.227,3	1.971,7	2.475,9	4.243,2
Mexico	212,1	132,6	146,6	376,4	488,4	622,8	818,1	830,6	912,4	926,9	1.314,3	1.584,4	2.293,0
European Union 15	2.830,1	4.448,2	3.685,4	4.144,3	4.148,3	4.123,0	4.540,9	4.594,1	4.286,1	4.990,7	7.838,2	9.177,6	15.202,9
<b>I. Sub-Total</b>	<b>8.004,7</b>	<b>11.134,9</b>	<b>10.564,7</b>	<b>11.828,2</b>	<b>11.123,1</b>	<b>11.724,4</b>	<b>13.543,8</b>	<b>13.675,0</b>	<b>13.582,8</b>	<b>15.720,4</b>	<b>23.742,2</b>	<b>29.895,1</b>	<b>43.617,9</b>
Others	3.640,0	5.318,7	4.830,0	5.188,8	3.630,8	4.190,3	4.881,2	3.993,1	4.093,6	4.906,8	7.718,0	9.356,8	14.138,6
<b>II. Total Exports</b>	<b>11.644,7</b>	<b>16.453,6</b>	<b>15.394,6</b>	<b>17.017,0</b>	<b>14.753,9</b>	<b>15.914,6</b>	<b>18.425,0</b>	<b>17.668,1</b>	<b>17.676,3</b>	<b>20.627,2</b>	<b>31.460,1</b>	<b>39.251,9</b>	<b>57.756,6</b>
<b>I. Over II.</b>	<b>68,7%</b>	<b>67,7%</b>	<b>68,6%</b>	<b>69,5%</b>	<b>75,4%</b>	<b>73,7%</b>	<b>73,5%</b>	<b>77,4%</b>	<b>76,8%</b>	<b>76,2%</b>	<b>75,5%</b>	<b>76,2%</b>	<b>75,5%</b>

Source: Studies and Informations Department, DIRECON (June 2007), based on data from Central Bank of Chile

## b. Imports

Traditionally and until the nineties, the United States was by far the main supplier of imports to the Chilean economy. This started to change in 2000 when Argentinean goods started to catch up with US imports, overtaking them in 2001 and in the following years has extended the gap between them, but in 2006 the United States recovered the top position as Chile largest supplier.

**TABLE 1.14**  
**CHILEAN IMPORTS ACCORDING TO MARKET ORIGIN, 1994 - 2006**  
 (millions of dollars CIF and %)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Argentina	954.7	1,384.5	1,634.2	1,837.2	1,900.5	2,021.5	2,876.4	3,063.9	3,064.3	3,776.8	4,152.1	4,811.3	4,508.9
United States	2,637.9	3,792.9	4,109.5	4,331.6	4,025.8	3,022.5	3,338.4	2,888.6	2,568.6	2,576.5	3,402.2	4,722.6	5,592.1
Brazil	999.8	1,194.7	1,065.7	1,243.5	1,092.3	968.3	1,335.2	1,495.3	1,619.4	2,028.4	2,781.7	3,780.7	4,243.5
P.R. China	280.7	390.3	515.0	659.1	753.1	660.1	951.4	1,013.7	1,102.4	1,290.2	1,847.6	2,542.7	3,491.4
Germany	555.0	789.6	729.9	843.6	811.7	626.6	622.1	692.2	738.8	716.9	832.3	1,198.2	1,259.1
Angola	69.9	70.5	116.2	102.8	19.2	-	95.1	-	-	64.5	430.8	1,197.1	1,317.2
Peru	94.5	147.4	117.9	118.5	121.4	169.2	265.8	285.6	255.9	421.1	695.2	1,108.5	1,427.2
South Korea	333.4	527.4	556.8	588.8	545.2	405.7	535.2	540.0	438.8	540.8	699.7	1,077.3	1,641.9
Japan	1,007.1	1,013.0	949.7	1,054.7	994.6	635.4	710.1	560.6	546.3	636.8	803.2	1,021.1	1,150.0
Mexico	263.7	600.6	927.2	1,076.2	849.9	578.8	615.6	532.8	475.4	480.6	620.6	764.2	1,003.2
France	362.5	445.9	581.9	502.1	680.5	417.4	447.8	575.3	623.3	595.8	510.3	682.4	706.5
Spain	340.8	445.0	530.3	621.1	656.0	406.8	428.0	466.1	417.3	452.9	516.1	622.5	710.0
Italy	350.5	508.6	550.7	699.7	680.3	514.8	419.0	436.5	356.1	387.6	445.6	524.8	630.3
Finland	71.3	90.3	103.7	140.4	97.8	71.1	88.2	84.3	106.8	252.7	197.0	514.4	263.2
Sweden	119.1	193.2	271.3	352.0	246.7	270.7	284.4	182.3	152.4	202.1	264.7	451.4	353.8
<b>I. Sub-Total</b>	<b>8,440.9</b>	<b>11,593.8</b>	<b>12,760.2</b>	<b>14,171.4</b>	<b>13,475.1</b>	<b>10,768.6</b>	<b>13,012.7</b>	<b>12,817.1</b>	<b>12,465.9</b>	<b>14,423.7</b>	<b>18,199.2</b>	<b>25,019.3</b>	<b>28,298.2</b>
Others	2,708.2	3,309.3	4,049.9	3,940.2	3,612.3	3,253.4	3,829.8	3,416.8	3,287.3	3,240.0	4,255.0	4,920.9	6,613.9
<b>II. Total Imports</b>	<b>11,149.1</b>	<b>14,903.1</b>	<b>16,810.0</b>	<b>18,111.6</b>	<b>17,087.4</b>	<b>14,022.0</b>	<b>16,842.5</b>	<b>16,233.9</b>	<b>15,753.2</b>	<b>17,663.6</b>	<b>22,454.2</b>	<b>29,940.1</b>	<b>34,912.0</b>
<b>I. Over II.</b>	<b>75.7%</b>	<b>77.8%</b>	<b>75.9%</b>	<b>78.2%</b>	<b>78.9%</b>	<b>76.8%</b>	<b>77.3%</b>	<b>79.0%</b>	<b>79.1%</b>	<b>81.7%</b>	<b>81.1%</b>	<b>83.6%</b>	<b>81.1%</b>

Source: Studies and Informations Department, DIRECON (June 2007), based on data from Central Bank of Chile

This was due to a raise in imports of oil-based products, and also of food and agricultural imports from the Argentinean market.

**TABLE 1.15**  
**CHILEAN IMPORTS ACCORDING TO KEY SUPPLIERS, 1994 - 2006**  
 (millions of dollars CIF and %)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
East Asia	2,170.7	2,692.0	2,878.6	3,116.2	3,030.6	2,330.0	2,886.3	2,786.2	2,707.6	3,141.8	4,213.4	5,691.9	7,647.6
Latin America	2,645.0	3,476.8	3,770.0	4,179.1	3,888.3	3,921.1	5,350.3	5,524.4	5,577.1	6,819.9	8,485.8	10,736.1	11,788.3
North America	3,166.5	4,708.6	5,444.9	5,840.4	5,370.2	4,009.0	4,466.0	3,848.6	3,365.4	3,390.2	4,371.3	5,893.3	7,078.2
European Union 15	2,396.1	3,155.5	3,537.9	3,957.9	3,850.3	2,848.5	2,880.0	3,064.1	3,023.4	3,260.5	3,530.0	4,948.7	5,105.2
<b>I. Sub-Total</b>	<b>10,378.4</b>	<b>14,032.9</b>	<b>15,631.4</b>	<b>17,093.6</b>	<b>16,139.4</b>	<b>13,108.6</b>	<b>15,582.6</b>	<b>15,223.2</b>	<b>14,673.5</b>	<b>16,612.4</b>	<b>20,600.5</b>	<b>27,269.9</b>	<b>31,619.3</b>
Others	770.8	870.1	1,178.6	1,018.0	948.0	913.4	1,259.9	1,010.7	1,079.6	1,051.3	1,853.7	2,670.2	3,292.8
<b>II. Total Imports</b>	<b>11,149.1</b>	<b>14,903.1</b>	<b>16,810.0</b>	<b>18,111.6</b>	<b>17,087.4</b>	<b>14,022.0</b>	<b>16,842.5</b>	<b>16,233.9</b>	<b>15,753.2</b>	<b>17,663.6</b>	<b>22,454.2</b>	<b>29,940.1</b>	<b>34,912.0</b>
<b>I. Over II.</b>	<b>93.1%</b>	<b>94.2%</b>	<b>93.0%</b>	<b>94.4%</b>	<b>94.5%</b>	<b>93.5%</b>	<b>92.5%</b>	<b>93.8%</b>	<b>93.1%</b>	<b>94.0%</b>	<b>91.7%</b>	<b>91.1%</b>	<b>90.6%</b>

Source: Studies and Informations Department, DIRECON (June 2007), based on data from Central Bank of Chile

In a lesser degree than export destinations, imports show some concentration especially if we consider that the top four suppliers (Argentina, United States, Brazil and China) account for more than half of all imports (53%) and the top fifteen account for 84%.

**TABLE 1.16**  
**CHILEAN IMPORTS ACCORDING TO TRADE AGREEMENTS, 1994 - 2006**  
 (millions of dollars CIF and %)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
China	280.7	390.3	515.0	659.1	753.1	660.1	951.4	1,013.7	1,102.4	1,290.2	1,847.6	2,542.7	3,491.4
Canada	264.8	315.1	408.1	432.5	494.5	407.7	511.9	427.3	321.5	333.1	348.5	406.4	482.9
Central America	25.2	42.0	41.6	71.1	37.2	33.4	19.3	10.6	14.2	20.7	25.7	26.5	17.8
Andean Community	565.7	757.7	914.2	914.2	720.7	795.3	993.4	808.5	736.2	868.2	1,355.0	1,899.2	2,457.3
South Korea	333.4	527.4	556.8	588.8	545.2	405.7	535.2	540.0	438.8	540.8	699.7	1,077.3	1,641.9
United States	2,637.9	3,792.9	4,109.5	4,331.6	4,025.8	3,022.5	3,338.4	2,888.6	2,568.6	2,576.5	3,402.2	4,722.6	5,592.1
Mercosur	2,054.1	2,677.2	2,814.2	3,193.9	3,130.3	3,092.4	4,337.6	4,705.3	4,826.6	5,931.0	7,105.2	8,810.4	9,313.2
Mexico	263.7	600.6	927.2	1,076.2	849.9	578.8	615.6	532.8	475.4	480.6	620.6	764.2	1,003.2
European Union 15	2,396.1	3,155.5	3,537.9	3,957.9	3,850.3	2,848.5	2,880.0	3,064.1	3,023.4	3,260.5	3,530.0	4,948.7	5,105.2
<b>I. Sub-Total</b>	<b>8,821.7</b>	<b>12,258.7</b>	<b>13,824.6</b>	<b>15,225.2</b>	<b>14,407.1</b>	<b>11,844.3</b>	<b>14,182.9</b>	<b>13,990.8</b>	<b>13,507.2</b>	<b>15,301.6</b>	<b>18,934.5</b>	<b>25,198.1</b>	<b>29,105.0</b>
Others	2,327.4	2,644.4	2,985.4	2,886.4	2,680.3	2,177.7	2,659.6	2,243.2	2,246.0	2,362.0	3,519.7	4,742.1	5,807.1
<b>II. Total Imports</b>	<b>11,149.1</b>	<b>14,903.1</b>	<b>16,810.0</b>	<b>18,111.6</b>	<b>17,087.4</b>	<b>14,022.0</b>	<b>16,842.5</b>	<b>16,233.9</b>	<b>15,753.2</b>	<b>17,663.6</b>	<b>22,454.2</b>	<b>29,940.1</b>	<b>34,912.0</b>
<b>I. Over II.</b>	<b>79.1%</b>	<b>82.3%</b>	<b>82.2%</b>	<b>84.1%</b>	<b>84.3%</b>	<b>84.5%</b>	<b>84.2%</b>	<b>86.2%</b>	<b>85.7%</b>	<b>86.6%</b>	<b>84.3%</b>	<b>84.2%</b>	<b>83.4%</b>

Source: Studies and Informations Department, DIRECON (June 2007), based on data from Central Bank of Chile

It is also interesting to point out that since 2004 almost 80% of all import value has faced preferential tariff treatment, meaning that they will pay from zero tariffs to less than the actual 6% across the board. Table 1.16 show imports from all countries or group of countries that Chile has signed trade agreements with, that includes tariff elimination.

### **I.3 Trade in Services**

In 2006, the services sector contributed 58.9% to GDP, up from 58.5% in 2003.<sup>25</sup> Employment in the sector grew faster than in other industries, in 2006, 63.7% of the economically active population worked in the services sector, up from 58.1% in 1996. In 2006, Chile's services exports amounted to US\$ 7,504 millions and imports amounted to US\$ 8,426 millions. According to figures provided by the Foreign Investment Committee, the annual inflows of foreign direct investment in the services sector averaged US\$ 1,445 millions between 1996 and 2006, 33% of total foreign investment.

As a consequence of Chile's long running privatization policy, state involvement in services is limited. The State retains ownership of BancoEstado, the postal and railway services, and a public television corporation. The State also owns major seaports and airports; however, these have been increasingly given in concession to private operators. Involvement of the State in any of the sectors mentioned does not in any way preclude private participation.

Chile has implemented a profound economic reform over the last twenty years. Key aspects of such reform are the significant changes introduced to the laws and regulations that govern the service sector. As a result, transformations have taken place in its economic structure, in the dynamism achieved by productive sectors and in the mechanisms of insertion in the global economy.

The increasing presence of foreign service providers, operating in Chile both in terms of commercial presence in the national market or through other forms of service marketing, have characterized Chilean recent development in telecommunications, road services and administration, transport, data processing, information technology and several other industries.

The four principles that regulate service liberalization are the most-favored nation treatment, absence of the requirement of local presence, national treatment and progressive elimination of quantitative non-discriminatory restrictions. These four principles have guided the liberalization of cross-border services in Chile in recent years.

In Chile, the economic activities related to the services sector have developed very dynamically in the last decade, generating approximately 58.7% of GDP in 2006<sup>26</sup> and around 63% of total employment in the year 2006<sup>27</sup>.

The exchange of commercial services has expanded in the last 6 years, increasing from US\$ 8,885 millions in 2000 to a total of US\$ 15,930 millions in the year 2006, with a growth rate of 10.2% per annum, while trade of goods increased by 16.0% per year in the period 2000 to 2006. (See table 1.17)

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<sup>25</sup> Following the UN System of National Accounts, the construction, electricity, and water industries are part of the industrial sector.

<sup>26</sup> Banco Central de Chile in <http://www.bcentral.cl>

<sup>27</sup> Banco Central de Chile, website <http://www.bcentral.cl>

Table 1.17  
**Trends of exports and imports of goods and services**  
 Million dollars and percents

	1999	2000	2001	2002	2003	2004	2005	2006
Exports of goods (FOB)	17.162	19.210	18.272	18.180	21.664	32.520	41.297	58.116
Exports of commercial services	3.869	4.083	4.138	4.386	5.070	6.034	7.020	7.504
% Export Ss/Export goods	23%	21%	23%	24%	23%	19%	17%	13%
% Export Ss/Export goods and services	18%	18%	18%	19%	19%	16%	15%	11%
Imports of goods (FOB)	14.735	17.091	16.428	15.794	17.941	22.935	30.492	35.903
Imports of commercial services	4.606	4.802	4.983	5.087	5.688	6.780	7.656	8.426
% Import Ss/Export goods	31%	28%	30%	32%	32%	30%	25%	23%
% Import Ss/Export goods and services	24%	22%	23%	24%	24%	23%	20%	19%
Total commerce of goods (FOB)	31.897	36.302	34.700	33.974	39.605	55.456	71.789	94.020
Total commerce of commercial services	8.475	8.885	9.121	9.473	10.757	12.813	14.676	15.930
Total commerce of goods and services	40.373	45.186	43.821	43.447	50.362	68.269	86.465	109.950
% Commerce Ss/Commerce goods	27%	24%	26%	28%	27%	23%	20%	17%
% Commerce Ss/Commerce goods and services	21%	20%	21%	22%	21%	19%	17%	14%

*Source: Studies Departement, DIRECON, based on data of the Central Bank, Monthly Mulletin, May 2007, page 137.*

The composition of this trade in services reflects the importance that the flow of services has in total trade: in 2006 it reached a share of 14% in the total Chilean foreign trade in goods and services. The evolution and composition in the last 6 years may be appreciated in Table 1.18. The share of trade services has declined in the last few years due to the large increase in the trade of goods that increased by 195% in 2006 with respect to 1999.

Table 1.18  
**Chile: Exports and Imports of Commercial Services 1999-2006**

Million dollars

Exports of commercial services								
	1999	2000	2001	2002	2003	2004	2005	2006
Exports of commercial services								
<b>I. Transports</b>	<b>2,039.0</b>	<b>2,187.6</b>	<b>2,294.0</b>	<b>2,205.5</b>	<b>2,770.7</b>	<b>3,456.8</b>	<b>4,272.0</b>	<b>4,468.7</b>
Sea transport services	1,230.3	1,274.6	1,346.3	1,336.5	1,624.7	2,100.0	2,767.9	2,826.9
Other transports	808.7	913.0	947.7	869.0	1,146.0	1,356.8	1,504.1	1,641.8
<b>II. Travel</b>	<b>910.8</b>	<b>819.4</b>	<b>798.5</b>	<b>897.6</b>	<b>883.4</b>	<b>1,095.0</b>	<b>1,109.1</b>	<b>1,214.4</b>
- Business travellers	85.9	78.7	98.2	256.5	425.7	166.6	150.7	171.5
- Personal travellers	824.9	740.7	700.3	641.1	457.7	928.4	958.4	1,042.9
<b>III. Other commercial services</b>	<b>919.2</b>	<b>1,075.9</b>	<b>1,045.8</b>	<b>1,282.5</b>	<b>1,415.5</b>	<b>1,481.9</b>	<b>1,638.7</b>	<b>1,820.9</b>
- Communication services	182.6	207.3	124.7	161.8	158.1	162.7	94.8	125.7
- Construction services	-	-	-	-	-	-	-	-
- Insurance services	76.5	76.0	70.5	137.9	124.1	136.2	158.2	166.2
- Financial services	42.3	37.5	34.2	24.6	29.6	31.4	34.0	37.4
- Computer and information services	30.3	33.4	42.8	62.9	81.4	70.5	74.2	71.8
- Royalties and licence fees	6.0	10.0	24.9	41.1	45.5	48.5	54.0	55.2
- Other business services	469.6	601.6	652.0	745.3	829.9	889.8	1,060.1	1,188.4
- Personal, cultural and recreational services	23.0	21.7	29.0	38.6	67.6	58.3	69.2	78.4
- Government services, n.i.e.	88.9	88.4	67.7	70.3	79.3	84.5	94.2	97.8
<b>Total exports of commercial services</b>	<b>3,869.0</b>	<b>4,082.9</b>	<b>4,138.3</b>	<b>4,385.6</b>	<b>5,069.6</b>	<b>6,033.7</b>	<b>7,019.8</b>	<b>7,504.0</b>
<b>Annual rate of growth</b>	<b>-2%</b>	<b>6%</b>	<b>1%</b>	<b>6%</b>	<b>16%</b>	<b>19%</b>	<b>16%</b>	<b>7%</b>
Imports of commercial services								
	1999	2000	2001	2002	2003	2004	2005	2006
Imports of commercial services								
<b>I. Transports</b>	<b>-2,059.5</b>	<b>-2,191.1</b>	<b>-2,259.9</b>	<b>-2,299.9</b>	<b>-2,585.4</b>	<b>-3,353.7</b>	<b>-4,124.6</b>	<b>-4,550.2</b>
Sea transport services	-1,281.9	-1,385.0	-1,498.0	-1,455.9	-1,603.2	-2,213.8	-2,823.3	-3,084.5
Other transports	- 777.6	- 806.1	- 761.9	- 844.0	- 982.2	-1,139.9	-1,301.3	-1,465.7
<b>II. Travel</b>	<b>- 752.2</b>	<b>- 619.8</b>	<b>- 708.2</b>	<b>- 672.8</b>	<b>- 850.3</b>	<b>- 977.1</b>	<b>-1,050.7</b>	<b>-1,252.4</b>
- Business travellers	- 47.7	- 40.9	- 168.0	- 226.6	- 431.6	- 358.7	- 379.3	- 449.9
- Personal travellers	- 704.5	- 578.9	- 540.2	- 446.2	- 418.7	- 618.4	- 671.4	- 802.5
<b>III. Other commercial services</b>	<b>-1,794.4</b>	<b>-1,990.8</b>	<b>-2,014.5</b>	<b>-2,114.3</b>	<b>-2,251.8</b>	<b>-2,448.7</b>	<b>-2,480.7</b>	<b>-2,622.9</b>
- Communication services	- 129.7	- 110.0	- 95.1	- 137.2	- 155.6	- 159.9	- 115.2	- 131.2
- Construction services	-	-	-	-	-	-	-	-
- Insurance services	- 153.1	- 192.3	- 210.6	- 353.1	- 435.1	- 451.3	- 467.5	- 515.3
- Financial services	- 241.5	- 221.7	- 203.4	- 230.4	- 213.9	- 282.9	- 256.5	- 286.5
- Computer and information services	- 49.8	- 78.3	- 46.5	- 40.7	- 75.4	- 73.7	- 71.2	- 72.7
- Royalties and licence fees	- 324.2	- 297.5	- 268.6	- 250.6	- 257.1	- 307.3	- 347.6	- 381.3
- Other business services	- 721.5	- 909.4	-1,019.5	- 924.5	- 935.4	- 998.5	-1,035.9	-1,043.9
- Personal, cultural and recreational services	- 42.1	- 43.8	- 36.3	- 44.0	- 47.2	- 48.4	- 52.7	- 55.0
- Government services, n.i.e.	- 132.5	- 137.8	- 134.5	- 133.8	- 132.1	- 126.7	- 134.1	- 137.0
<b>Total imports of commercial services</b>	<b>-4,606.1</b>	<b>-4,801.7</b>	<b>-4,982.6</b>	<b>-5,087.0</b>	<b>-5,687.5</b>	<b>-6,779.5</b>	<b>-7,656.0</b>	<b>-8,425.5</b>
<b>Annual rate of growth</b>	<b>5%</b>	<b>4%</b>	<b>4%</b>	<b>2%</b>	<b>12%</b>	<b>19%</b>	<b>13%</b>	<b>10%</b>

Source: Studies Department, DIRECON, based on data of the Central Bank, Monthly Bulletin, May 2007, page 137.

## I.4 Investment

### Foreign Investment in Chile

Chile has achieved widespread recognition for its strong track record in attracting FDI. Between 1974 and 2006, materialized foreign investment totaled US\$ 84.1 billion, of which 90% entered the country after 1990. The stock of FDI in Chile reached almost 57.7% of GDP by 2006, up from just 32.4% in 1990.

During the 1990's, FDI inflows represented an annual average 6.1% of Chile's GDP, rising to 9.1% between 1996 and 1999. After the surge of FDI in the 1990's, and after reaching a US\$ 9.9 billion record-high in 1999, foreign investment inflows have been dropping, falling to an average of 5.2%

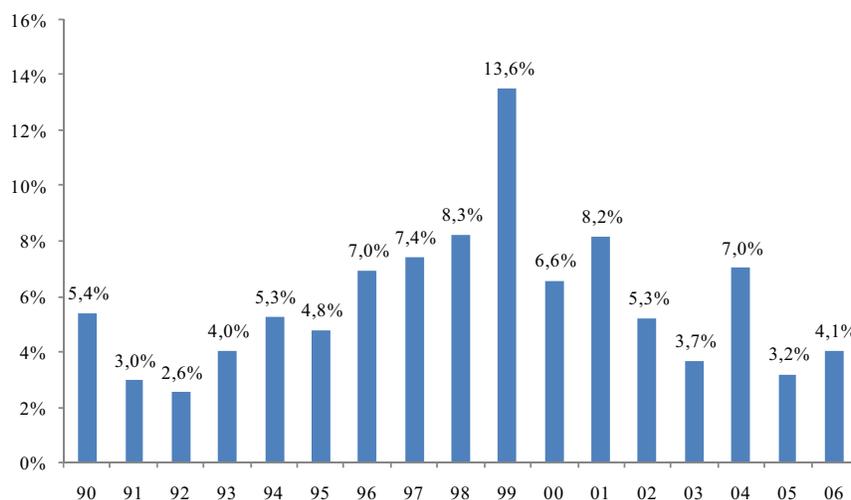
between 2000 and 2006. These results are the consequence of a sharp downturn in international economic conditions, which has affected FDI in almost all countries.

As from 2001, the mergers and acquisitions market -previously the driving force of FDI around the world and in Chile- collapsed in the face of global economic uncertainty, a drop in share prices, and weaker corporate earnings, while multinational companies cut back their expansion budgets. To some extent, this trend represented a return to more sustainable and realistic levels of FDI, after the so-called "investment bubble" of the 1990's during which global capital flows reached record levels.

Moreover, FDI flows into Latin America have also been affected by instability in some of the region's countries, and the heavy losses sustained by a number of investors. As a result, risk aversion -accentuated by shareholder pressure in firms that have experienced difficulties- also helps to explain weaker FDI in the region. While there has been no scale withdrawal from Latin America, investment is being delayed and some investors, specifically foreign banks, have left the region.

In the case of Chile, FDI figures have also been distorted in recent years by a trend towards greater use of the local capital market by foreign investors. Encouraged by the high liquidity and dynamism of the country's financial sector and its historically low interest rates, an increasing number of overseas companies are sidestepping exchange rate risk by raising finance locally, either borrowing from local banks or placing bonds on the local market. This trend, although very positive for Chile's financial market, is reflected negatively in the figures for incoming FDI.

**Foreign Direct Investment in Chile\***  
**as % of GDP: 1990 – 2006**



\*Includes investment through Foreign Investment Statute (D.L. 600), Chapter XIV and Chapter XIX.  
Sources: Central Bank of Chile, Foreign Investment Committee.

### Investment Mechanism

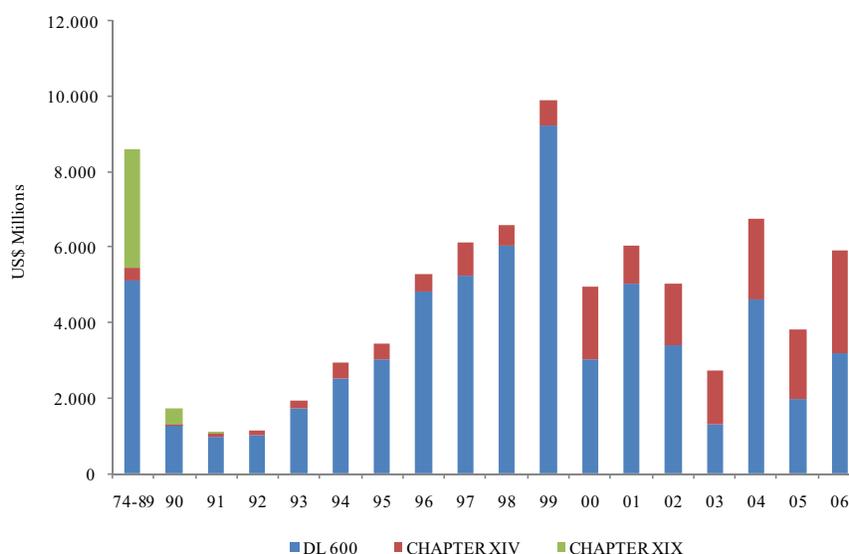
Since 1974, when the Foreign Investment Statute (D.L. 600) came into force, the vast majority of foreign investors have chosen to use this mechanism, under which an investor signs a legally binding contract with the State for the implementation of an individual project and, in return, receives a number of specific guarantees and rights (set out in the Policies, Regulations and

Procedures section of this website). Between 1974 and 2006, investments worth US\$ 63.5 billion, representing 75.5% of the total FDI inflow, used this mechanism.

However, a simpler investment mechanism, Chapter XIV of the Central Bank's Compendium of Foreign Exchange Regulations (CFER), also exists. Under this mechanism, foreign investors need only comply with registration procedures.

A third mechanism, Chapter XIX of the CFER played an important role between 1985 and 1991, when it was used for investments totaling US\$ 3.6 billion, mainly in the manufacturing and services sectors. However, this debt conversion mechanism is no longer in operation.

**Foreign Direct Investment in Chile, 1974 - 2006  
(US\$ billion)**

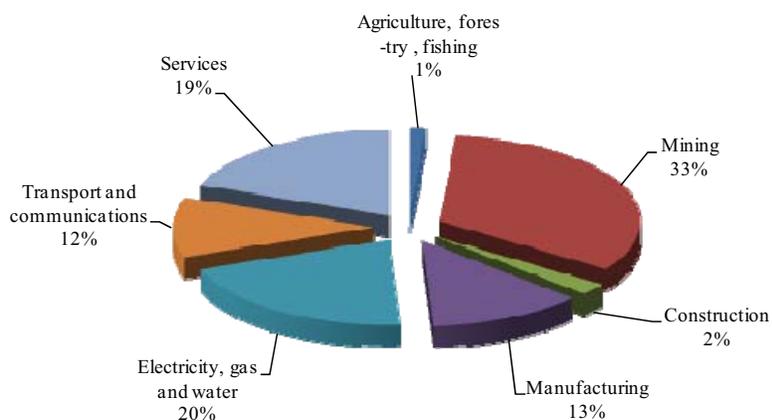


Sources: Central Bank of Chile, Foreign Investment Committee

### Investment By Sector

Between 1974 and 2006, Mining accounted for 34% of foreign investment materialized via D.L. 600, followed by the Electricity, Gas and Water industries (20%); Services (19%); Manufacturing (12%); Transport and communications (11%); Construction (2%); and Agriculture, Forestry and Fishing (1%). In the Services sector, the most important segments were Financial Services (52%), Insurance (17%), and the Wholesale and Retail Trade (11%).

### Foreign Investment Statute (D.L.600), 1974-2006 Breakdown by Sector



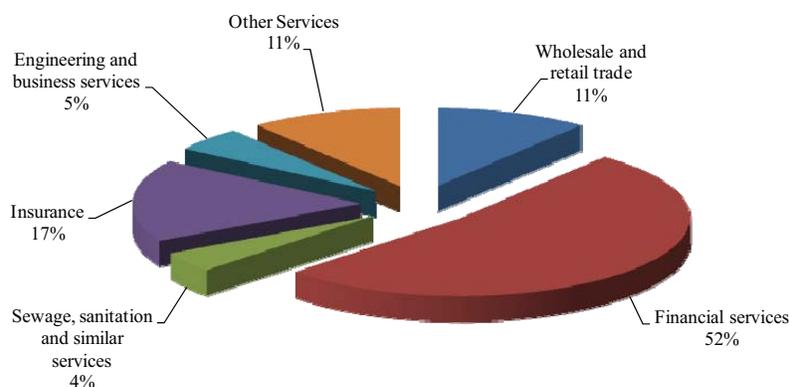
Source: Foreign Investment Committee

Until 1990, mining projects represented 47% of D.L. 600 investment, boosted by the government's decision to lift restrictions on private investment in the exploration and exploitation of mineral deposits. Similarly, investment in financial services was encouraged by the deregulation of the financial sector.

Since 1990, however, other sectors have gained in importance and the mining's share of D.L. 600 investment gradually diminished to an average 15% in 1999-2001. However, in 2002, it was again the largest recipient sector with 59% of materialized FDI -due mainly to the US\$ 1.1 billion acquisition of Exxon's La Disputada mine by UK-based Anglo-American. In 2003, represented 30% of the total FDI, and in 2004, the mining received FDI worth US\$ 350 million, and this figure increased in 2005 to US\$ 822 million due to the new copper and gold projects. In 2006, the mining sector represented 36.1% of total investment. The relative decrease in the preeminence of mining investments was counterbalanced mainly by higher investment in the Transport and Communications industries (including telecommunications) and in the Electricity, Gas and Water sectors.

This was mainly the result of privatizations in the energy and telecommunications sectors and of the intense competition that followed the deregulation of mobile and long-distance telephone services. In addition, an infrastructure concessions program, launched in 1995, opened the way for the participation of private capital, mostly from abroad, in the construction and operation of roads and airports. Water privatizations and a concessions program for water treatment services have also captured important inflows of FDI in recent years.

**Foreign Investment Statute (D.L. 600)**  
**Services Sector: Breakdown by Sub-sector (1974-2006)**  
**(Total Services: US\$ 12,3 billion)**



Source: Foreign Investment Committee

From 1997 to 2001, in line with a worldwide trend, Chile saw a dramatic surge in M&A (mergers and acquisitions) activity, mainly in electricity and telecommunications sectors. In 1999, for example, Spain's Endesa paid US\$ 3.2 billion for local electricity company Enersis, while other large M&A operations included the acquisition between 2000 and 2001 of the Gener power producer by US-based AES Corp. and, in 2001, Telecom Italia's acquisition of the Entel telecommunications company.

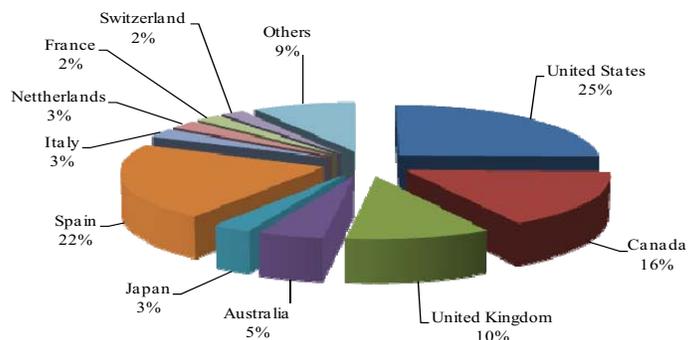
Since 2001, the trend has again changed, shifting towards projects that require smaller amounts of capital but have a high impact in terms of job creation and the transfer of technology. In addition, projects of this type have reinforced Chile's position as a regional business center from which to export goods, or provide services, to other countries. This has, in turn, attracted new investment in service sectors, such as the hotel and office property markets.

These smaller, high-impact projects are numerous and diverse, ranging from software development initiatives, call centers and shared services centers to new investment in the manufacturing and agribusiness sectors. Examples of the latter include a US\$ 25 million breakfast cereal plant in Santiago, launched in April 2004, from which Switzerland's Nestlé supplies regional and international markets, and a new salmon feed plant, also representing an investment of US\$ 25 million, inaugurated in southern Chile by Netherlands-based Nutreco.

### **Origin of Investment**

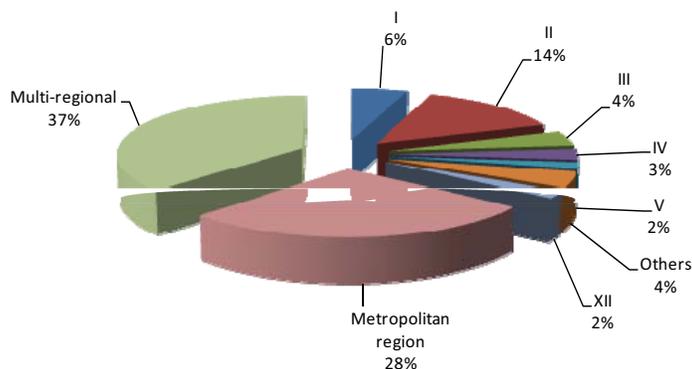
Between 1974 and 2006, 25% of D.L. 600 investments in Chile originated in the United States, followed by Spain (22%), Canada (16%), the United Kingdom (10%), Australia (5%), and Japan (3%). During that period, the 15 pre-enlargement European Union member states accounted for 42.1% of total FDI materialized through D.L. 600, while, as a group, the OECD countries accounted for 94.3% of the total.

### Foreign Investment Statute (D.L. 600) Breakdown by Country of Origin (1974-2006)



Source: Foreign Investment Committee

### Foreign Investment Statute (D.L. 600) Breakdown by Chilean Regions (1974-2006)



Source: Foreign Investment Committee

As regards the geographic destination of FDI within Chile, 37% of materialized FDI between 1974 and 2006 was invested in multi-regional projects, while 28% went to Metropolitan region, followed by Region II and Region I in the north of the country, which accounted for 14% and 6% of total inflows, respectively.

## **I.5 Introduction of FTAs signed by each party**

### **I.5.A Modalities of Negotiation**

#### **a. Asia Pacific**

For years, Chile has been expanding its trade in the Asia Pacific region. For example, China is Chile's second trading partner, while Japan and Korea are among Chile's five main destination markets. The FTA concluded with South Korea in February 2003 and entered in force in April 2004, is the first trans-Pacific agreement of its kind, and places Chile in a privileged position to strengthen its economic ties with Pacific Asia and act as a bridge between Asia and South America.

Chile has continued to expand its commercial presence in Pacific Asia. It finished negotiations in 2005 of a Transpacific Strategic Economic Partnership Agreement with New Zealand, Singapore and Brunei Darussalam; signed a Free Trade Agreement with China that begun to operate in 2006; a Preferential Trade Agreement with India that came in force in 2007, and a Free Trade Agreement with Japan that is operational since September 2007. Chile is currently in negotiations with Australia and beginning a process of negotiations with Vietnam

#### **b. The Americas**

During the first half of the 1990's, Chile developed a network of agreements for economic complementation with all the South American countries (Argentina, Brazil, Bolivia, Colombia, Ecuador, Paraguay, Peru, Uruguay and Venezuela), following the Latin American Integration Association (LAIA). These are agreements negotiated under the Enabling Clause, which regulate only trade in goods and contain limited disciplines. Later Chile negotiated free trade agreements (FTA) with Canada, Mexico, and with two Central American countries: Costa Rica and El Salvador. These agreements have common disciplines, but market access was negotiated bilaterally.

Chile's most ambitious trade agreement in the Americas is the FTA with the United States, which was concluded in late 2002 and entered into force in January 2004. The US is Chile's main trading partner and largest foreign direct investor. The FTA has facilitated the increase of the value-added content of Chilean exports, establishes clear and transparent rules for settling trade disputes, and it is expected to encourage investment and to strengthen the capital market. The results of this FTA show that a developing country can reach a mutually satisfactory and comprehensive agreement with a developed country; i.e. an agreement, which does not focus exclusively on market access, but also includes institutional matters that enhance transparency and competition which, over time, will benefit all countries that trade with Chile.

#### **c. Europe**

Chile has consolidated its relations with Europe. Thus, 1 February 2003 saw the entry into force the FTA between Chile and the European Union, an agreement which covers not only trade issues, but political and cooperation areas as well. In the political area, the agreement seeks to promote, disseminate and defend democratic values, while in the area of cooperation, it seeks to contribute to the application of the objectives and principles of the Agreement, including, in particular, the following areas: science, technology and information society; culture, education and audiovisual media; and social cooperation. In the economic and trade area, the Agreement seeks progressive and reciprocal liberalization of market access for goods, services and government procurement. At the same time, it establishes disciplines in areas such as intellectual property, technical standards,

sanitary and phytosanitary measures, competition policy and customs procedures to encourage the development of trade. It also introduces a dispute settlement mechanism.

Alongside this deepening of its relations with the EU, in March 2003 Chile signed an FTA with the European Free Trade Association (EFTA) and entered in force in December 2004. The Agreement with EFTA is as comprehensive as the agreement with the EU. It regulates trade in goods and services, government procurement, and various trade disciplines, including the reciprocal elimination of anti-dumping duties and a dispute settlement mechanism to resolve any disagreements between the parties.

Concerning the Main Contents of the FTAs in the Chapters on Trade in Goods is included:

- Standstill in customs duties.
- Acceleration of customs duties elimination.
- Binding the benefits of Generalized Systems of Preferences (GSP), when the partner has this system.
- Elimination of non-tariff measures.
- Elimination of bilateral export subsidies.
- Elimination of exports taxes.

#### **I.5.B Tariff Reduction in the FTAs**

Since Chile began its policy of open regionalism in the early 90s, it has signed trade agreements with 20 partners, which represent around 91% of the whole foreign trade of Chile.

In all its negotiations Chile has looked to have the biggest share of bilateral trade in the category of immediate tariff elimination, some products in short term categories (5 or less years), a reduced group of sensitive goods in long term categories (between 5 and 10 years) and if possible to don't have any exclusions.

Reflecting the previous statements are the results of the last 5 agreements Chile has signed. In its agreements with the USA, the EU, the EFTA, China and Japan, Chile has eliminated its tariffs immediately for a 91%, 89%, 82%, 50% and 95% of the originating imports of these partners respectively. Chile has no exclusions in its agreement with USA, while they represent 1%, near 0%, 3% and 0.1% of the originating imports of the EU, the EFTA, China and Japan respectively.

Compared to the flat rate of 6 percent, average tariffs charged on imports from Mercosur (0.7 percent), Latin America (0.7 percent), Europe (0.7 percent) and North American countries (0.8 percent) are substantially lower.

On the other hand, reflecting the balance all negotiations must have, Chile has obtained duty free access immediately for the 87%, 86%, 91% , 92% and 59% of its exports to USA, EU, EFTA, China and Japan respectively.

With respect to the exclusions that Chilean products face, in the USA there are no products excluded, while in EU, EFTA, China and Japan they represent, respectively, near 0%, 1%, 1% and 0.4% of Chilean exports to those markets.

At the moment, Chile is holding negotiations for a FTA with Australia and Vietnam, and has finished negotiations for an FTA with Japan and for a PTA with India. Once these agreements are finished, around 90% of Chilean foreign trade will be subject to some preferential treatment.

### **I.5.C Rules of Origin**

Rules of origin regulations do not apply to imports made under the MFN treatment. In Chile, a certificate of origin is only required when goods are imported under preferential systems.

The general criteria for the qualification of goods as originating are the following:

1. Goods wholly obtained or produced.
2. Goods incorporating non-originating materials that have been sufficiently transformed.

Three main methods (which may also be combined) are used to establish whether such substantial transformation occurred:

- **Change in tariff classification method**  
When a rule of origin is based on a change in tariff classification, each of the non-originating materials used in the production of the goods must undergo the applicable change as a result of production occurring entirely in the RTA region. This means that the non-originating materials are classified less than one tariff provision prior to processing and classified under another upon completion of processing.
  - **Regional value content**  
The rule of origin requires that a good have a minimum regional value content, meaning that a certain percentage of the value of the goods must be from the countries participating in the Agreement. There are different formulas for calculating the regional value content.
  - The *technical test method* is based on manufacturing or processing operations. It prescribes certain production or sourcing requirements that may (positive test) or may not (negative test) confer originating status.
3. Goods incorporating exclusively originating materials.

## **II. ECONOMIC RELATIONS BETWEEN CHILE AND TURKEY**

## II. ECONOMIC RELATIONS BETWEEN CHILE AND TURKEY

### II.1. Bilateral Trade in Goods

In 2006, bilateral trade between Chile and Turkey reached a record high of 445 million dollars. This places Turkey as Chile's 0.48% global trading partner. This figure is well above what was recorded a decade ago, when bilateral trade flows reached 0.08% of Chile's total (1995). The growth in trade between Chile and Turkey is the result of a higher than average evolution in exports and imports, thus generating an increase in bilateral exchange around 5,230 % between 1994 and 2006, eight times the growth of Chile's global trade in the same period (307 %)

**TABLE 2.1**  
**TRADE BETWEEN CHILE AND TURKEY, 1994 - 2006**  
(million of dollars and %)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>I. Turkey</b>													
Exports (FOB)	4.0	13.4	1.6	26.4	23.0	45.3	76.3	71.7	82.3	113.7	159.1	266.2	408.2
Imports (CIF)	4.4	10.8	9.7	10.2	23.6	14.4	19.6	20.5	22.4	18.6	29.4	31.9	36.7
Trade Balance	-0.4	2.5	-8.1	16.2	-0.6	30.9	56.7	51.2	59.9	95.1	129.7	234.3	371.5
Trade Exchange	8.3	24.2	11.3	36.6	46.6	59.7	96.0	92.2	104.7	132.3	188.5	298.1	444.8
<b>II. Global</b>													
Exports (FOB)	11,644.7	16,453.6	15,394.6	17,017.0	14,753.9	15,914.6	18,425.0	17,668.1	17,676.3	20,627.2	31,460.1	39,251.9	57,756.6
Imports (CIF)	11,149.1	14,903.1	16,810.0	18,111.6	17,087.4	14,022.0	16,842.5	16,233.9	15,753.2	17,663.6	22,454.2	29,940.1	34,912.0
Trade Balance	495.6	1,550.6	-1,415.4	-1,094.6	-2,333.5	1,892.6	1,582.5	1,434.1	1,923.2	2,963.5	9,006.0	9,311.7	22,844.5
Trade Exchange	22,793.8	31,356.7	32,204.7	35,128.6	31,841.3	29,936.6	35,267.5	33,902.0	33,429.5	38,290.8	53,914.3	69,192.0	92,668.6
<b>III. Participation</b>													
Exports	0.03%	0.08%	0.01%	0.16%	0.16%	0.28%	0.41%	0.41%	0.47%	0.55%	0.51%	0.68%	0.71%
Imports	0.04%	0.07%	0.06%	0.06%	0.14%	0.10%	0.12%	0.13%	0.14%	0.11%	0.13%	0.11%	0.11%
Trade Exchange	0.04%	0.08%	0.04%	0.10%	0.15%	0.20%	0.27%	0.27%	0.31%	0.35%	0.35%	0.43%	0.48%

Source: Studies and Informations Department, DIRECON (July 2007), based on data from Central Bank of Chile

The trade balance, exports minus imports, in 2006, also marked a surplus of 372 million dollars that is far from the -8 million-dollar deficit of 1996. The traditional even or small surplus in favor of Chile during the 1990's was replaced by a robust surplus since 2004 and has increased since then.

As in total trade exchanges, in 2006, the Turkish economy has increased its share in Chilean exports, accounting for 408 million dollars.

Imports coming from Turkey in 2006 reached 37 million dollars, placing Turkish supplies with 0.11% of imported goods to Chile. Imports from Turkey have increased at a lower pace than exports, reaching between 1994 and 2006 a growth of 734%, fact that is of no minor importance considering that global imports only grew in 213% in the same period.

#### II.1.A. Exports

Twelve years ago, Turkey accounted for 0.03% of Chile's exports. In 2006, given that in the past ten years Turkey has increased its importance as a market destination of Chilean exports, it provides 0.71% of all exports, thus increasing nearly 24 times the share in exports.

**TABLE 2.2**  
**CHILE'S EXPORTS TO TURKEY, 1994 - 2006**  
(million of dollars FOB and %)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>I. Exports to Turkey</b>	4.0	13.4	1.6	26.4	23.0	45.3	76.3	71.7	82.3	113.7	159.1	266.2	408.2
<b>II. Global Exports</b>	11,644.7	16,453.6	15,394.6	17,017.0	14,753.9	15,914.6	18,425.0	17,668.1	17,676.3	20,627.2	31,460.1	39,251.9	57,756.6
<b>I. Over II.</b>	0.03%	0.08%	0.01%	0.16%	0.16%	0.28%	0.41%	0.41%	0.47%	0.55%	0.51%	0.68%	0.71%
	<i>Growth Rate (%)</i>												
<b>Exports to Vietnam</b>	-37.2%	238.6%	-88.0%	1547.1%	-12.9%	96.9%	68.6%	-6.1%	14.8%	38.1%	40.0%	67.3%	53.3%
<b>Global Exports</b>	23.7%	41.3%	-6.4%	10.5%	-13.3%	7.9%	15.8%	-4.1%	0.0%	16.7%	52.5%	24.8%	47.1%

Source: Studies and Informations Department, DIRECON (July 2007), based on data from Central Bank of Chile

Without a doubt the Turkish market has increased its standing as an important buyer measured in export share, between 1994 and 2006 exports increased in a record 10,227%, averaging annually a rate of growth of 47%, which compares to the 396% growth in global exports in the same period (an average of 14% annually). On the other hand, it is interesting to point out that this increase in exports has been continuous along the whole period - with 4 years with a reduction in exports and 8 years with a positive growth- with a clear trend to increase exports, mostly after 1998.

The excellent record that Chilean exports towards Turkey have shown, mostly in the 2002-2006 period, are mainly the result of the growth and opening of the Turkish economy in those years, process that has been intensified in the last few years.

Although Turkey may represent an expanding and important market of 71.2 million people and imports for US \$ 121 billion, rapidly expanding, still remains the fact that only a fraction has a level of income that could appear attractive to foreign capital. Therefore, economic growth has been based mostly on manufactured exports grown because of comparative advantages given by the abundance of cheap labor and scale economies. There is an attractive market of the middle to high-income population in Turkey of more than 15 million people.

**TABLE 2.3**  
**CHILE'S EXPORT TO TURKEY ACCORDING TO ISIC, 1994 - 2006**  
(million of dollars FOB)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>I. Agriculture, Fruit, Livestock Silviculture and Extractive</b>	<b>1.8</b>	<b>5.4</b>	<b>0.4</b>	<b>0.2</b>	<b>4.7</b>	<b>2.8</b>	<b>1.5</b>	<b>0.4</b>	<b>1.0</b>	<b>0.3</b>	<b>1.0</b>	<b>1.2</b>	<b>1.8</b>
<b>Fishery</b>													
Agriculture, Fruit and Livestock	-	0.0	0.4	0.2	1.8	1.2	1.5	0.4	1.0	0.3	1.0	1.2	1.8
Silviculture	1.8	5.4	-	-	2.9	1.6	-	-	-	0.0	0.0	0.0	0.0
Extractive Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>II. Mining</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17.2</b>	<b>9.7</b>	<b>39.1</b>	<b>72.8</b>	<b>68.6</b>	<b>77.5</b>	<b>107.6</b>	<b>152.8</b>	<b>256.3</b>	<b>384.3</b>
Copper	-	-	-	17.2	9.7	39.1	72.8	68.6	77.5	107.6	152.8	256.3	384.3
Other	-	-	-	-	-	0.0	-	-	-	-	-	0.0	-
<b>III. Industry</b>	<b>2.1</b>	<b>8.0</b>	<b>1.2</b>	<b>9.1</b>	<b>8.6</b>	<b>3.3</b>	<b>2.1</b>	<b>2.7</b>	<b>3.8</b>	<b>5.8</b>	<b>5.3</b>	<b>8.7</b>	<b>22.1</b>
Foodstuff and beverages	0.6	0.3	0.8	4.9	8.0	1.2	0.7	0.1	0.6	0.7	0.8	1.1	1.2
Textiles and apparel	-	-	0.1	0.0	0.0	0.1	0.2	0.1	1.4	0.7	0.9	0.2	0.0
Forestry and Furniture	-	-	0.0	0.1	0.1	0.3	0.4	1.1	0.1	0.1	0.0	0.0	0.0
Cellulose, paper and by-products	1.4	7.3	0.0	3.4	0.1	0.1	0.1	-	0.0	-	0.0	0.0	11.5
Processed and unprocessed chemicals	0.0	0.3	0.3	0.6	0.4	1.6	0.7	1.3	1.7	3.9	3.4	7.3	7.3
Glass, clay and porcelain products	-	-	-	0.0	-	-	-	-	-	0.0	-	0.0	0.0
Basic steel and iron industry	-	-	-	-	-	-	-	-	-	0.0	0.1	-	0.9
Metal products, machinery and equipment	0.0	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.1	0.0	1.1
Non specified manufactures	-	-	0.0	0.0	-	-	0.0	-	-	-	-	0.0	0.0
<b>IV. Others</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0</b>	<b>0.0</b>	<b>-</b>	<b>0.0</b>	<b>-</b>	<b>0.0</b>	<b>-</b>	<b>0.0</b>
<b>V. Total Exports</b>	<b>4.0</b>	<b>13.4</b>	<b>1.6</b>	<b>26.4</b>	<b>23.0</b>	<b>45.3</b>	<b>76.3</b>	<b>71.7</b>	<b>82.3</b>	<b>113.7</b>	<b>159.1</b>	<b>266.2</b>	<b>408.2</b>

Source: Studies and Informations Department, DIRECON (July 2007), based on data from Central Bank of Chile

A sample of the dynamic success of the Turkish economy are the economic results of 2006, where exports reached a record high of US \$ 85.2 billion and<sup>28</sup> GDP growth reached 5.0% in 2006<sup>29</sup>.

<sup>28</sup> <http://www.cia.gov/cia/publications/factbook/geos/th.html#People>

Imports have also increased and have reached about US \$ 120.9 billion in 2006. Although Turkish imports are diversified, the European Union is the largest supplier with 42% of total imports<sup>30</sup> and there have been active negotiations with the European Union and other trade partners

In 2006, Chilean exports to Turkey exhibited a recovery to reach US \$ 408.2 million, higher than the 2005 figure of US \$ 266.2 million, and more than double the earlier record year of 2004 (US \$ 159.1 million). This growth is mainly due to a surge in the sales of copper, commodity that saw a strong rise in price as a result of international demand fueled mainly by the Asian markets, and to industrial exports that reached US \$ 22 million in 2006.

## i. Export Sectors

Table 2.4 allows appreciating that Chilean exports towards Turkey are concentrated mainly within two sectors (mining and industry), which account for 99.6% of total exports to Turkey. Although the mining sector has clearly been the dominant sector, its importance has been increasing throughout the decade, due to the copper exports to Turkey.

**TABLE 2.4**  
**STRUCTURE OF CHILE'S EXPORTS TO TURKEY ACCORDING TO ISIC, 1994 - 2006**  
(%)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>I. Agriculture, Fruit, Livestock Silviculture and Extractive Fishery</b>	<b>46.3</b>	<b>40.5</b>	<b>26.5</b>	<b>0.7</b>	<b>20.5</b>	<b>6.3</b>	<b>1.9</b>	<b>0.6</b>	<b>1.2</b>	<b>0.2</b>	<b>0.6</b>	<b>0.4</b>	<b>0.4</b>
Agriculture, Fruit and Livestock	-	0.3	26.5	0.7	8.0	2.7	1.9	0.6	1.2	0.2	0.6	0.4	0.4
Silviculture	46.3	40.2	-	-	12.4	3.6	-	-	-	0.0	0.0	0.0	0.0
Extractive Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>II. Mining</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>65.0</b>	<b>42.2</b>	<b>86.5</b>	<b>95.3</b>	<b>95.7</b>	<b>94.2</b>	<b>94.7</b>	<b>96.0</b>	<b>96.3</b>	<b>94.2</b>
Copper	-	-	-	65.0	42.2	86.4	95.3	95.7	94.2	94.7	96.0	96.3	94.2
Other	-	-	-	-	-	0.0	-	-	-	-	-	0.0	-
<b>III. Industry</b>	<b>53.7</b>	<b>59.5</b>	<b>73.5</b>	<b>34.3</b>	<b>37.4</b>	<b>7.3</b>	<b>2.7</b>	<b>3.8</b>	<b>4.7</b>	<b>5.1</b>	<b>3.3</b>	<b>3.3</b>	<b>5.4</b>
Foodstuff and beverages	16.4	2.3	47.7	18.7	34.6	2.7	0.9	0.1	0.7	0.6	0.5	0.4	0.3
Textiles and apparel	-	-	5.4	0.0	0.0	0.1	0.3	0.2	1.7	0.6	0.6	0.1	0.0
Forestry and Furniture	-	-	1.4	0.4	0.3	0.7	0.5	1.5	0.1	0.1	0.0	0.0	0.0
Cellulose, paper and by-products	36.3	54.7	0.4	12.7	0.6	0.2	0.1	-	0.1	-	0.0	0.0	2.8
Processed and unprocessed chemicals	0.5	2.4	18.6	2.4	1.7	3.5	0.9	1.9	2.1	3.4	2.1	2.7	1.8
Glass, clay and porcelain products	-	-	-	0.0	-	-	-	-	-	0.0	-	0.0	0.0
Basic steel and iron industry	-	-	-	-	-	-	-	-	-	0.0	0.0	-	0.2
Metal products, machinery and equipment	0.5	-	-	0.1	0.1	0.0	0.0	0.1	0.0	0.4	0.1	0.0	0.3
Non specified manufactures	-	-	0.1	0.0	-	-	0.0	-	-	-	-	0.0	0.0
<b>IV. Others</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0</b>	<b>0.0</b>	<b>-</b>	<b>0.0</b>	<b>-</b>	<b>0.0</b>	<b>-</b>	<b>0.0</b>
<b>V. Total Exports</b>	<b>100.0</b>												

Source: Studies and Informations Department, DIRECON (July 2007), based on data from Central Bank of Chile

It is worthwhile to highlight that the sector that the industrial sector has also shown growth (industrial exports increased by 154% in 2006), where cellulose, paper and by-products and processed and unprocessed chemicals represent the largest share within the industrial sector (85% of total exports to Turkey), which is about 5% the share of copper exports to Turkey (94% in 2006). The latter is a clear example of the growth in the demand of the non-traditional Chilean exports that have been able to reach a market size that can be compared to the copper industry in those markets.

Within the industrial sector, the main export product is chemical wood pulp, bleached or semi-bleached of coniferous, which belongs to the leading exporting sectors (chemical and cellulose), which have shown an important growth in exports share, sub sectors that accounts for 18.8 million dollars worth of exports in 2006.

<sup>29</sup> Turkey GDP growth in IMF (2007) "World Economic Outlook" April, 2007, in <http://www.imf.org/external/pubs/ft/weo/2007/01/pdf/statappx.pdf>

<sup>30</sup> General Directorate of Economic Research and Assessment (2006) "Foreign Trade Outlook", Undersecretariat of the Prime Minister for Foreign Trade, Turkey, pages 70-71

The latter clearly shows that 96.4% of all of Chilean exports to Turkey (in 2006) can be explained by three types of products: copper, chemical wood pulp, bleached or semi-bleached of coniferous and chemical wood pulp, bleached or semi-bleached (non- coniferous). This implies that the level of elaboration that Chilean products that are exported to Turkey is extremely low given that the great majority are raw materials or commodities.

**TABLE 2.5**  
**CHILE'S MAIN EXPORTS TO TURKEY, 2005 - 2006**  
*(millions of dollars FOB and %)*

HS	Description	Value (FOB)		Structure (%)		Growth (%)
		2005	2006	2005	2006	2006
74031100	Refined copper cathodes and sections	250,550,778.0	382,240,506.0	94.1	93.6	52.6
47032100	Chemical wood pulp semi-bleached or bleached of coniferous		5,977,853.0	-	1.5	
47032900	Chemical wood pulp semi-bleached or bleached non-coniferous		5,168,015.0	-	1.3	
28342110	Potassium nitrate, with a content of 98% or less of potassium nitrate		4,784,113.0	-	1.2	
74020010	Unrefined copper blister		2,073,304.0	-	0.5	
38082090	Other fungicides	187,298.0	972,680.0	0.1	0.2	419.3
89080000	Vessels and other floating structures for breaking up.		950,000.0	-	0.2	
8081060	Apples, fresh. Granny smith.	504,299.0	694,372.0	0.2	0.2	-
38082010	Fungicides for retail sale packed in containers of up to 5 kg or 5 liters net	357,008.0	503,413.0	0.1	0.1	41.0
79020000	Zinc waste and scrap		455,854.0	-	0.1	
8105000	Kiwis fresh	387,357.0	440,086.0	0.1	0.1	13.6
79039000	Other zinc dust powders and flakes.		371,309.0	-	0.1	
22042121	Appellation red wine (Cabernet sauvignon) in containers holding 2 liters or	144,537.0	284,623.0	0.1	0.1	96.9
31043000	Potassium sulphate.	471,092.0	282,638.0	0.2	0.1	-40.0
28252000	Lithium oxide and hydroxide		244,288.0	-	0.1	
22042122	Appellation red wine (merlot) in containers holding 2 liters or less	145,068.0	217,094.0	0.1	0.1	49.6
48109210	Multi-ply, in rolls or rectangular		203,420.0	-	0.0	
28342190	Other potassium nitrate		200,825.0	-	0.0	
8081010	Fresh apples, Richard delicious	36,637.0	154,396.0	0.0	0.0	321.4
8132000	Dried prunes.		151,191.0	-	0.0	
	<b>Total Principal Products</b>	<b>252,784,074.0</b>	<b>406,369,980.0</b>	<b>95.0</b>	<b>99.6</b>	<b>60.8</b>
	Others	13,427,619.0	1,797,926.0	5.0	0.4	-86.6
	<b>Total Exports</b>	<b>266,211,693.0</b>	<b>408,167,906.0</b>	<b>100.0</b>	<b>100.0</b>	<b>53.3</b>

Source: Studies and Informations Department, DIRECON (July 2007), based on data from Central Bank of Chile

## ii. Export products

Chile, in 2006 exported 91 products to the Turkish market. This figure only represents 1.7% of the total number of products that Chile exported to the world in the same year<sup>31</sup>. Table 2.5 shows the twenty main export products sold to Turkey. These twenty products account for 22% of the total number of products sold to Turkey and explain 99.6% of all sales to Turkey.

Also it can be seen that out of the twenty products, 13 are related to the industrial sector (including food industry) and account for only 5.4% of all exports to Turkey. One product (copper) is responsible for 94.1% of Chilean exports to Turkey. This isn't a minor issue taking into consideration that the top twenty listed products, are very limited in comparison to other products that Chile exports to other parts of the world, specially those goods that belong to the food sub-sector for human consumption as well as agricultural products.

### II.1.B Imports

As it has been said before, Turkey is the supplier of 0.12% of the imported goods to Chile, registering in 2006 imports of 36.7 million dollars. This represents an important raise of 14.9% in

<sup>31</sup> Chile exported 5.216 products in 2006

comparison with the previous year and, at the same time, represents a record level, and an increase over the earlier imports in 1994 of 734%.

**TABLE 2.6**  
**CHILE'S IMPORTS FROM TURKEY, 1994 - 2006**  
(million of dollars CIF and %)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>I. Imports from Turkey</b>	4.4	10.8	9.7	10.2	23.6	14.4	19.6	20.5	22.4	18.6	29.4	31.9	36.7
<b>II. Global Imports</b>	11,149.1	14,903.1	16,810.0	18,111.6	17,087.4	14,022.0	16,842.5	16,233.9	15,753.2	17,663.6	22,454.2	29,940.1	29,940.1
<b>I. Over II.</b>	0.04%	0.07%	0.06%	0.06%	0.14%	0.10%	0.12%	0.13%	0.14%	0.11%	0.13%	0.11%	0.12%
	<i>Growth Rate (%)</i>												
<b>Imports from Turkey</b>	165.1%	146.9%	-10.5%	5.4%	130.7%	-39.1%	36.6%	4.2%	9.5%	-17.0%	58.0%	8.4%	14.9%
<b>Global Imports</b>	5.7%	33.7%	12.8%	7.7%	-5.7%	-17.9%	20.1%	-3.6%	-3.0%	12.1%	27.1%	33.3%	16.6%

Source: Studies and Informations Department, DIRECON (July 2007), based on data from Central Bank of Chile

In terms of the behavior of imports coming from Turkey between 1994 and 2006, these have experienced regular and persistent rates of growth along the whole period, with the exceptions of 1996, 1999 and 2003. The continuous growth in imports from Turkey confirms the global tendency that shows successive falls in the amount of imports due to the adjustments in internal demand as a result of the harsh consequences of the international financial crisis of 1997, but with higher rates of growth in the case of the recoveries.

**TABLE 2.7**  
**STRUCTURE OF CHILE'S IMPORTS FROM TURKEY ACCORDING TO TYPE OF GOOD, 1994 - 2006**  
(%)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>I. Consumer Goods</b>	20.4	37.9	33.7	19.5	14.0	21.8	20.8	18.1	15.1	24.4	35.2	23.9	21.9
<b>II. Intermediate Goods</b>	71.5	61.0	60.5	77.4	68.1	75.0	74.3	67.2	48.7	52.1	38.5	48.1	61.2
Petroleum	-	-	-	-	-	-	-	-	-	-	-	-	-
Other fuels and Lubricants	-	0.1	-	-	-	0.0	-	-	0.4	0.8	0.4	2.0	3.7
<b>III. Capital Goods</b>	8.1	1.1	5.8	3.1	17.9	3.2	4.9	14.7	36.2	23.5	26.2	28.0	17.0
<b>IV. Total Imports</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Studies and Informations Department, DIRECON (July 2007), based on data from Central Bank of Chile

Table 2.7 shows the type of goods that are imported from Turkey. It is apparent that the majority of imports are concentrated in consumer goods and in intermediate goods that account respectively for 21.9% and 61.2% of total imports originating from Turkey in 2006. It's important to note that in this type of product, Turkey accounts for a small fraction of our capital goods and of intermediate goods.

**TABLE 2.8**  
**CHILE'S IMPORTS FROM TURKEY ACCORDING TO TYPE OF GOOD, 1994 - 2006**  
(millions of dollars CIF)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>I. Consumer Goods</b>	0.9	4.1	3.3	2.0	3.3	3.1	4.1	3.7	3.4	4.5	10.4	7.6	8.0
<b>II. Intermediate Goods</b>	3.1	6.6	5.9	7.9	16.1	10.8	14.6	13.8	10.9	9.7	11.3	15.3	22.4
Petroleum	-	-	-	-	-	-	-	-	-	-	-	-	-
Other fuels and Lubricants	-	0.0	-	-	-	0.0	-	-	0.1	0.2	0.1	0.6	1.4
<b>III. Capital Goods</b>	0.4	0.1	0.6	0.3	4.2	0.5	1.0	3.0	8.1	4.4	7.7	8.9	6.2
<b>IV. Total Imports</b>	4.4	10.8	9.7	10.2	23.6	14.4	19.6	20.5	22.4	18.6	29.4	31.9	36.7

Source: Studies and Informations Department, DIRECON (July 2007), based on data from Central Bank of Chile

The latter, together with the fact that global imports in consumer goods have been increasing over the years, imply that there has been a deviation in imports where the Chilean economy prefers to buy goods from Turkey at lower prices than that of other traditional suppliers.

Capital goods imports are a smaller portion of imports from Turkey, reaching to 17% of total imports from that country in 2006.

In terms of how the import mix has evolved over the 1994 – 2006 period, it can be said that there has been a certain amount of shuffling within the types of goods, showing an increase in the share of capital goods and a reduction in intermediate goods imports importance. Since 2000, capital goods have increased their presence in total imports from a 4.9% of imports coming from Turkey to the 17% reached in 2006.

Table 2.9 shows imports according to productive sectors according to ISIC. As it can be seen 99% of all imports come from the industrial sector and are mainly metal products, machinery and equipment and basic steel and iron industry products.

**TABLE 2.9**  
**IMPORTS FROM TURKEY ACCORDING TO ISIC, 1994 - 2006**  
*(million of dollars CIF)*

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>I. Agriculture, Fruit, Livestock Silviculture and Extractive Fishery</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.4</b>	<b>0.3</b>	<b>0.3</b>
Agriculture, Fruit and Livestock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.3	0.3
Silviculture	-	1.6	0.0	-	-	0.0	0.1	0.0	0.0	0.0	0.4	0.2	0.2
Extractive Fishery	-	-	-	-	-	-	0.0	0.0	-	-	-	-	-
<b>II. Mining</b>	<b>-</b>	<b>1.6</b>	<b>0.0</b>	<b>-</b>	<b>-</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.4</b>	<b>0.2</b>	<b>0.2</b>
Copper	-	-	-	-	-	-	-	-	0.0	-	-	-	-
Other	-	1.6	0.0	-	-	0.0	0.1	0.0	-	0.0	0.4	0.2	0.2
<b>III. Industry</b>	<b>4.4</b>	<b>9.2</b>	<b>9.7</b>	<b>10.2</b>	<b>23.6</b>	<b>14.4</b>	<b>19.5</b>	<b>20.4</b>	<b>22.4</b>	<b>18.6</b>	<b>28.5</b>	<b>31.4</b>	<b>36.2</b>
Foodstuff and beverages	2.1	2.9	2.8	3.4	1.4	2.1	2.4	2.4	2.9	3.6	2.9	2.1	2.7
Textiles and apparel	0.9	2.1	1.1	1.7	2.9	2.6	1.9	2.3	2.0	2.4	3.1	3.2	2.7
Forestry and Furniture	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1
Cellulose, paper and by-products	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0
Processed and unprocessed chemicals	0.4	0.7	2.0	1.6	2.3	2.4	2.2	2.6	2.2	2.7	3.4	4.7	6.0
Glass, clay and porcelain products	0.1	0.3	0.8	0.7	1.3	0.5	1.2	0.9	0.6	0.6	0.5	0.6	0.8
Basic steel and iron industry	0.1	-	-	1.1	9.3	3.9	7.2	5.8	3.2	0.2	0.6	3.0	5.6
Metal products, machinery and equipment	0.7	3.1	2.9	1.6	6.4	2.8	4.5	6.4	11.4	8.9	17.9	17.6	18.2
Non specified manufactures	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>IV. Others</b>	<b>-</b>	<b>0.0</b>	<b>-</b>	<b>-</b>	<b>0.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-</b>
<b>V. Total Imports</b>	<b>4.4</b>	<b>10.8</b>	<b>9.7</b>	<b>10.2</b>	<b>23.6</b>	<b>14.4</b>	<b>19.6</b>	<b>20.5</b>	<b>22.4</b>	<b>18.6</b>	<b>29.4</b>	<b>31.9</b>	<b>36.7</b>

Source: Studies and Informations Department, DIRECON (July 2007), based on data from Central Bank of Chile

Contrarily to exports, imports show a higher degree of diversification given that in 2006, Chile imported from Turkey 577 different products, which accounts for 9% of the number of products that Chile imports from the world<sup>32</sup>. Table 2.10 shows the top twenty products that Chile imports from Turkey, which represent on aggregate 57.6% of total imports that are of Turkish origin, thereof giving an example of how more diversified imports are than exports. It can also be seen that the majority of the products belonging to the top twenty are metal products, machinery and equipment and basic steel and iron industry products.

<sup>32</sup> Chile imported 6,729 different products from the world in 2006

**TABLE 2.10**  
**CHILE'S MAIN IMPORTS FROM TURKEY, 2005 - 2006**  
*(millions of dollars CIF and %)*

HS	Description	Value (CIF)		Structure (%)		Growth (%)
		2005	2006	2005	2006	2006
72142000	Other bars and rods of iron or non-alloy steel hot-extruded containing iron	2,011,374.0	4,212,256.0	6.3	11.5	109.4
73221900	Other radiators and parts thereof.	2,349,874.0	3,051,742.0	7.4	8.3	29.9
87032391	Mtr cars & o/mtr. vehicles for transport of persons, w/spark-ign. Int	438,387.0	1,639,719.0	1.4	4.5	274.0
28365000	Calcium carbonate	1,609,106.0	1,407,690.0	5.0	3.8	-12.5
84029000	Parts of boilers of steam.	111,531.0	1,172,091.0	0.3	3.2	950.9
27129010	Paraffin wax containig by weight more than 0.75 percent of oil.	538,680.0	1,080,765.0	1.7	2.9	100.6
24011090	Other tabacco, not stemmed or stripped	88,757.0	1,055,436.0	0.3	2.9	1,089.1
87019011	Tractor, suitable for agricultural use		1,018,306.0	-	2.8	
72084000	Other iron in coils not further worked than hot_rolled	40,270.0	984,512.0	0.1	2.7	2,344.8
73221100	Radiators and parts of cast iron.	748,489.0	748,845.0	2.3	2.0	0.0
84049000	Parts of auxiliary plant for use with boilers of heading 8402 or 8402		696,650.0	-	1.9	
61159290	Other stockings, socks and other hosiery, knitted or crocheted of cotton	731,465.0	657,107.0	2.3	1.8	-10.2
21022000	Inactive yeasts; other single-cell micro-organisms dead.	492,740.0	613,967.0	1.5	1.7	24.6
70132910	Other drinking glasses with stems	40,881.0	446,495.0	0.1	1.2	992.2
21021000	Active yeasts	196,493.0	434,086.0	0.6	1.2	120.9
84501139	Other washing machines, fully automatic, of a dry linen capacity not exceed	210,246.0	422,042.0	0.7	1.2	100.7
73241000	Sinks and wash basins of stainless steel	132,565.0	388,725.0	0.4	1.1	193.2
84213990	Other filtering or purifying machinery and apparatus for gases	12,185.0	383,464.0	0.0	1.0	3,047.0
84039000	Parts of central heating boilers.	226,629.0	352,679.0	0.7	1.0	55.6
30039010	Other medicaments for human uses.	350,691.0	351,750.0	1.1	1.0	0.3
	<b>Total Principal Products</b>	<b>10,330,363.0</b>	<b>21,118,327.0</b>	<b>32.4</b>	<b>57.6</b>	<b>104.4</b>
	Others	21,564,647.0	15,540,888.0	67.6	42.4	-27.9
	<b>Total Imports</b>	<b>31,895,010.0</b>	<b>36,659,215.0</b>	<b>100.0</b>	<b>100.0</b>	<b>14.9</b>

Source: Studies and Informations Department, DIRECON (July 2007), based on data from Central Bank of Chile

## II.2. Bilateral Trade in Services

Unfortunately, in this area of the bilateral relation there is no reliable data accounting the bilateral flow of services between Turkey and Chile. Even though there is no record of Turkish trade in services to Chile, we have detected some minor activity of Chilean services in Turkey, as maritime transport services.

## II.3 Bilateral Investments

### II.3.A Chilean Investment in Turkey

There are no official statistics on Chilean investment in Turkey, given that there is not yet any official methodology for accounting for this type of investment in Chile, and no investments by Chilean companies were identified for this study<sup>33</sup>. In 2006, Turkey received US \$ 17.4 billion dollars in foreign investment, of which US \$ 14.5 billion came from the European Union and only US \$ 1 million from South America (less than 0.01%).

### II.3.B Turkish Investment in Chile

An increasing level of transactions in goods, basically products, has marked economic relations between Chile and Turkey although some services can be detected, while, in comparison, direct

<sup>33</sup> No registered information in the data provided by the General Directorate of Foreign Investment, Prime Minister Undersecretariat of Treasury, Turkey in [http://www.treasury.gov.tr/stat/yabser/dyyvb\\_Aralik2006\\_ENG.xls](http://www.treasury.gov.tr/stat/yabser/dyyvb_Aralik2006_ENG.xls). The US \$ 1 million from South America in 2006 does not specify the country of origin, so there is no evidence of Chilean investment in Turkey

investment levels have not been identified. As an example, we may indicate that there is no registered Turkish investment for the period 1974-2006 received by Chile.

This performance pattern reflects, however, the general pattern of other Asian investments both worldwide and in Latin American and the Caribbean, characterized by a strong asymmetry between Asian presence in international trade, on the one hand, and the low profile of direct foreign investment, on the other.

Asian investors in South America have traditionally developed projects aimed at ensuring the quality, continuity and stability of raw material prices. In Chile, there are registered investments from 63 countries in the period 1974-2006, and there are no records of Turkish investments in Chile<sup>34</sup>.

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<sup>34</sup> Information from the Chilean Foreign Investment Committee in [http://www.foreigninvestment.cl/index/fdi\\_statistics.asp?id\\_seccion=2](http://www.foreigninvestment.cl/index/fdi_statistics.asp?id_seccion=2)

### **III. TRADE AND INVESTMENT POLICIES AND SYSTEMS**

### **III. TRADE AND INVESTMENT POLICIES AND SYSTEMS**

#### **III.1. Introduction.**

The basic features of the trade policy of Chile and its institutions were presented in preceding chapter; a detailed presentation of its policies and instruments are further developed in this chapter and its sections.

#### **III.2. Measures affecting Trade in Goods**

##### **III.2.A. Tariffs**

###### **III.2.A.1. General Tariffs**

As a result of the Uruguay Round, Chile lowered its bound tariffs from 35 to 25 percent, save for those applicable to dairy products, wheat, wheat flour, sugar and vegetable oils, which were reduced to 31.5 percent. Today, tariffs in Chile stand at 6 percent (from 1 January 2003), the result of a five-year reduction schedule established by Law No. 19,589, which was enacted on 14 November 1998. Chile has a flat MFN custom tariff of 6% for most products, which makes up over 98% of tariff lines. However, there are some exceptions for sugar, wheat and wheat flour, which are subject to a *price band system* (and thus to a specific duty), plus some measures specific to poultry (from heading 0207), which has a tariff of 25%<sup>35</sup>. On the other hand, some products are duty free, including fire-fighting vehicles, helicopters, aircraft, and cargo and fishing vessels.

Chile has lowered its effectively applied tariff rate<sup>36</sup> to 2.1 percent (the 2004 average), as compared to 3.2 percent<sup>37</sup> in 2003 through the implementation of additional FTAs and other former trade agreements. In accordance with Chile's approach, in every FTA most products have been included in immediate or short run tariff reduction lists. The products subject to special treatment (included in long term lists or not subject to tariff elimination) are both few in number and generally the same between FTAs, reflecting the political importance of those products to Chile. However, certain additional products are also protected in some FTAs on the request of our counterpart. Products that have received special treatment in all agreements are sugar, wheat and wheat flour and to a lesser extent dairy products, rice and others.

Imported second-hand goods are subject to tariffs applicable to new goods plus a 50 percent surcharge, except for capital goods and goods subject to the exemptions established in section 0 of the Chilean Customs Tariffs (diplomats, armed forces, charities, and others).

A 10 percent tariff on added value applies to repairs or work done to domestic products abroad.

Chile applies the MFN tariff treatment to WTO member States and also to non-WTO countries (subject to such treatment under bilateral agreements, i.e. Russia, Saudi Arabia, Lebanon, etc??). Preferential treatment is only accorded to countries with which Chile has trade agreements. The purpose of such bilateral trade agreements is to reduce tariffs to 0 percent.

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<sup>35</sup> The only measure to which poultry is subjected is a MFN tariff of 21,8%, higher than the general 6% MFN. Each year the tariff is reduced until it reaches 6% on 1 January 2012.

<sup>36</sup> That is, including preferential tariffs granted in FTAs

<sup>37</sup> Source: Cámara Nacional de Comercio (Chilean National Chamber of Commerce)

Chile applies special tariff treatments to goods imported under Section 0 of the Chilean Customs Tariffs (diplomats, armed forces, gifts to aid organizations, and others), consisting in total or partial tariff exemptions. Most goods included in this Section are duty-free, but others are subject to ad valorem duties of 1, 5, 6, and 8 percent, which in turn apply only when they are less than the duties established in customs tariffs for the same goods. In addition, these duty-free goods are not subject to import prohibitions and other import restrictions.

Chile does not apply tariff quotas, save in cases of reciprocity (Article 88 of the Central Bank Law).

### **III.2.A.2 Specific Tariffs**

Chile imposes specific duties as a result of the application of price bands, which are mechanisms established with the aim of stabilizing domestic prices. Such specific duties apply to sugar, wheat, and wheat flour. Thus, the administrative authority is allowed to apply, at regular intervals, a specific duty (expressed in US dollars) or a reduction of the applied MFN tariff (currently 6 percent), according to the evolution of international prices.

### **III.2.B. Non-Tariff Measures**

#### **III.2.B.1. Taxes and Duties**

Most imports are subject to the 19 percent Value-Added Tax (VAT), which is also applicable to domestic products. VAT is calculated on CIF value plus import duty. Capital goods imported for investment purposes may be VAT exempt when imported under the Chilean Foreign Investment Statute (Decree Law No. 600 of 1974), as long as the capital goods are included in a list established by the Ministry of Economy<sup>38</sup>. For domestic investment projects, the exemption of the VAT, applies when the goods are included in the above mentioned list, there is no local production of the capital goods to be imported, together with other requirements that have to be complied all together.

Several products, including different luxury items, alcoholic beverages, gasoline and vehicles are subject to other local taxes.

#### **III.2.B.2 Prohibited Imports**

The Central Bank Law provides for the free importation of goods<sup>39</sup>. Nonetheless, there still are some import prohibitions. For example, importation of second-hand vehicles is prohibited on sanitary and environmental grounds, i.e. pursuant to measures established by the authorities to combat air pollution in the main cities. However, such prohibition does not apply to second-hand vehicles imported under section 0 of the Customs Tariffs or to those who may be imported under total or partial duty exemptions.

Import prohibitions also apply to goods that may offend public morals or affect sanitary and phytosanitary safety. For instance, the importation of fruit infected with fruit fly is prohibited.

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<sup>38</sup> The updated list is in Decree 204/2002. Since the list is very exhaustive, it has only had two modifications to include two capital goods. To be in the list, the product must be a machinery or equipment

<sup>39</sup> Law 18,525 is the main law that regulates international trade and the Central Bank has no role in it. In the past the Central Bank could establish limitations on imports and that is why there is that provision in the Central Bank Act, but that is not related to Law 18,525

Pursuant to the Convention on International Trade in Endangered Species, ratified by Chile, the importation of endangered plants and animals is prohibited. However, these species may be imported with a special permit issued by the National Commission for Scientific and Technological Research.

The following items cannot be imported<sup>40</sup>

- Used vehicles (unless covered by exceptions established within the existing rules)
- Used motor cycles
- Used tires
- Asbestos in any of its forms
- Pornography items
- Industrial toxic wastes
- Dangerous merchandises for animal use, agriculture or human health (as examples; some plague control materials for agricultural use, toys and children 's items that may contain toxic components, other items), which are prohibited by the Ministry of Health, Ministry of Agriculture or other Chilean public organizations.
- Other merchandises that according to Chilean current laws are with a prohibition to be imported.

### **III.2.B.3 Quantitative Restrictions-Import Licences, Quotas, etc.**

Chile applies a duty free quota of 60,000 tons for sugar within the framework of WTO, as a result of the renegotiation of its bound rate of tariff. In the case of sugar,

#### **Contingents:**

A. Sugar HS code 1701.99.00	60.000 ton
B. Sugar HS code 1701.91.00	30.000 ton
C. Sugar HS code 1701.91 and 1701.99	15.000 ton

#### **Duty out of quota for sugar:**

The applied duty when imports exceed the sugar quota is established 12 times a year as a specific duty or rebate, depending on the international markets behavior that are relevant according to the mechanism established by Law 19.897 and Finance Ministry Decree 831.

The only other products that are under a quota system are in the framework of specific concessions in trade agreements

On the other hand, preferential duty free quotas to several products are being applied within the framework of the FTAs.

#### **Price Band System**

This system was modified in 2003, in conformance with the recommendations of the WTO. A new legislative piece introduced reforms for a more predictable, transparent and non-discretionary system. Moreover, the new law eliminate edible oils from its application, establishes a new upper and lower borders of the band, and the way these borders are decreasing until 2014.

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<sup>40</sup> Original text is in Spanish. Further details in Spanish in [www.aduana.cl](http://www.aduana.cl)

In relation to the elimination of the price band scheme, the law does not establish a deadline; rather, it establishes that in 2014 the President has to assess the modalities and conditions of application of the system, which could result in its elimination or in its modification.

Article 1 of Law N° 19.897, that replaced Article 12 of Law N° 18.525 on the Rules on Importation of Goods, establishes specific duties in dollars of the United States of America per tariff unit and rebates on the amounts payable as *ad valorem* duties established in the Customs Tariff, which could affect the importation of wheat, flour of wheat and sugar, for the period between December of 2003 and December of 2014. In this last year the President of the Republic will evaluate the modalities and conditions of application of the mechanism, considering the conditions of the international markets, the necessities of the industrial and productive sectors and the consumers, as well as our commercial obligations at that date.

The amount of such duties and rebates is established six times for wheat by every annual period between the 16 of December and the 15 of December of the following year, and twelve times for sugar by every annual period between the 1 of December and the 30 of November of the following year, depending on the relationship between the average price in relevant markets and the values established in law 19.897. In some cases a specific duty may be applied, in others a rebate and finally in others there may be no specific duty in addition to the 6% *ad valorem* rate.

The new mechanism established in 2003 by Law 19.897 and Decree 831 grants to all exporters of the goods covered by this system a mechanism that does not affect in anyway international trade.

### **III.2.C Import Customs Procedures**

Until 2002 all imports valued at over US\$ 3,000 required that the Central Bank approve an import report prior to the shipment of and payment for goods. This is no longer the case.

Imports received via inland freight require the International Waybill/Customs Transit Declaration, which allows goods to be cleared at border customs houses. Otherwise, goods must be transferred to regional customs houses.

Goods imported on a temporary basis are subject to a *bona fide* self-valuation and some customs administrative functions have been transferred to customs agents.

For imports and exports originating in Tax Free Zones there is a "remote clearance" system. Customs procedures are completed electronically through the Information Technology Center, where all information is recorded either directly from the free zone or from a special transmission center. The information required is basically the same as that required for other types of imports.

### **III.2.D Measures Affecting Exports**

#### **III.2.D.1 Export Subsidies**

Chile does not provide and does not have plans to provide any export subsidies. Chile notified the WTO of three mechanisms containing export subsidy components: i) the simplified system of customs duty refund; ii) the deferred payment system for customs duties, fiscal credits and other tax-related benefits; and iii) the automobile law. Regarding the first two, the subsidy component was eliminated by January 2003 and December 1998, respectively. The third one was eliminated by November 2003.

### **III.2.D.2 Duties, local taxes and duty neutralization measures**

#### **Customs and Fiscal Allowances**

- **Duty drawbacks**

Under law 18.708 of 13 May 1988, operates a general drawback system, which is available to all exporters who have used imported inputs. Exporters are reimbursed for import duties paid on all imports incorporated or consumed during the production process.

Under law 18.480, of 19 December 1985, operates a simplified duty drawback system for small exports. The drawback rate is 3% of FOB value of exports and products must have at least 50% of imported inputs to apply for this drawback. There is a list of products excluded from the system, which is augmented every year with those eligible products whose exports exceeded US\$ 23,185,800 in the previous year. This maximum export is updated annually.

Any exporter that has incorporated or consumed imported inputs in exportation may apply to the general drawback system. There is no minimum export value required (for efficiency reasons, applications must cover at least a drawback of US \$ 100. -).

The general drawback and the simplified duty drawback system are self-excluded. This means that they cannot be used simultaneously for the same exportation.

As it was explained in an earlier paragraph (section 3.b.iv) in this Joint Study Group document, to apply for the 3% simplified duty drawback, among other requirements, the product (8 digit- tariff code) must not be in the list of goods excluded. This list is published every year and at present it corresponds to decree 74/06

- **Deferred payment of customs duties**

Under law 18.634, of 5 August 1987, the deferred payment of customs duties on imports of capital goods is allowed for up to seven years, payable in three installments. Also, purchasers of Chilean made-capital goods are entitled to a tax credit equivalent to 73% of the customs duty on the net invoice value of the goods. In both cases, the debt is subject to a market-based interest rate established by the Central Bank.

- **Value Added Tax**

Exports are exempt from this tax and there is a system through which exporters may recover the tax paid by the inputs.

- **Interest rates for exporters**

Export activities have no access to prime rates. However, the Production Development Corporation (CORFO), through Chilean and foreign commercial banks, provides interest rate support to importers of Chilean exports (Capital Goods, Durable Consumption Goods and Engineering and Consulting Services), and also for exporters enterprises, for the provision of inputs or the establishment of a commercial infrastructure abroad.

CORFO provides the necessary funds for those credit lines through private financial institutions and does not compete against the private sector in connection with fund provisions

### **III.2.E Technical Barriers to Trade**

#### **STANDARDS, TECHNICAL REGULATIONS AND CONFORMITY ASSESSMENT PROCEDURES IN CHILE**

##### **1) DESCRIPTION**

###### **Basic Principles**

Consistent with Chile's international trade policy, the elaboration, adoption and application of standards, technical regulations and conformity assessment procedures are based on non-interference with the free operation of markets, non discriminatory treatment between domestic and foreign products and the use of international standards as a basis for standards and technical regulations.

###### **Standards**

The Chilean institution in charge of the development of standards is the National Standardization Institute (Instituto Nacional de Normalización, INN). The INN is a Private non profit Foundation and affiliate of "Production Promotion Corporation" (Corporación de Fomento de la Producción, CORFO).

In September of 1995, the INN accepted the Code of Good Practice for the Preparation, Adoption and Application of Standards of the Agreement on Technical Barriers to Trade of the World Trade Organization (WTO). The Chilean Standard base (NCh1) establishes that in all the cases that is possible, standards must be based in the international standards and keep them as similar as possible (ISO, IEC, Codex Alimentarius, etc.), and if this is not possible, in regional standards (COPANT, CEN, etc.) trying that modifications be minimal.

Chile is member of the International Standardization Organization (ISO) through the INN. Also, INN is member of The Inter-American Metrology System (SIM), International Organization of Legal Metrology (OIML), the Inter-American Accreditation Cooperation (IACC), the Pan-American Standards Commission (COPANT), International Accreditation Forum (IAF), the International Laboratory Accreditation Cooperation (ILAC) and Asociación Mercosur de Normalización (AMN). Moreover, Chile participates in the CODEX Alimentarius Commission. In 1997, the National Committee of the Codex Alimentarius was institutionalized, with the participation of the Ministries of Health, Agriculture, Economy and Foreign Affairs, as well as representatives of the food industry, academic sector and consumers. The INN in the General Conference of Weights and Measures, International Committee of Weights and Measures, and the International Bureau of Weights and Measures, in which the official representative is the Ministry of Foreign Affairs, also technically represents Chile.

Standards are adopted through a process of consensus building among the interested parties from both the public and private sectors. The public consultation process (for 60 days) is announced on the web page ([www.inn.cl](http://www.inn.cl)) and also in a nationwide newspaper; the text of draft standards is available to anyone requesting them. Once the INN Council has approved a standard, it is given official status by the relevant Ministry, yet they keep being voluntary standards.

It exists a Documentation Center that depends of the Information and Diffusion Division from INN. This Center keeps all Chilean standards (both officials and yet in study) and is available to the public through two media: Documentation Center Library, and the web page [www.inn.cl](http://www.inn.cl) (the information published on the internet includes the standard code, title, value, scope and application field).

Currently, there are about 2,900 standards with a non-mandatory compliance. The process of study of such standards is conducted according to widely accepted international criteria. An important number of the standards developed in recent years, are equivalent to international standards or present minor deviations from international standards in aspects that do not affect the technical content. However, in some cases the international standards have not been taken into account for the development of national standards, because they have been considered as inadequate for national application. Such is the case of seismic designs and structures because of local seismic conditions.

The “stock” of national standards is subject to alignment with international standards whenever standards go through a revision process or when an obstacle to trade has been detected.

Accordingly, Chile is making important efforts in order to meet its commitments on the APEC’s Voluntary Action Plan, through the alignment of national standards with international standards in those products identified as “priority” by the APEC’s Sub-Committee on Standards and Conformance. This program began in 1996 and it will continue as long as new priority areas are defined.

### **Technical Regulations**

Technical regulations are those which compliance is mandatory. They are developed by the Ministries, and other governmental Agencies with competence in the specific area to be regulated. Each Ministry develops its own regulations –most of them refer to international standards-, which are approved by either a decree or a resolution. They are published on the “Diario Oficial de la República de Chile” (Official Gazette).

Among the main institutions with competence to adopt technical regulations, is worth to mention: The Ministries of Economy, Agriculture, Health, Transportation and Telecommunications, Housing and Urban Development .

Chile notifies to the WTO the draft technical regulations, pursuant to the obligations established in the Agreement on Technical Barriers to Trade. This information is public and available on the Ministry of Economy web page ([www.economia.cl](http://www.economia.cl)) and our web site [www.reglamentostecnicos.cl](http://www.reglamentostecnicos.cl).

### **Conformity Assessment**

In Chile, the conformity assessment process is conformed in one hand by mandatory mechanisms under the supervision of the Ministries with competence in health, hygiene, and safety matters, and in the other hand by non-mandatory mechanisms such as the one administrated by the INN.

### **Voluntary**

The INN administrates the conformity assessment with voluntary standards. For this purpose, the Institute has developed a National Accreditation System that includes the accreditation of: Products and Quality System Certification Bodies; Auditors of Quality Systems; Quality System

Certification Bodies; Inspection Bodies and Calibration and Testing Laboratories. Since 2004 the INN has a Regulation (INN - R401) for the accreditation of Conformity Assessment Bodies. The objective of this regulation is to establish the procedure and requirements applied in the National Accreditation System. This regulation is available in the web site: [www.inn.cl](http://www.inn.cl).

This system operates under international criteria (ISO/IEC guides). The accreditation is given for a certain period of time, during which there is a continuing evaluation of the competence of the conformity assessment bodies.

Both domestic and foreign conformity assessment bodies participate in the process. They include: Universities and private institutions as well as transnational subsidiaries (*Bureau Veritas, Societé General de Surveillance, Lloyd Register, etc.*).

Finally, consistently with the Chilean foreign trade policy, the INN is seeking to increase its international credibility through the international recognition of its accreditation system. The aim behind this policy is to achieve the recognition of the Chilean conformity assessment results by those markets to which Chile exports its products.

For this objective, INN is in process of being signatory of the Multilateral Recognition Agreements (MLA) of ILAC and IAF, by being signatory of the mutual recognition agreements of IAAC. IAAC's MRAs have been recognized by ILAC and IAF in 2006, and since then, the condition of signatory of the MLAs must be obtained regionally.

INN has made important progress in obtaining these recognitions for testing and calibration laboratories and certification bodies of quality and environmental management systems. Once completed this process of recognition, INN will request a peer evaluation for the MRA on product certification bodies.

### **Mandatory**

In this case, the conformity assessment process is under governmental control. The assessment of conformity in some cases is carried out directly by the competent Agency through its own infrastructure, and in other cases is carried out by conformity assessment bodies, which are authorized by the Agency for that purpose.

As a way to facilitate the mutual recognition of the conformity assessment results, the authorities are working on the standardization of the criteria to approve conformity assessment bodies, as well as on the criteria for certification in specific regulated areas. To facilitate this process, INN has developed arrangements with some Agencies in order that its accreditation of those conformity assessment bodies is accepted by the Agencies. The regulatory authority sets the requirements, test methods or specific procedures and, generally it participates in the accreditation process itself. This has happened in the areas such as electrical and fuel products; fishing products; fire extinguishers; certification of meat grading; testing laboratories for residues in meat; testing laboratories for testing water; testing laboratories for construction materials; certification of steel for construction purposes.

Chile is committed to facilitate the international trade through the participation in several recognition arrangements, both in the APEC context and with a group of economies that includes APEC economies; all those arrangements are for a particular area. The priority areas are Electricity, Food and Toys.

Chile participates in the Part I of the APEC EEMRA (Mutual Recognition Arrangement on Conformity Assessment of Electrical & Electronic Equipment).

Chile subscribed the APEC Arrangement for Exchange of Information in Toys Safety.

The Superintendence of Electricity and Fuels (SEC) recognizes test results and certification from a specific list of organizations from the United States, Germany, France, Italy, the Netherlands, Austria, Switzerland, England, Canada, Japan, Denmark, Sweden, Norway and Belgium. The organizations interested in having this recognition may request to SEC to be included in that list after compliance with some requirements.

## **Metrology**

Between the years 1995 through 1997, Chile started the development of a National Metrology System, which was implemented through a National Metrology Network coordinated by INN. The Network operates as a central laboratory, using the preexistent capabilities in the country, endowing them with the necessary technological support to achieve their international technical recognition. In order to divulge the information from the network, there is a web page [www.metrologia.cl](http://www.metrologia.cl), it is administered by the same servers as the network. The National Metrology Network has signed several agreements (5 MOU, 2 MRA, 4 Adhesion Acts and 2 Contracts/Other; 4 of them aren't binding and 9 are binding, as for example the Convention du Metre).

The system's main characteristic is a "decentralized structure" in which most of the recognized laboratories coming from Universities, private and public sectors perform the metrological execution. This situation substantially differs from what happens in other countries, in which the entire operation is centralized in a single National Control Center.

Currently, the network is working under the recognition of "national laboratories" in the physical area for the magnitude of Mass, Temperature, Force, Length, Pressure, and Electrical Magnitudes, and in the chemical area for chemical residues in food. These "national laboratories" are already providing services and give trace ability to the "Calibration Laboratories" and "Testing Laboratories". These laboratories have to disseminate the units to the national industry. The process is expected to expand and include as many magnitudes as possible, in order to reach a certain degree of coherency among them, so they can have a real economic impact.

## **2) MAIN FEATURES OF STANDARDS AND TECHNICAL REGULATIONS.**

### **Objectives**

The authority has basic legitimate objectives to accomplish on issues related to the protection of human health or safety, animal or plant life or health, or the environment. Then the official policy is that what does not fall under a legitimate objective has to be left to the market to decide on what standards a product must comply with, if any, and they are of a voluntary nature. This is the reason why; the number of technical regulations is fairly limited.

Chilean technical regulations do not constitute a barrier to trade. The reduced number of complaints made by our commercial partners, either during bilateral meetings or through international publications, confirms the situation.

Indeed, the findings on technical barriers to trade examined by the United States (*National Trade Estimate*), and the European Union (*Market Access Database*) do not show an important number of

claims regarding the Chilean standards and regulations. In fact, they only make reference to the strictness of some sanitary and phytosanitary measures, or to the differences between the international standards and the Chilean regulations in the building sector. However, this situation has been explained before in the present document.

### **Alignment with International Standards**

A great number of national standards and technical regulations are aligned with international standards.

Given that a substantial portion of the domestic technical regulations are based on domestic technical standards, most recent technical regulations are already aligned with international standards. However, this does not necessarily occur with old technical regulations, since there is no official updating procedure.

Chile, as a small and export-oriented economy, has not supported the idea of developing neither national or regional standards (there are justified exceptions). Chile's official policy is to focus on international standards. This policy is consistent with Chile's open, multi-targeted, and export oriented economy.

### **Market Surveillance**

Another characteristic of the Chilean system is that, as a general rule (excepting food, drugs and a few others), the verification of compliance with mandatory requirements for products (national or imported) is made effective once products have entered the market. This policy was adopted a long time ago and seeks to facilitate the flow of trade

### **Fulfilling the Obligations under Agreement on Technical Barriers to Trade**

The responsibility for implementing and administering the Agreement on Technical Barriers to Trade lies on the Ministry of Economy through its Foreign Trade Department.

Through document G/TBT/2/Add.16/Rev.1, Chile updated its notification to the WTO on implementation and administration of the Agreement on Technical Barriers to Trade, according to article 15.2 of the TBT Agreement.

### **Bilateral and Multilateral Agreements**

Chile signed the Agreement on Technical Barriers to Trade of the Tokyo Round in 1980. The Agreement on Technical Barriers to Trade of the Uruguay Round came into force as a Law in Chile on May 1995.

Most of Chile's bilateral agreements include a chapter on technical barriers to trade. This fact, together with the commitments assumed under the WTO, have generated a need for "interdisciplinary team-work" between the Parties involved in the area of technical barriers to trade. The agreements make reference to the creation of "Commissions" which develop working programs and constitute an instance to solve problems concerning the impact of a specific measure on the trade relations between the Parties. In all of these cases, the compromises include disciplines that extend beyond the TBT Agreement provisions in areas such as transparency, equivalence, mutual recognition, and risk assessment. In addition, the Canada-Chile FTA and the Mexico-Chile FTA include provisions on this area in the telecommunication sector.

## **Legal Framework**

In 1997 was created the National Commission on Technical Barriers to Trade. The Commission is headed by the Ministry of Economy, and has played a fundamental role on dealing with the coordination between the different Government Agencies.. By centralizing the process, and dealing with all the agents involved in the development of technical regulations, the Commission provides all the parties involved, with a common forum to express their concerns and expectations related to the nation's standardization agenda.

Another measure oriented to improve the implementation of the Agreement on Technical Barriers to Trade is law 19.912, published in November 2003. Among other provisions, it ratifies the Ministry of Economy as the responsible authority for the notification process under WTO obligations, and also defines the nature of the process itself

To implement the law above mentioned, a regulation was jointly developed with the different Government Agencies, which establishes basic criteria for the development, adoption and application of technical regulations and conformity assessment procedures, including the notification process./Decree 77). This Decree is available in the web site: [www.economia.cl](http://www.economia.cl) (there is an English version).

Finally, since 2006 it is available a web site (with the cooperation of the EU) which contains all the Chilean technical regulations: [www.reglamentostecnicos.cl](http://www.reglamentostecnicos.cl).

All things combined, will improve Chile's capacity to meet its current international commitments, including those assumed under the WTO, and other international organizations, as well as the specific compromises arising from the negotiation of commercial agreements.

### **III.2.F Sanitary and Phytosanitary**

#### **Local Corresponding Entities**

In their respective fields of competence, the Ministries of Agriculture, Health and Economy are responsible for complying with the obligations assumed by Chile under the WTO Agreement on Application of Sanitary and Phytosanitary Measures, and for exercising its rights there under.

The Ministry of Agriculture is the competent authority responsible for managing — through the Agriculture and Livestock Service (SAG), all requirements involving sanitary (animal health) and phytosanitary (plant health) matters that apply to the import and export of animals, plants and by-products thereof; the sanitary and phytosanitary measures applied to reduce the risk of introducing animal-borne diseases and plant pests, and for controlling the eradication or the spreading thereof; and also for issuing the sanitary and phytosanitary export certificates for animal and plant products, including the certification of fitness for human consumption for primary products. SAG is the Official Entity and the Information Service concerning animal health and phytosanitary matters of Chile.

The Ministry of Health is the local sanitary authority vested with the necessary legal powers for approving and controlling the installation and operation of establishments dedicated to the production, processing, packaging, storage, distribution and sale of food. In addition, the Ministry of Health is vested with the authority to authorize or reject the import and marketing of all imported food intended for human consumption.

To ensure compliance with the laws and regulations governing food safety, the Ministry of Health inspects facilities and monitors the sanitary quality of the products. These inspection and monitoring activities are performed throughout the country on an ongoing basis, and they are based on specific surveillance programs.

The legal powers of the Ministry of Health are established in the Sanitary Code, which is the main statute governing all matters related to the promotion, protection and recovery of the health of the Chilean population, with the exception of matters governed by other laws. On the other hand, the Sanitary Code establishes supplementary regulations applicable to specific matters. With regard to food safety, the Food Sanitary Statute is the standard that establishes the sanitary conditions applicable to the production, importation, processing, packaging, storage and sale of food for human consumption, in order to protect the health and nutrition of the population, and guarantee that the products supplied are healthy and safe. This statute also applies to all natural or artificial persons that intervene or participate in the aforementioned processes, and to all facilities, modes of transportation and distribution channels involved.

In order to comply with its legal obligations, the Ministry of Health has a network consisting of 13 Regional Ministerial Secretaries, which act as the sanitary authority in the jurisdiction where each of them must manage and implement the food safety programs.

The Ministry of Economy participates in the food industry through its regulatory powers with regard to fisheries and the proper operation of the markets, consumer protection; surveillance and resolution is carried out by agencies attached to the Ministry. The agency in charge of fisheries is the Office of the Under-Secretary for Fisheries (SUBPESCA) and the National Fisheries Bureau (SERNAPESCA). SUBPESCA holds the appropriate authority to manage all fisheries and marine related activities together with being entitled to propose initiatives for its development by defining, following-up and disseminating national fishing and aquaculture policies and establishing regulations for its implementation, with the purpose of achieving sustainability in the use of the hydro biological and environmental resources for the benefit of the entire Chilean population. On the other hand, SERNAPESCA is the agency responsible for implementing national fishery policies, by regulating the exploitation of fisheries resources. At the same time, it is the agency responsible for the sanitary control and certification of the hydrobiological products for export, and for establishing epidemiological surveillance systems aimed at preventing, controlling and eradicating disease among aquatic animals.

The Ministry of Foreign Affairs, through its General Directorate for International Economic Affairs (DIRECON), is the agency in charge of coordinating the different regulatory agencies responsible for supervising compliance with SPS measures. It determines- jointly to the Chilean Mission to the WTO- national positions regarding these matters in the WTO Sanitary and Phytosanitary Committee. In addition, it supervises compliance with the commitments assumed under the Agreement on the Application of Sanitary and Phytosanitary Measures, and other trade agreements.

An Inter-Ministerial National Commission on Sanitary and Phytosanitary Matters was established in March 2001, headed by DIRECON. Its objectives are: to assess the SPS chapters of the different trade agreements; analyze trade concerns, follow - up Action Plans derived from the SPS Committees of the FTAs and other agreements; discuss national positions with regard to the Codex Alimentarius, International Plant Protection Convention (IPPC) and the World Organization for Animal Health (OIE).

The regulatory framework, drafting procedures, and adoption of the Sanitary and Phytosanitary Measures by Chile were reported to the Secretariat of the SPS Agreement in December 1995<sup>41</sup>.

Closely coinciding with the provisions established in the SPS Agreement of the WTO, drafting of new standards in Chile is based on scientific grounds, following the principles established in the WTO Agreement, avoiding measures that may pose hidden barriers to trade, and promoting a balance between sanitary and phytosanitary protection and a necessary smooth flow of trade.

To apply this policy, Chile has an active participation at the multilateral level for guidelines (WTO) and the regulations or standards (OIE, IPPC, CAC). At the bilateral sphere, Chile looks for achieving a better and clearer implementation of the SPS Agreement.

- **Imports Policies**

All animal imports and products thereof, must be accompanied by a sanitary certificate issued by a competent authority from the country of origin. The certificate confirms compliance with the zoo sanitary requirements that are mandatory in Chile, which are based on the Zoo sanitary Code of the OIE. A phytosanitary certificate issued by the competent authorities of the exporting country is required for plants or parts thereof, whether processed or in their natural state, that may constitute or transmit pests, and for articles that may represent a hazard to plants (including plant by-products, living organisms, containers, agricultural materials and soils).

Irrespective of their country of origin, animals are placed in quarantine. Plants and seeds are placed in quarantine based on the phytosanitary conditions of their country of origin. The decision is based on a risk analysis, which is performed in accordance with the procedures established in the International Plant Protection Convention (IPPC).

With regard to food imports, the Regional Health Offices of the Ministry of Health authorize food imports for human consumption based on the regulations in force. The import process contemplates sanitary controls including laboratory analyses. Risk criteria and historical data on food safety are applied in the analyses, in order to define the recurrence and impact thereof.

The Ministries of Agriculture and Health accept certificates issued by the official sanitary agency of countries that comply with the guidelines established by international scientific organizations, such as FAO, Codex Alimentarius, International Plant Protection Convention (IPPC) and the World Organization for Animal Health (OIE).

A sanitary certificate indicating strict compliance with the requirements established must accompany imports of live aquatic resources. Sanitary regulations are in agreement with the Aquatic Animals Health Code of the OIE.

From May 1996 to February 2006, Chile has submitted 209 notifications on sanitary and phytosanitary regulations and emergency measures to the Sanitary and Phytosanitary Committee (SPS Committee) of the WTO<sup>42 43</sup>.

A chapter on SPS measures has been included in the preferential trade agreements subscribed by Chile, in the Free Trade Agreement (FTA) signed with Mexico, Central America, the United States

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<sup>41</sup> Distributed as document G/SPS/W/39.

<sup>42</sup> WTO Documents series G/SPS/N/CHL/.

<sup>43</sup> Documents of the WTO series G/SPS/N/CHL/.

of America, Canada, European Free Trade Association (EFTA), India, South Korea, P.R of China, Panama, Peru, Colombia, and Japan, and in the Association Agreements with the European Union and P4 (New Zealand, Singapore, Brunei Darussalam). On the other hand, the agreement signed with MERCOSUR confirms the rights and obligations of the parties under the WTO Agreement on the Application of Sanitary and Phytosanitary Measures.

- **Exports Policies**

With regard to exports, guaranteeing the food safety of the products and complying with all the sanitary regulations, are essential to gain the confidence of the destination markets.

The Regional Health Agencies of Chile (13 Regional Health Ministerial Secretariats<sup>44</sup>), are responsible for certifying the origin of the products and their compliance with the local sanitary regulations since they are the agencies authorized to approve and control the installation and operation of the pertinent establishments and the processes involved in the food production chain and the food safety control programs.

The inspection and certification of the sanitary and phytosanitary condition of all animal and plant products and by-products for export, and the verification of compliance with the sanitary and phytosanitary requirements of the destination country is a responsibility shared by the Agriculture and Livestock Service (animal and plant products) and the National Fisheries Bureau (hydro biological products).

With the purpose of adequately implementing the WTO SPS Agreement, efficiently solving trade problems and facilitating trade activities, SPS Committees have been established in the agreements with Mexico, United States of America, Canada, South Korea, European Union, Centro America, P.R. China, P4, Panama, Peru, Colombia and Japan.

- **Compliance with the Principles Established in the SPS Agreement**

Chile follows all the principles established in the SPS Agreement by the WTO in its bilateral trade relations. In the multilateral area (SPS Committee of the WTO) Chile has actively participated to develop the appropriate measures concerning the principle of Regionalization.

### **III.2.G Rules of Origin**

Rules of origin regulations do not apply to imports made under the MFN treatment. In Chile, a certificate of origin is only required when goods are imported under preferential systems.

### **III.3 Trade in services**

#### **III.3.A. Measures Affecting Trade in Services**

There are a few measures that discriminate between national and foreign services providers, which affect the principle of national treatment, and a few minor exceptions to the MFN. Chile has some quantitative non-discriminatory restriction, mainly related to technical considerations, while in certain sectors local presence is required to better protect consumer interests or domestic market stability.

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<sup>44</sup> “Secretaría Regional Ministerial de Salud” in Spanish

The Chilean legislation does not foresee any special treatment to the foreign or local enterprises, whether they are SME's or Trans National Companies (for further details on the Chilean investment regimes, refers to section 3 (d) of this Joint Study). In the specific cases of the restaurant and spa businesses services, there are no restrictive measures that may affect foreign investment from the FTA perspective. Finally, applicable measures to this sector are general non-discriminatory ones, and those related domestic regulation requirements (zoning, environmental impact studies and construction permits, among others).

As were explained in the earlier paragraph, there are no limitations in Chile for investments in any sector (including tourism and travel related services (restaurants and spa), and distribution services (retails wholesales) or tourism companies), except for those of general and non-discriminatory application, as well as those designed to comply with domestic regulation requirements

### **Telecommunications**

The Chilean telecommunications industry has expanded rapidly in recent years. The contribution of the communications sub sector to Chile's GDP increased from 1.9% in 1996 to 3.1% in 2002.

There are 14 fixed-net service providers, five providers of mobile services, and 20 companies providing international telecommunications services. Telefónica CTC has a dominant market position as a fixed-net provider in 10 of Chile's 13 regions. Since the early 1990s, Chile's telecommunication sector has been fully privatized; the State is not involved in the provision of telecommunications services.

The telecommunication sector is regulated by the Sub-secretary of Telecommunications (Subtel). Subtel is in charge of implementing and overseeing the application of the Telecommunication Law (Law No. 18,168 of 2 October 1982).

From the legal and constitutional standpoint, there is no discrimination between nationals and foreign investors, being there no restrictions for their participation in Chilean companies.

Domestically, the Chilean regulatory framework allows ample room for market development and only controls possible abuses arising from a dominant market position. This is achieved through the so-called "tariff-setting decree", which establishes for a five-year period the maximum rate to be charged for long-distance, local and Internet services. This type of regulation, in addition to the implementation of the "calling party pays" system (charges for calls made from cellular phones are paid by the calling party and under no circumstances by the receiver of the call), has been highly effective in fostering competition in all services provided by this sector.

Pursuant to Article 8 of the Telecommunication Law, a concession is required for offering public telecommunications services. Subtel grants concessions by means of supreme decrees. Once granted, a concession to provide telecommunication services is valid for 30 years. A concession or license is required for the use of the radio-wave spectrum; the fees for the different types of concessions or licenses are set out in Article 32 of the Telecommunication Law.

The National Council on Television (*Consejo Nacional de Televisión*) may establish, as a general requirement, that programs broadcast through public (open) television channels include up to 40 percent of Chilean production.

The owner of a social communication medium such as sound and image transmissions or a national news agency, shall, in the case of a natural person, have a duly established domicile in Chile, and, in

the case of a juridical person, shall be constituted with domicile in Chile or have an agency authorized to operate within the national territory.

Only juridical persons duly constituted in Chile and having domicile in the country may be the titleholders, or make use of permits, for limited radio broadcasting telecommunications services and cable television or microwave television services.

A ruling by the Telecommunications Under-Secretary is required to carry out Complementary Telecommunication Services, which are additional services provided through the connection of equipment to the public network

Telecommunication services, including domestic and international telephone services, mobile telephones and value added network services are completely open to competition from both, national and foreign providers.

In the case of social communication media, only Chilean nationals may be president, administrators, or legal representatives of the juridical persons at stake. In the case of public radio broadcasting services, the majority of the members of the Board of Directors must be Chilean nationals. The legally responsible director and the person who replaces him or her must be Chilean with domicile and residence in Chile.

Requests for public radio broadcasting concessions, submitted by a juridical person in which foreigners hold an interest exceeding 10 percent of the capital, shall be granted only if proof is previously provided verifying that similar rights and obligations as those that an applicant will enjoy in Chile are granted to Chilean nationals in the applicant's country of origin.

The following special limitations apply:

Maritime and aeronautic telecommunications, which are reserved to the Chilean Navy and the Aeronautic Civil Board, respectively.

- Only Chilean individuals and foreign individuals with permanent residency in Chile may obtain amateur radio aficionado licenses. Amateur radio individuals from countries where Chile maintains reciprocity agreements can also obtain this license, and foreign individuals with temporary residency in Chile previously qualified by the Undersecretary of Telecommunications.

The future trend points to market liberalization, facilitating the entry of new national and foreign competitors, together with an attractive technological progress, has situated Chile in a privileged position at world level in the area of telecommunications, and also provides an important basis for future business expansion into Latin America and other business partners countries.

### **E-commerce**

Chile has supported all initiatives designed to analyze the impact of e-commerce, as well as those designed to disseminate and foster discussion on the issue, both at private and public level, establishing work in these areas as one of the main goals of its policy.

As regards the modernization of the telecommunications regulatory framework, in May 1999 the Tariff-Setting Decree introduced the concept of Local Stretch, reducing in more than 60 percent the cost of using the network for switch access services.

In our country, legislation is already in force concerning electronic documents, pension fund forms, payments of health scheme contributions, electronic bank payments, import and export declarations, and payments of customs duties.

The program designed to modernize the Government Procurement and Contracts System represented in 1999 the first step to process government procurement operations via Internet. This system allows publishing, storing and distributing information related to State purchases and contracts. Thus, the State has a transparent and dynamic mean to control the procurement function.

As an example, the Customs Service has an automated system for entry and exit declarations. At present, 98% of import declarations are done by electronic media (EDI) and Internet does 100% of export declarations.

The Privacy Act, introduced in late 1999, establishes the need to obtain the consent of concerned parties whenever using their personal information, as well as the obligation of direct marketing companies to implement systems designed to provide concerned parties their personal information on request.

As mentioned above, our country is aware of the vital importance of creating an appropriate regulatory framework if it wishes to become part of economic globalization.

The Chilean government has adopted as its legal and regulatory strategy the gradual creation, with strict respect to personal freedom and through reforms and legal and administrative innovations, of new institutions, restructuring old ones according to needs and partially moving forward in the different areas, among which we may highlight the Electronic Signature Bill, approved by Congress in 2002.<sup>45</sup>

Likewise, different programs aimed at developing small and medium-size companies, based on their participation in e-commerce, have been implemented.

Furthermore, Chile has participated in different international fora - within the context of APEC, WTO, FTAA (ALCA in Spanish), and some bilateral initiatives - on e-commerce.

## **b. Transportation**

### **i. Maritime Transportation**

Sectoral exceptions to market access remain in maritime transport.

Chile's policy in recent years has been aimed at liberalizing this sector, pursuant to effective legislation, which execution is entrusted to the Ministry of Transportation and Telecommunications. The general guiding principle of this policy is the free participation of any vessel, Chilean or foreign, in the transportation of cargoes originating in the country, provided there is reciprocity as regards access to traffic and foreign-bound cargoes.

For our country, building an efficient, modern and geographically extended port infrastructure has been a priority task in recent years.

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<sup>45</sup> Law 19,799, March 25, 2002. Official Gazette.

In 1999, State ports and 53 percent handled 47 percent of maritime trade by privately owned ports. Ten independent Port Companies, successors to the now extinct EMPORCHI, manage state-owned ports. This was provided for in Law No. 19,542, which amended the administration system of State-owned ports and established the decentralization of port asset management, the creation of the above-mentioned independent companies, and the concession of docks. The State continues to exercise the regulatory function.

The government has given in concession the auxiliary services provided at State-owned ports. Authorities have stated that no more public investment is to be made in new port assets, in order to promote private investment. Some port services, such as loading, unloading and storage, are entrusted to private companies. The main idea is to provide ports the necessary tools for them to improve their efficiency and performance, as the conviction exists that the private sector will be able to carry out this function better than anyone else.

In general, Chile's international maritime transportation policy is based on the principle of freedom of navigation. However, where other country accord preferential treatment to vessels flying certain flags, Chile may apply reciprocity measures and maritime authorities may also accord preferential treatment in such cases. Under a 1974 bilateral agreement, all maritime transport between Brazil and Chile has to be performed by Chilean or Brazilian vessels, with the exception of the transport of oil and its by-products and natural liquefied gas. Freightage has to be divided between the two countries. Transport in third-country vessels is only permitted when no other means of transport are available; the agreement does not cover coasting. No measures involving any preferential treatment apply to the provision neither of auxiliary services nor to access to or use of port facilities.

As regards international trade, no discriminatory measures are applied to foreign vessels in connection with access to ports and port installations or their use. In 1995, Chilean vessels and the remaining 75 percent by foreign vessels transported 25 percent of maritime cargo.

## **ii. Air Transportation**

Because of its geographic situation, Chile requires expeditious, low-cost routes, both within and outside its borders. The development of a foreign-trade-based economy renders it necessary to have means of transportation suitable for the country's exportable bases. Thus, the airfreight sector grew hand in hand with the development of exports; particularly export products such as seeds and fresh fish, fruit and vegetables. These products require to be rapidly delivered to consumer markets. At the same time, this economic model brought about the growth of imports, which to a large extent are air freighted into country.

The Commercial Aviation Law recognizes Chilean and foreign companies alike the freedom to offer both national and international air transport services. In other words, any foreign or Chilean company may offer such services without any restriction, save for those related to technical and safety considerations.

Under this legal system, domestic traffic grew 1,000 percent over the period 1979-1999, with more than 3.2 million passengers carried yearly. In the 90s alone, domestic air traffic grew at average annual rates of 18 percent.

This has not only permitted to develop productive centers in remote regions of the country, but also to shorten distances in a country more than 4,000 km long, and with fares that make air transport increasingly affordable.

On the other hand, the consolidation of three private airlines, plus several regional airlines, reflects the dynamism of this sector.

At international level, this absolute freedom has one exception: reciprocity established in bilateral agreements or practice. Thus, foreign companies may operate in Chile insofar as their governments grant similar rights to Chilean airlines in their respective territories.

The Chilean experience and the development of its industry have shown that the greater the opening to foreign competition and the fewer the barriers or restrictions, the quicker the growth of traffic in the sector. For this reason Chile has an open sky policy and in its negotiations on air transport agreements tries to reflect that policy.

In turn, international cargo traffic has grown more than 8,000 percent since 1979, according to data provided by the Santiago Chamber of Commerce. Eight percent of Chilean exports leave the country via air, a figure that in the case of trade with the United States climbs to 16 percent and to 20 percent in the case of the United Kingdom.

### **III.3.B. International Commitments Related to Services**

Among the main objective of our country at international level is the establishment of clear regulations for services and investment, with a view to create a wider and stable market for our services and goods abroad. In this sense, we seek to progressively open up our markets for service providers and to strengthen the integration processes that may contribute to the expansion of trade and foster the creation of joint ventures to penetrate different markets.

As a result of the Uruguay Round, commercial disciplines extended beyond those related to trade in goods to cover areas such as services, investment and intellectual property. In recent years, our country has continued to participate in WTO working groups on services, and in service negotiations in the framework of the Doha Round.

Chile has also participated in other multilateral fora, such as the Asian Pacific Economic Forum (APEC) and the Service Group in the FTAA - the free-trade area of the Americas -, carrying out important work in said areas and actively participating in negotiations on services.

At bilateral level, some concrete results have been achieved through the subscription of legal instruments that cover issues and disciplines additional and complementary to trade in goods, as a means to achieve a better and more profound liberalization of trade.

In this context, we should note that the Free-Trade Agreements with Canada, Mexico, Central America, Korea, European Communities, United States, Japan, Peru, Colombia and Ecuador include specific chapters governing cross-border trade in services. Some of these Agreements also contain chapters and annexes that regulate and supplement these disciplines, such as those dealing with telecommunications, professional services and temporary admission of business people.

The above-mentioned Agreements are based on principles such as non-discrimination and transparency, which are applied to trade in services and investments; they set forth the restrictions that both investors and service providers from both countries may face when entering the different markets; and establish the mechanisms for the progressive removal of such restrictions.

On the other hand, in pursuing its objectives, our country has assumed different obligations or undertaken different initiatives that involve future negotiations aimed at further liberalizing services

and investments with other countries or groups of countries. In this context, during 1999, a Service Negotiation Group was created within the framework of the Mercosur Agreement. Chile also started negotiations with China in this area.

Even though Chile has negotiated Services Chapters with a positive and negative list approach, the Chilean policy is to aim for a Service chapters with negative list approach.

### **III.4 Foreign Investment Regimes**

In Chile, there is a free entrance of capitals. Thus, subject to domestic regulations, investors can materialize their investment freely.

#### **III.4.A. Treatment of Foreign Investment**

The Chapter XIV of the Central Bank's Compendium of Foreign Exchange Regulations establishes rules for investment, capital contributions, and foreign credit in Chile. Under Chapter XIV, the Central Bank is not allowed to reject foreign investments, although it may impose conditions based on its monetary policy on the transfer of funds into and out of Chile, such as a one-year retention requirement. Once the investments are materialized, investors should provide information to the Central Bank under Chapter XIV. This may be carried out at any commercial bank, prior to converting the capital into Chilean pesos. Foreign capital entering Chile under Chapter XIV receives national treatment, but it is excluded from the benefits of the foreign investment contracts possible under the Foreign Investment Statute, in particular the choice of invariable taxation.

Finally, it is worth mentioning that the Central Bank of Chile, pursuant to its Basic Constitutional Act and in order to provide for stability of the currency and the normal functioning of the internal and external payment system, is entitled to issue regulations on foreign exchange transactions. At the present time, there are no restrictions to perform foreign exchange transactions.

#### **III. 4.B. Special Investment Regimes and/or zones**

The Foreign Investment Statute (Decree Law No. 600 of 1974, amended on 16 December 1993), correspond to a special voluntary investment regime.

Any foreign individual or legal entity, as well as Chileans with residence abroad, can invest through D.L. 600. Under this mechanism, investors enter into a legally binding contract with the Chilean State, which cannot be modified unilaterally by the State or by subsequent changes in the law. However, investors may, at any time, request the amendment of the contract to increase the amount of the investment, change its purpose or assign its rights to another foreign investor.

The period in which the foreign investor must bring in the capital, cannot exceed three years. The Committee may extend this period to eight years for investments of at least US\$ 50 million when warranted by the nature of the project. In the case of mining projects the time-limit is eight years but, when prior exploration is required, the Foreign Investment Committee may extend up to twelve years. D.L. 600 guarantees investors the right to repatriate capital one year after its entry and to remit profits at any time. In practice, the one-year capital lock-in has not represented a restraint since most productive projects -in areas such as mining, forestry, fishing and infrastructure- require more than a one-year start-up period. Once all relevant taxes have been paid, investors are assured access to freely convertible foreign currency without any limits on the amount, for both capital and

profit remittances. In addition, they are guaranteed the right of access to the formal exchange market. The repatriation of all capital invested is devoid of any tax, duty or charge up to the amount of the originally materialized investment. Only capital gains over that amount are subject to the general regulations contained in the tax code.

**Special Advantages for Foreign Investors** Although Chile's Constitution is based on the principle of non-discrimination, D.L. 600 offers some tax advantages for foreign investors. These are not "tax breaks" or "tax holidays", but are intended to provide a stable tax horizon, acting as a form of "tax insurance". D.L. 600 offers several different tax options, but basically allows the investor to lock into the tax regime prevailing at the time an investment is made.

**Invariability of Income Tax Regime:** All Chilean companies have to pay a First-Category Tax (or Corporate tax) equivalent to 17% Under Chile's Common Tax Regime, a 35% tax is currently levied on distributed or remitted profits. Interest paid to non-residents is also subject to a 35% additional withholding tax, however, interest on loans granted by foreign banking or other financial institutions is subject to a 4% tax, provided that excess indebtedness provisions do not apply. Under DL 600, a foreign investor can opt to lock into an effective fixed overall tax rate of 42% on taxable income for up to ten years, or -under article 11 bis- for up to twenty years in the case of industrial and extractive investments of US\$ 50 million or more. The investor, thereby, acquires immunity from any tax increases in the Common Tax Regime that may occur during that period. The lock-in can be waived at any time, but an investor cannot subsequently revert to the guaranteed 42% rate. The First-Category payment of 17% can be set against tax returns under both the Common Tax and Invariable Tax Regimes.

**Invariability of Indirect Taxes:** D.L. 600 states that foreign investments brought into the country in the form of tangible assets are subject to the general VAT taxation regime and customs regulations. However, foreign investors are entitled to include a clause in their contracts giving them access to a regime that freezes Value Added Tax (currently at 19%), as well as import tariffs on capital goods for the project, at their rate at the date of the investment. This special regime applies throughout the period authorized for carrying out the investment. Additionally, imports of some of these capital goods such as machinery or equipment are exempt from VAT in the case they are not produced in Chile and are on a list compiled, prepared and published by the Ministry of Economy's Foreign Trade Department. The current list was approved by Decree 204 of the Ministry of Economy, published in the Official Gazette ("Diario Oficial") on December 12, 2002, and is available at the [Ministry of Economy's website](#).

Foreign investors who sign a D.L. 600 contract are exempted from VAT on other technology imports, providing they appear on this list compiled by the Foreign Trade Department. The products currently listed include accounting and data processing machines, TV cameras, lasers and magnetic resonance imaging diagnostic equipment (MRI), among several others.

**Special Regime for Large Projects:** Under article 11 bis of D.L. 600, investments in new industrial or extractive activities, including mining, are entitled to additional tax benefits, providing they have a value of at least US\$ 50 million. Currently, the Foreign Investment Committee is revising its policy regarding article 11 bis, and new contracts under this regime are not being approved at this time. This policy is subject to change in the future.

**New Legislation for mining projects:** On 16 June, 2005, Law 20.026 was published in the Official Gazette. It establishes a specific tax on mining activities, which will come into force on 1 January, 2006. The Law amends Decree Law 600 by adding a new Article 11 ter. That article establishes a

regime of invariability for the aforementioned tax, for those investors that sign a new foreign investment contract related to projects with a value of no less than US\$ 50 million. In order to opt into this special regime, investors with existing foreign investment contracts must not have made use of the special invariability regimes set out in articles 7 and 11 bis of DL 600, or they must renounce those regimes at the time of opting into the rights under article 11 ter. The deadline for submitting a request to opt into the regime under 11 ter for investors with existing foreign investment contracts was November 30, 2005. More information may be found at [http://www.cinver.cl/index/plantilla2.asp?id\\_seccion=1&id\\_subsecciones=140](http://www.cinver.cl/index/plantilla2.asp?id_seccion=1&id_subsecciones=140)

**Foreign Investment Procedures:** A foreign investor who wishes to invest through the [D.L. 600 must submit an application](#) to the Executive Vice-Presidency of the Foreign Investment Committee. Applications forms are available through our website ([www.cinver.cl](http://www.cinver.cl)). Since June 6 of 2003, the minimum investment amount for a new project is US\$ 5,000,000 (five million dollars) when investments consist of foreign currency and associated credits. The minimum amount is US\$ 2,500,000 (two and a half million dollars) when the investment is in the form of tangible assets, technology, and capitalization of profits or capitalization of credits. The Foreign Investment Committee retains the right to modify both figures. Projects submitted to the Committee's consideration must involve a ratio between equity and associated credits of up to 25/75.

In the case of foreign currency, investors can execute their foreign exchange operation only when the contract has been duly signed. However, when submitting the application, they can request a special authorization to exchange their currency immediately. Any other type of capital contribution requires the Foreign Investment Contract to be duly signed.

It is important to note, that the Foreign capital investment funds law (FCIFs), (*LawN° 18.657*) establishes a preferential tax treatment for Foreign capital investment funds.. FCIFs are required to obtain a favorable report issued by the Chilean Securities and Insurance Supervisor ["Superintendencia de Valores y Seguros" (SVS)] in order to conduct business in Chile. FCIFs may not remit capital for five years following the investment of such capital, although earnings maybe remitted at any time. A FCIF may hold a maximum of 5% of a given company's shares, although this can be increased to a maximum of 10% if the company issues new shares. Furthermore, no more than 10% of a FCIF's assets may be invested in a given company's stock, unless the security is used or guaranteed by the Republic of Chile or the Central Bank. All together, no more than 25% of the outstanding shares of any listed company may be owned by FCIFs.

.Finally, the foreign capital investment funds (FCIFs) are governed by law 18,657 and are permitted to receive preferential tax treatment. FCIFs are required to obtain a favorable report issued by the Chilean Securities and Insurance Supervisor ["Superintendencia de Valores y Seguros" (SVS)] in order to conduct business in Chile. FCIFs may not remit capital for five years following the investments of such capital, although earnings maybe remitted at any time. A FCIF may hold a maximum of 5% of a given company's shares, although this can be increased to a maximum of 10% if the company issues new shares. Furthermore, no more than 10% of a FCIFs assets may be invested in a given company's stock, unless the security is used or guaranteed by the Republic of Chile or the Central Bank, and all together, and no more than 25% of the outstanding shares of any listed company may be owned by FCIFs.

### **Special Tax-Free Regimes**

The Investment Platform Law (Law No. 19,840) of 23 November 2002 is aimed at permitting multinational companies to use Chile as a regional base under a special regime granting tax-free status on earnings from international operations. At the same time, the Law contains various

provisions designed to prevent the use of Chile as a tax haven or the misuse of the regime by domestic entrepreneurs to avoid paying domestic taxes. The Chilean operations of these companies are taxed under the regime that normally applies to foreign investment.

### **BIT's and Other Agreements**

Chile has bilateral investment agreements to promote and protect investment, with Argentina, Australia, Austria, Belgium, Bolivia, China, Costa Rica, Croatia, Cuba, the Czech Republic, Denmark, Ecuador, El Salvador, Finland, France, Germany, Greece, Guatemala, Honduras, Italy, Indonesia, Lebanon, Malaysia, Nicaragua, Norway, Panama, Paraguay, Peru, the Philippines, Poland, Portugal, Romania, Spain, Sweden, Switzerland, Ukraine, the United Kingdom, Uruguay, and Venezuela. A complete list of the above mentioned Agreements and those subscribed but yet not enforced could be found at [www.direcon.cl](http://www.direcon.cl).

In addition, Chile is a member of the Multilateral Investment Guarantee Agency (MIGA), and of the International Center for the Settlement of Investment Disputes (ICSID). It has ratified the Inter-American Convention on International Commercial Arbitration, the Convention on the Recognition and Enforcement of Foreign Arbitral Awards, and the Convention on the Settlement of Investment Disputes between States and Nationals of other States. Furthermore, a new law on private international commercial arbitration entered into force in 2005.

### **III.4.C. Investment Agreements**

In the 90s, Chilean investment has shown a remarkable dynamism against the backdrop of a policy that seeks to ease off regulations and the increasing international insertion of the Chilean economy. Direct Foreign Investment in Chile shows, just like our foreign trade, a relatively high volume in relation to our economy. Chile is among the ten non-OCDE countries with the highest level of foreign investment in recent years, while Chilean companies have become important investors abroad, mainly within their own region, since the early 90s.

According to this scenario, one of the main objectives of our country has been to ensure the establishment of clear investment rules, with a view to create a wider and safer market. Furthermore, it has completed negotiation processes in order to gradually liberalize the markets for investors, as well as to strengthen integration processes that may contribute to trade expansion and the creation of strategic alliances to tackle global markets.

To ensure a predictable business environment that allows productive activity and investment planning, Chile has bilaterally negotiated two types of investment-related agreements: Investment Promotion and Protection Agreements (IPPAs) and the investment chapters included in Free-Trade Agreements (FTAs) subscribed with Canada, Mexico and the United States.

The main difference between these two types of instruments resides in that FTAs, in addition to pertaining to a comprehensive Agreement governing different disciplines, guarantee access, whereas IPPAs, in the case of Chile, do not. In other words, FTAs consolidate non-conforming effective measures related to the obligations of National Treatment (NT), Most Favored Nation (MFN), Performance, and Senior Managerial Personnel Requirements, but cannot increase non-conformity in the future. On the other hand, IPPAs establish that investment shall be made "under the laws and regulations of the contracting Party", in other words, they allow discriminatory measures to become even more discriminatory (less liberal) in the future. Thus, IPPAs do not provide access guarantees to investors.

**a. Investment Chapters in Free-Trade Agreements**

Investment chapters in FTAs subscribed by our country provide a broad definition of investment, covering both investments existing at the date in which the Protocol enters into force, and those made or acquired at a later date. Likewise, these rules apply to every level of government, i.e. to federal, state and local, etc. government, as appropriate.

On the other hand, the treatment accorded to investments and investors is based on the principle of non-discrimination, which is materialized through the National Treatment (NT) and Most Favored Nation (MFN) concepts. The NT implies, for purposes thereof, that each Party accords to investments and investors of the other Party a treatment no less favorable than the one accorded, under similar circumstances, to its own investments and investors in terms of establishment, acquisition, expansion, management, conduction, operation, sale or other forms of investment disposals. In turn, the MFN treatment implies, for purposes thereof, that each Party accords to investments and investors of the other Party a treatment no less favorable than the one accorded, in similar circumstances, to investments and investors of a non-party country in terms of establishment, acquisition, expansion, management, conduction, operation, sale or other forms of investment disposals. In this sense, such treatment offers greater certainty to investors, in the sense that they will not be affected by a discriminatory treatment in respect of any later liberalization measure accorded to third countries only, which could not be foreseen at the time of making the investment. It should be borne in mind that an investment is a long-term relationship between the investor and the recipient State.

From these principles, arose a clause that provided for the possibility that each Party should give the other Party the option of choosing the best treatment under either the MFN or NT (known as the level of treatment). Likewise, they ensure a fair and equitable treatment, and a non-discriminatory treatment in view of events such as civil unrest or armed conflicts, save for subsidies and gifts.

Furthermore, these Chapters prohibit the establishment of other types of protectionist barriers, such as the application of certain performance requirements. Said clause sets forth two aspects mainly: on the one hand, it prohibits Parties to impose certain requirements and also to subject a benefit to the fulfillment of certain requirements. However, it allows Parties to impose certain conditions, such as the location of production, or training, among others. Furthermore, it provides that nationality may not be a requirement to curb an investor's capacity to exercise control over his investment.

Under an article covering transfers, investors are guaranteed the right to effect transfers freely and without delays. Chile has an Annex wherein it reserves the right to exercise some powers, aimed at ensuring the stability of its currency.

These FTAs are based on a liberalization schedule of negative lists; they recognize, however, that countries have sensitivities and discriminatory legislation in different sectors, wherefore they build in reserves concerning the obligations referred to above, such as the NT, MFN, and the non-application of performance requirements or restrictions to senior managerial personnel. Countries undertake not to make measures more restrictive, and to seek greater liberalization. The above-mentioned reserves are affected through the following Annexes.

- Annex I: Existing Measures and Liberalization Commitments
- Annex II: Reserves concerning Future Measures
- Annex III: Exceptions to the Most Favored Nation Treatment

Likewise, these agreements include extensive provisions on expropriation and compensation, which ensure that the former is well grounded and the latter fair, immediate and paid in a freely convertible currency.

As regards investment, there is the obligation to protect the environment and the prohibition of easing off environmental measures for purposes of attracting investment.

Finally, in addition to the dispute settlement system contained in the Agreement, this Chapter provides a mechanism to settle controversies arising between one Party and investors from the other Party, which ensures equal treatment to investors of both Parties and due process of law before an international court. In addition, then, to the dispute resolution system contained in the Agreement, this chapter establishes a second system to settle controversies between one Party and investors from the other Party.

#### **b. Investments Promotion and Protection Agreements**

In essence, IPPA provisions are similar and seek to create favorable conditions for investment by nationals and companies of one Party in the territory of the other Party.

These Agreements arise from the fact that in today's world the only way to establish and maintain appropriate international capital flows is through clear, balanced, fair and institutionalized rules, making up a satisfactory regulatory framework for investments, although naturally in compliance with the laws of the recipient country.

When making an investment, foreign investors' main fears are unstable legislation and economic policies, and particularly the risk of seeing the value of their investments affected by nationalization or expropriation without due compensation or uncertainty concerning repatriation of capital and profits, as well as the likelihood of denial of access to justice.

To prevent these circumstances from happening - which are referred to as political risks, in other words risks beyond the normal business risks of an operation - the Government of Chile has concluded an important number of the above-mentioned Investment Promotion and Protection Agreements, with a view to placing our country in a better position within world competition and thus attract foreign investment and duly ensure Chilean investment abroad.

Among the general principles included and recognized in such Agreements, the following should be highlighted:

- i. **Free transfer:** any investor may send the benefits derived from his investment to his country of origin, and also repatriate invested capital in the event of termination of activities or liquidation of the investment;
- ii. Compensation in the event of expropriation or nationalization; and
- iii. A fully regulated dispute resolution mechanism, to settle controversies arising between the contracting Parties or between one Party and investors from the other Party. In this latter case, the investor is entitled to choose whether to submit to the jurisdiction of national courts or to initiate an international arbitration proceeding before the ICSID (International Center for the Settlement of Investment Disputes) or before an ad-hoc tribunal constituted according to the UNCITRAL rules (United Nations Commission on International Trade Law). Once chosen, jurisdiction is final; in other words, it may not be changed thereafter.

Chile has subscribed fifty Agreements on this matter, thirty-one of which have been published in the Official Gazette (see a complete list at [www.direcon.cl](http://www.direcon.cl)).

Also, it should be mentioned that additional obligations included in IPPAs - such as consolidated access to foreign investors in the recipient country and pre-establishment (protection for the investor and his investment during the stage prior to the establishment) - have been agreed upon in FTAs subscribed with Canada, Mexico and United States with the relevant restrictions and due safeguards for the regulatory powers of the Central Bank.

Lastly, it is worth to clarify that the government's of Chile current policy on investment related negotiations, is to establish clear and comprehensive investment rules in the form of a specific chapter within the framework of a Free Trade Agreement, versus the negotiation of Investment Promotion and Protection Agreements.

### **III.5. Trade Defense Measures**

#### **III.5.A. Safeguards**

Chile's legal framework for safeguard measures comprises: Article XIX of GATT 1994, the WTO Agreement on Safeguards, Law No. 18,525 (amended in May 31, 1999, by Law 19,612), and the Regulations on the Application of Safeguard Measures issued by the Ministry of Finance in Decree No. 909 of 17 June 1999. Law No. 19,612, Chile's first law on safeguard measures, established the National Commission In charge of Investigating Price Distortions in Imports , the Commission (mentioned in Law No. 18,525) as the authority to initiate and conduct investigations relating to safeguard measures and to recommend the imposition of safeguard measures.<sup>46</sup> Recently, the text of Law 18.525 was restructured, keeping the substance of its provisions in Decree N° 31/2005 of the Ministry of Finance.

Pursuant to this Law, the President of the Republic may apply *ad valorem* tariff surcharges through a Supreme Decree of the Ministry of Finance, subject to a favourable report by the National Commission. At the written request of the domestic industry or on its own initiative, the National Commission may initiate investigations to determine serious injury to the domestic industry or the threat thereof, due to a surge of imports.

As established by the Regulations on the Application of Safeguard Measures, serious injury is understood to mean a significant impairment in the position of a domestic industry. In determining the existence of injury or threat thereof, the Commission must evaluate all relevant objective and quantifiable factors.

Within ninety days from the initiation of the investigation, the Commission must decide whether, the available information leads to the conclusion that imports of a product have increased in such volume and under such conditions as to cause or threaten to cause serious injury to domestic producers of like or directly competitive products. If this is the case, it must adopt a Resolution recommending the application of tariff surcharges: the Resolution, together with the background information and conclusions of the investigation, are conveyed to the President of the Republic, who makes a final decision through a Decree of the Ministry of Finance. Where, the available information does not permit the establishment of a safeguard measure, the Commission must dictate a resolution to end the investigation and transmit the decision to the Minister of Finance to be summarized and published in the *Official Gazette*.

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<sup>46</sup> Chile's notification is available in WTO document G/SG/N/1/CHL/2, 24 August 1999.

In critical circumstances where delay would cause damage that would be difficult to repair, the Commission may recommend to the President of the Republic to apply provisional tariff surcharges within a period of thirty days from the initiation of the investigation. The Commission's recommendation must be based on a preliminary determination of the existence of clear evidence that the increase in imports has caused or threatens to cause serious injury.

The surcharges may not be applied for more than one year, including the period of provisional application of the measure. This period may be extended for one further period not exceeding one year, subject to a favourable report by the Commission. The Commission may at any time recommend that the application of the tariff surcharges in effect should be modified or abolished before their expiry date. The Law does not provide for the imposition of quotas. Commission decisions are by majority of the votes cast. The approval of three quarters of the members of the Commission is required if the application of a surcharge increases the tariff in place above the WTO bound tariff rate.

Since the Safeguard Legislation has been in force, Chile has imposed ten definitive safeguard measures, out of seventeen investigations. As of July 2007 only a definitive safeguard measure on Dairy Products is in place, though its elimination is currently being discussed.

### **III.5.B Antidumping Measures and Countervailing Duties**

The Agreement on Implementation of Article VI of the GATT 1994, the Agreement on Subsidies and Countervailing Duties, Article VI of GATT 1994, and the WTO Agriculture Agreement, all apply with the force of law in Chile since the enactment of the Marrakech Agreement by Supreme Decree No. 16 of the Ministry of Foreign Affairs of 5 January 1995 (Chapter II), the Decree N° 31/2005 of the Ministry of Finance, Decree No. 575 of the Ministry of Finance containing the Regulations on Article 11 of Law No. 18,525. With respect to bilateral agreements, in the Chile-Canada Free-Trade Agreement and in the Chile – EFTA FTA, the Parties agreed not to apply antidumping measures to their reciprocal trade, respectively.<sup>47</sup>

The various definitions contained in the WTO Agreements on Anti-Dumping and on Subsidies and Countervailing Duties apply fully, as these Agreements are an integral part of the Chilean legislation.

The National Commission In charge of Investigating Price Distortions in Imports, created by Article 11 of Law No. 18,525, carries out investigations related to all aspects of anti-dumping and countervailing measures. The Commission is composed of: the National Economic Prosecutor's Office, who chairs it; two representatives of the Central Bank of Chile, one representative respectively of the Ministries of Finance, Agriculture, Foreign Affairs, and Economy; and the National Director of Customs. The Central Bank provides the Technical Secretariat for the Commission.

The Commission conducts an investigation if the complainant can provide evidence of a distortion (dumping or the existence of a subsidy) and the manner in which it causes or threatens material injury to the Chilean industry. Complaints can be submitted by any industry group or in the name of any industry group. The Commission may also conduct investigations on its own initiative when it has access to information that justifies doing so. This was the case of the dumping investigation of the Argentinean imports of wheat flour initiated in October 2006 and that subsequently resulted in the application of an antidumping measure.

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<sup>47</sup> See Chile's notification in WTO document G/ADP/N/1/CHL/2.

After a complaint has been lodged the Commission must publish a notice of the initiation of the investigation with information related to the subject of the investigation in the *Official Gazette*. Within thirty days from the date of this publication, the Commission shall receive all information interested parties wish to submit, and request any information it considers necessary. Before reaching a decision, the Commission must conduct public hearings. If the Commission considers that, on the basis of available information, it is possible to establish the existence of price distortions and that these distortions cause or threaten to cause material injury to the affected domestic industry, these findings must be stated in the Commission's decision recommending the application of anti-dumping or countervailing duties.

Any anti-dumping and countervailing duty proposed by the Commission must not exceed the margin of distortion, which is calculated by comparing dumped with non-dumped imports. The Commission may also recommend to the President of the Republic the application of provisional duties. Anti dumping and countervailing duties can be imposed for a maximum of one year. However, a new investigation can be initiated if the Commission considers that there is evidence for the duty to be maintained.

Against the background of increased worldwide use of anti-dumping measures, Chile has contributed to the WTO Negotiating Group with a view to clarify and improve various provisions of the Anti-Dumping Agreement at the multilateral level. . They cover, *inter alia*: duration of anti-dumping measures, facts available, constructed value, zeroing, assessment of injury, price-undertakings, lesser duty, and review of anti-dumping orders.

The latest anti-dumping measure to be adopted affects the imports of Wheat Flour from Argentina and was imposed on May 2008. The latest countervailing duty, applied in 2000, affected imports of powder milk from United States and the European Union

### **III.5.C. Institutional Arrangements in Place for the Implementation of Trade Defense Measures**

Included in III.5.A and in III.5.B

### **III.6. Trade Agreements by Chile/Turkey**

Enumeration of the Bilateral or Regional (or Groups of Countries) Trade Agreements by Chile

Joint Study Group on the Prospective Free Trade Agreement Between Chile and Turkey

Country	Type of Agreement	Date
Andean Community		
Venezuela	ACE 23	July 1, 1993
Colombia	ACE 22	January 1, 1994
Ecuador	ACE 38	January 1, 1995
Peru	ACE 32	July 1, 1998
Bolivia	ACE 24	July 1, 1993
Mexico		
Mexico	FTA Mexico	August 1, 1999
Mercosur		
Brasil	ACE 35	October 1, 1996
Paraguay	ACE 35	October 1, 1996
Uruguay	ACE 35	October 1, 1996
Argentina	ACE 35	October 1, 1996
Central America		
Costa Rica	FTA C.A.	February 15, 2002
Nicaragua	FTA C.A.	pending
El Salvador	FTA C.A.	June 3, 2002
Honduras	FTA C.A.	In process
Guatemala	FTA C.A.	pending
Panama		
Panama	FTA Panama	In process
Canada		
Canada	FTA Canada	July 5, 1997
United States		
United States	FTA USA	January 1, 2004
European Union		
Portugal	FTA EU	February 1, 2003
Germany	FTA EU	February 1, 2003
Italy	FTA EU	February 1, 2003
France	FTA EU	February 1, 2003
Ireland	FTA EU	February 1, 2003
Denmark	FTA EU	February 1, 2003
Austria	FTA EU	February 1, 2003
United Kingdom	FTA EU	February 1, 2003
Sweden	FTA EU	February 1, 2003
Finland	FTA EU	February 1, 2003
Belgium	FTA EU	February 1, 2003
The Netherlands	FTA EU	February 1, 2003
Spain	FTA EU	February 1, 2003
Greece	FTA EU	February 1, 2003
Luxembourg	FTA EU	February 1, 2003
New members of EU 2005		
Cyprus	FTA EU	May 1, 2004
Malta	FTA EU	May 1, 2004
Poland	FTA EU	May 1, 2004
Hungary	FTA EU	May 1, 2004
Czech Republic	FTA EU	May 1, 2004
Slovakia	FTA EU	May 1, 2004
Slovenia	FTA EU	May 1, 2004
Estonia	FTA EU	May 1, 2004
Latvia	FTA EU	May 1, 2004
Lithuania	FTA EU	May 1, 2004
New members of EU 2007		
Romania	FTA EU	January 1, 2007
Bulgaria	FTA EU	January 1, 2007
EFTA		
Switzerland	FTA EFTA	December 1, 2004
Norway	FTA EFTA	December 1, 2004
Iceland	FTA EFTA	December 1, 2004
Liechtenstein	FTA EFTA	December 1, 2004
China		
China	FTA China	October 1, 2006
India		
India	PTA India	August 17, 2007
Japan		
Japan	FTA Japan	September 3, 2007
South Korea		
South Korea	FTA Korea	April 1, 2004
P-4		
Singapore	FTA P4	November 8, 2006
Brunei Darussalam	FTA P4	November 8, 2006
New Zealand	FTA P4	November 8, 2006

## **IV. ANALYSIS OF THE EFFECTS OF TARIFF REDUCTION ON CHILEAN/TURKISH IMPORTS, EXPORTS AND INVESTMENT**

## IV. ANALYSIS OF THE EFFECTS OF TARIFF REDUCTION ON CHILEAN/TURKISH IMPORTS, EXPORTS AND INVESTMENT

### IV.1. Introduction

This section analyses the effects that a tariff reduction would bring about in bilateral trade between Chile and Turkey. The latter will consider a set of partial equilibrium models, one for exports and one for imports, taking into consideration Chilean trade data from 2006. Both models consist in studying each market separately and determining the effect of a full tariff reduction on the quantities demanded and supplied of goods, and does not take into account the relationships between these markets and the rest of the economy, as well as macro restrictions of resources in the economy. The final results in terms of imports and exports are given by the difference between demanded and supplied goods after the application of the tariff reduction. Other models might be analyzed, but in our experience partial equilibrium models are better suited for the impacts in small economies.

### IV.2. Bilateral Trade Liberalization

#### IV.2.A. Analysis

The methodology to estimate the impact of a Chile – Turkey FTA on **exports** and **imports**, global and by sectors<sup>48</sup> is described in this section.

##### IV.2.A.1 Exports

Following the methodology suggested by Valdés, R.<sup>49</sup>, in the case of the expansion of Chilean exports to the trade partner (in this case Turkey), it is assumed that Chile is a “small country”, thus the increase in the exports quantum will depend on the price elasticity of the exports supply. The observed price in the trade partner (Turkey) is equivalent to the international price plus the prevailing (current) tariff,  $p^*(1 + t_0)$ , and it does not change as a consequence of the FTA. Thus, the tariff rebate will mean a higher price for the exporter of the “small” country, and as a consequence it will be experienced an increase in the exported volume (quantity). The exporters, with the FTA, will face a new tariff  $t_1$ , and by definition the consumers of the trading partner will not experience a change in the paid price, exporters receive  $p^*(1 + t_0) / (1 + t_1)$  for their goods. In algebraic terms, the increase of Chilean exports to the trade partner (Turkey in this case) is expressed as follows:

$$\Delta X = X_T \cdot \varepsilon_p \cdot \Delta t_T / (1 + t_1)$$

In which,

- $\Delta X$  : increase of Chilean exports sent to the trade partner (Turkey)
- $X_T$  : Current Chilean exports to Turkey
- $\varepsilon_p$  : Price elasticity of Chilean exports supply
- $\Delta t_T$  : differential between the current Turkey tariff and the tariff after the FTA
- $t_1$  : Turkey tariff after the FTA

<sup>48</sup> Evaluación Impacto Liberalización Comercial. “Una Metodología para Evaluar el Impacto Cuantitativo de una Liberalización Comercial: Aplicación al ALC entre Chile y EEUU”. 1992, Estrategia Comercial Chilena para la Década del 90. Andrea Butelman y Patricio Meller, CIEPLAN.

<sup>49</sup> Document of the earlier footnote, based in Cline, W. (1978), “Trade negotiations in the Tokyo Round: A Quantitative Assessment”, Washington D.C., Brookings Institution, and other publications.

The above-mentioned equation is applied to each custom classification item, provided that the following conditions are met:

- a) Trade before the FTA is  $> 0$ , and
- b) Tariff equivalent or current (ad-valorem)  $> 0$

If these conditions are not met, the calculation carried out for each item is cancelled.

For the global impact, it is considered that the addition of the change in every single export item to Turkey would reflect the total increase in Chilean exports to that country in the hypothesis that all customs items would simultaneously face a zero tariff<sup>50</sup>. The above-mentioned implies that the obtaining of the dear result requires of a certain period, determined by the tariff reduction terms negotiated among the parties.

#### IV.2.A.2 Imports

Following the same approach by Valdés, R., the measurement of the change in imports coming from the trade partner, when this is a consequence of a bilateral tariffs reduction, considers two impacts: trade creation and trade diversion. The first one implies a larger availability of units of the considered item. In turn, the second case involves the substitution of other sources of supply in favor of the trade partner, assuming that the total availability of goods remain constant. Both impacts are expressed algebraically as follows:

$$CC = M^T \cdot \eta_p \cdot \Delta t_{CH} / (1 + t_0)$$

$$DC = (\rho \cdot P_r \cdot M^T \cdot M^{RM}) / (M^T + M^{RM})$$

By which,

CC	: Trade creation of Chilean imports coming from the trade partner (Turkey)
$M^T$	: Current Chilean imports from Turkey
$\eta_p$	: Price elasticity of Chilean imports demand
$\Delta t_{CH}$	: Differential between the Chilean current tariff and the free trade tariff applied to the trade partner
$t_0$	: Current Chilean tariff <sup>51</sup> or before FTA applied to the trade partner
DC	: Chilean Imports trade diversion in benefit of Turkey exports
	: Elasticity of substitution among imported goods coming from different markets
$M^{RM}$	: Chilean imports from the rest of the world
$P_r$	: Proportional variation in the relative prices, expressed as:

$$P_r = [(1 + t_1^T) / (1 + t_1^{ROW})] / [(1 + t_0^T) / (1 + t_0^{ROW})] - 1$$

In which,  $t_1^T$  and  $t_0^T$  are the actual tariffs applied to Turkey after and before the FTA. And, in turn,  $t_1^{ROW}$  and  $t_0^{ROW}$  are the actual tariffs applied to the rest of the world after and before the FTA.

<sup>50</sup> It is to be pointed out that, as it is not possible to apply the mathematical expression to those goods that Chile currently does not export to the trade partner (Turkey), even if Chile has comparative advantages in those products, the global estimate would be undervalued.

<sup>51</sup> The Chilean unilateral tariff rate since 2003 is a flat 6%.

Similar to the case of exports, these expressions are used to calculate the impact in each customs item and then, added will represent the larger trade imports coming from Turkey as a consequence of the FTA.

Based on the earlier, and using the Harmonised System of Chilean Tariffs (SACH), are obtained the global impact on Chilean exports and imports. As a next step, comparing the equivalence of the customs classification and the ISIC, it is possible to get the impact of the FTA with Turkey at a sector level.

## **IV.2.B. Conclusions**

### **Trade impact of a Free Trade Agreement between Chile and Turkey**

The prospective Free Trade Agreement (FTA) between Chile and Turkey raises basic questions related to the impact that it might induce in the trade flows between both countries. The change that these flows might experience is part of the components that will help to assess if the agreement is beneficial for the Chilean economy. To attempt to obtain the required information in this respect, the methodology that has been earlier described was used. It is necessary to point out that there are other questions related to the potential FTA between Chile and Turkey that go beyond the scope of the analysis presented in the above mentioned methodology.

The assessment of the impact of a potential FTA between Chile and Turkey is based on the figures for imports and exports in 2006, excluding those items with special tariffs treatment (or qualification, STT). This information is originally classified in the “Sistema Armonizado Chileno” or Chilean Harmonized System (SACH) at an 8 –digits level.

The assessment considers the change that both Chilean imports and exports from and to Turkey might experience, considering the present tariffs paid by each partner and then a hypothetical scene by which each all customs items would face simultaneously a zero tariff, that is a free trade between the two countries.

Besides, to estimate the changes in exports and trade creation on the imports side it was necessary to use the supply price elasticities of exports and the demand price elasticities for imports that correspond to the ones used by Valdés (1992). Concerning trade diversion on the imports side that would be experienced because of the FTA, it is required to have the value of the elasticity of substitution for imported goods from different markets. For that purpose, the value of 1.5 was chosen, as recommended by UNCTAD (1989)<sup>52</sup>.

Chilean exports to Turkey reached in 2006 approximately 408.2 million dollars FOB, comprising 94% of copper<sup>53</sup>. If the cellulose exports were added to the copper ones, this figure would increase to 97% of total exports to that market in 2006. Both the copper and the cellulose already face a duty of 0% en Turkey. On the other hand, Chilean imports added to around 36.7 million dollars CIF for the same year. These are concentrated in machinery and transport equipment (Chapters 84, 85 and 87 of the harmonized system), which as a whole represent 35% of total imports from Turkey last year, and iron and steel, that they explain 29% of the total.

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<sup>52</sup> UNCTAD – WORLD BANK (1989), *A User’s Manual for SMART, Software for Market Analysis and Restrictions on Trade*.

<sup>53</sup> The Central Bank of Chile classifies the tariff lines 2603.0000 Copper minerals and their concentrates, 7402.0010 Copper to be refined, 7402.0090 Other unrefined copper, copper anodes for electrolytic refining, 7403.1100 Cathodes and sections of cathodes of refined copper, 7403.1200 “wire – bars” of refined copper, 7403.1300 Billets of refined copper and 7403.1900 Other refined copper.

### **Change in exports**

Since it is mentioned in the methodology, the customs tariff subject to evaluation are only those that (1) the traded value >0, and (2) the duty paid in the place of destination >0. With such a consideration, there were evaluated 69 customs tariff at 8-digits level (of a whole of 91 custom tariff), that totalized 10.4 millions of dollars FOB in 2006 (of a total of 408.2 millions of dollar).

The estimated change in the Chilean exports to Turkey of those 69 customs tariffs as consequence of the FTA, under the assumption that the tariff reduction for the Chilean products would be full and immediate, is presented in the following Table 4.1. It is observed that Chilean exports of that basket to Turkey in 2006 might increase by 6.0 million dollars FOB, equivalent to a 58.1% growth of the pre – FTA figure. It is necessary to highlight that, the chapter 8 by itself explains 63% of the estimated total increase. Moreover, only apples represent 32% of the total change.

The prudent estimated change (in value) in the Chilean exports is a consequence of the high concentration in value that possesses the basket exported by Chile to Turkey, and that already faces zero duty, as it has been previously mentioned. This fact raises the question on those products that would be potentially exportable for Chile if Turkey were applying a full tax relief as consequence of a FTA. An attempt for measuring the potentially traded Chilean exports to Turkey (trade of non-trade goods) develops under the title *Potential Trade*.

In the same line of reasoning, it should be taken into account that any methodology of estimates of trade impact will produce underestimated results, because are only computed those customs lines for which trade is higher than zero. In fact the reduced exported basket to Turkey (91 tariff lines) is indicative that a basket of products which present real competitive advantages are not commercialized possibly because of the high Turkish tariffs that they face (in the end, can be inhibitory tariff, that would nullify trade). Because of that, it is reasonable to expect that trade expansion would effectively demonstrate Chilean exports to Turkey as a consequence of the FTA might be considerably higher than the one presented in this Table 4.1.

**Table 4.1.**  
 Change in Chilean Exports to Turkey Because of the FTA by HS Chapter. Rates of Growth and Average *ad valorem* Tariffs (figures in dollars FOB and percentages)

Chapter HS	Description	Value 2006	Variation of the Exports	Rate of Growth (%)	Number Items at-8 digits HS	Tariff average ad valorem (%)
<b>TOTALES</b>		<b>10,416,030</b>	<b>6,056,088</b>	<b>58.1</b>	<b>69</b>	
<b>VEGETABLE PRODUCTS</b>						
08	Edible fruit and nuts; peel of citrus fruit or melons	1,997,552	3,837,216	192	12	55
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruits; industrial or medicinal plants	95,366	150,988	158	2	19/45
<b>PREPARED FOODSTUFFS; BEVERAGES, SPIRITS, AND VINEGAR; TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES</b>						
22	Beverages, spirits and vinegar	701,369	1,148,842	164	5	70
23	Residues and waste from the food industries; prepared animal feed	121,943	5,707	5	2	2
<b>PRODUCTS OF THE CHEMICAL OR ALLIED INDUSTRIES</b>						
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of	5,346,248	681,236	13	5	5
29	Organic chemicals	10,815	1,392	13	1	5.5
32	Tanning or dyeing extracts; dyes, pigments, paints, varnishes, putty and mastics	103,149	6,034	6	2	2.5
34	Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial wax	9,000	842	9	1	4
38	Miscellaneous chemical products	1,482,242	208,107	14	3	6
<b>PLASTICS AND ARTICLES THEREOF; RUBBER AND ARTICLES THEREOF</b>						
39	Plastics and articles thereof	12,648	1,924	15	3	6.5
40	Rubber and articles thereof	60	4	6	1	2.5
<b>RAW HIDES AND SKINS, LEATHER, FURSKINS AND ARTICLES THEREOF; SADDLERY AND HARNESS; TRAVEL GOODS, HANDBAGS AND SIMILAR CONTAINERS; ARTICLES OF ANIMAL GUT (OTHER THAN SILKWORM GUT)</b>						
42	Articles of leather, saddlery and harness; travel goods, handbags and similar containers; articles of	108	7	6	2	3
<b>WOOD AND ARTICLES OF WOOD; WOOD CHARCOAL; MANUFACTURERS OF STRAW, OF ESPARTO OR OF OTHER PLAITING MATERIALS; BASKETWARE AND WICKERWORK</b>						
44	Wood and articles of wood; wood charcoal	900	63	7	1	3
<b>TEXTILE AND TEXTILE ARTICLES</b>						
52	Cotton	24,395	4,567	19	1	8
61	Articles of apparel and clothing accessories, knitted or crocheted	135	38	28	7	12
62	Articles of apparel and clothing accessories, not knitted or crocheted	40	11	28	2	12
63	Other made up textile articles; sets; worn clothing and worn textile articles; rags	7	2	28	1	12
<b>FOOTWEAR, HEADGEAR; PREPARED FEATHERS AND ARTICLES MADE THEREWITH; ARTIFICIAL FLOWERS; ARTICLES OF HUMAN HAIR</b>						
65	Headgear and parts thereof	40	5	13	1	5.7
<b>ARTICLES OF STONE, PLASTER, CEMENT, ASBESTOS, MICA OR SIMILAR MATERIALS; CERAMIC PRODUCTS; GLASS AND GLASSWARE</b>						
69	Ceramic products	255	36	14	1	6
<b>NATURAL OR CULTURED PEARLS, PRECIOUS OR SEMIPRECIOUS STONES, PRECIOUS METALS, METALS CLAD WITH PRECIOUS METAL, AND ARTICLES THEREOF; IMITATION JEWELRY; COIN</b>						
71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with pre	17,856	1,671	9	2	4
<b>BASE METALS AND ARTICLES OF BASE METAL</b>						
73	Articles of iron or steel	21	1	6	1	2.7
79	Zinc and articles thereof	371,309	1,300	0	1	2.5
82	Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal	17,102	985	6	3	2.5
<b>MACHINERY AND MECHANICAL APPLIANCES; ELECTRICAL EQUIPMENT; PARTS THEREOF; SOUND RECORDERS AND REPRODUCERS, TELEVISION IMAGE AND SOUND RECORDERS AND REPRODUCERS, AND PARTS AND ACCESSORIES OF SUCH ARTICLES</b>						
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	101,577	4,922	5	5	3
<b>VEHICLES, AIRCRAFT, VESSELS AND ASSOCIATED TRANSPORT EQUIPMENT</b>						
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	1,616	170	11	1	4.5
<b>OPTICAL, PHOTOGRAPHIC, CINEMATOGRAPHIC, MEASURING, CHECKING, PRECISION, MEDICAL OR SURGICAL INSTRUMENTS AND APPARATUS; CLOCKS AND WATCHES; MUSICAL INSTRUMENTS; PARTS AND ACCESSORIES THEREOF</b>						
92	Musical instruments; parts and accessories of such articles	29	3	9	1	3.7
<b>MISCELLANEOUS MANUFACTURED ARTICLES</b>						
96	Miscellaneous manufactured articles	248	17	7	2	3

Elaboration: Department of Studies and Information, DIRECON. VMG/vmg.

\* Copper according to classification of the Central Bank of Chile: 2603.0000 Copper minerals and concentrates, 7402.0010 Copper to be refined, 7402.0090 Other unrefined copper, copper anodes for electrolytic refining, 7403.1100 Cathodes and sections of cathodes of refined copper, 7403.1200 "wire – bars" of refined copper, 7403.1300 Billets of refined copper y 7403.1900 Other refined copper.

### **Change in imports**

The scenario ex-post FTA Chile – Turkey considered to estimate the change in Chilean imports from Turkey assumes a zero tariff for the products imported from Turkey and a 6% tariff to products from the rest of the world. The following Table 4.2 shows that trade creation might reach a value of 3.5 million dollars CIF, equivalent to a 10% growth over the figure of the year 2006. The estimate of trade diversion would mean an increase of 2.5 million dollar CIF. Taken together, it would be observed that total Chilean imports from Turkey would increase by 6.0 million dollars CIF, which is equivalent to an expansion of 16% of imports.

Both impacts, the trade creation and trade diversion would be concentrated in iron and steel, and their articles (Chapters 72 and 73 of HS), in machinery and equipment (Chapters 84 and 85 of HS), and in vehicles and its parts (Chapter 87 of HS), representing a 67% of the estimated trade creation and a 61% of the estimated trade diversion.

It is necessary to take into account that even if trade diversion means more imports from Turkey, they do not indicate higher total Chilean imports, as they imply a substitution of the supply sources.

However, the size of the Chilean imports basket from Turkey (577 customs lines) compared to the total Chilean imports from the world (6,729 customs lines) in the year 2006, is relatively low (9%), a situation that allows to expect that were an FTA prevail between both parties, this would intrinsically facilitate trade relations and it might be observed the arrival on new products of Turks origin, which would increase the change in imports from that country.

**TABLE 4.2.**  
**Change in Chilean Imports from Turkey Because of the FTA, and Rates of Growth by HS Chapter**  
 (figures in dollars CIF and percentages)

Chapter HS	Description	Value 2006	Trade Creation (TC)	Trade Diversion (TD)	Change of the Imports (CI)	Rate of Growth respect 2006		Number Items at-8 digits HS
						TC	CI	
<b>TOTALES</b>		<b>36,659,215</b>	<b>3,515,342</b>	<b>2,500,669</b>	<b>6,016,011</b>	<b>9.6</b>	<b>16.4</b>	<b>577</b>
<b>VEGETABLE PRODUCTS</b>								
08	Edible fruit and nuts; peel of citrus fruit or melons	136,512	10,818	10,036	20,854	7.9	15.3	2
09	Coffee, tea, mate and spices	46,708	3,701	3,684	7,385	7.9	15.8	3
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruits; industrial or medicinal plants;	287,986	8,195	20,335	28,530	2.8	9.9	3
<b>ANIMAL OR VEGETABLE FATS AND OILS AND THEIR CLEAVAGE PRODUCTS; PREPARED EDIBLE FATS; ANIMAL OR VEGETABLE WAXES</b>								
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetab	7,733	613	632	1,245	7.9	16.1	2
<b>PREPARED FOODSTUFFS; BEVERAGES, SPIRITS, AND VINEGAR; TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES</b>								
17	Sugars and sugar confectionery	759	60.15	64	125	7.9	16.4	1
18	Cocoa and cocoa preparations	395,020	31,303	31,733	63,036	7.9	16.0	7
21	Miscellaneous edible preparations	1,052,340	83,393	77,839	161,232	7.9	15.3	4
24	Tobacco and manufactured tobacco substitutes	1,066,640	84,526	63,601	148,127	7.9	13.9	2
<b>MINERAL PRODUCTS</b>								
25	Salt; sulfur; earths and stone; plastering materials, lime and cement	30,940	1,751.32	2,050	3,802	5.7	12.3	1
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	1,365,105	46,362	97,888	144,250	3.4	10.6	2
<b>PRODUCTS OF THE CHEMICAL OR ALLIED INDUSTRIES</b>								
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radi	1,444,350	98,107	89,234	187,340	6.8	13.0	2
29	Organic chemicals	449,626	30,541	31,679	62,220	6.8	13.8	10
30	Pharmaceutical products	562,941	38,238	44,952	83,190	6.8	14.8	2
32	Tanning or dyeing extracts; dyes, pigments, paints, varnishes, putty and mastics	200,495	13,619	16,427	30,046	6.8	15.0	2
33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations	2,606	177	221	398	6.8	15.3	1
34	Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial waxes,	20,638	1,402	1,749	3,151	6.8	15.3	2
35	Albuminoidal substances; modified starches; glues; enzymes	36	2	3	6	6.8	15.3	1
38	Miscellaneous chemical products	12,339	838	1,037	1,875	6.8	15.2	2
<b>PLASTICS AND ARTICLES THEREOF; RUBBER AND ARTICLES THEREOF</b>								
39	Plastics and articles thereof	1,397,216	158,175	114,752	272,927	11.3	19.5	30
40	Rubber and articles thereof	534,579	57,492	45,064	102,556	10.8	19.2	16
<b>RAW HIDES AND SKINS, LEATHER, FURSKINS AND ARTICLES THEREOF; SADDLERY AND HARNESS; TRAVEL GOODS, HANDBAGS AND SIMILAR CONTAINERS; ARTICLES OF ANIMAL GUT (OTHER THAN SILKWORM GUT)</b>								
42	Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of an	16,134	913	1,355	2,268	5.7	14.1	10
<b>WOOD AND ARTICLES OF WOOD; WOOD CHARCOAL; MANUFACTURERS OF STRAW, OF ESPARTO OR OF OTHER PLAITING MATERIALS; BASKETWARE AND WICKERWORK</b>								
44	Wood and articles of wood; wood charcoal	2,677	152	227	378	5.7	14.1	3
<b>PAPER AND PAPERBOARD AND ARTICLES THEREOF</b>								
48	Paper and paperboard; articles of paper pulp, of paper or of paperboard	16,606	590	1,402	1,992	3.6	12.0	6
49	Printed books, newspapers, pictures and other products of the printing industry; manuscripts, typescri	15,587	1,323	1,321	2,645	8.5	17.0	7
<b>TEXTILE AND TEXTILE ARTICLES</b>								
52	Cotton	27,377	2,944	2,145	5,089	10.8	18.6	4
54	Man-made filaments	58,668	4,371	4,668	9,039	7.5	15.4	5
55	Man-made staple fibers	33,950	3,651	2,397	6,048	10.8	17.8	3
56	Wadding, felt and nonwovens; special yarns, twine, cordage, ropes and cables and articles thereof	46,528	5,004	3,774	8,778	10.8	18.9	2
57	Carpets and other textile floor coverings	802,393	86,295	51,231	137,526	10.8	17.1	13
58	Special woven fabrics; tufted textile fabrics; lace, tapestries; trimmings; embroidery	142,250	15,299	9,931	25,230	10.8	17.7	2
59	Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for indust	7,300	785	619	1,404	10.8	19.2	2
60	Knitted or crocheted fabrics	50,654	5,448	4,248	9,695	10.8	19.1	2
61	Articles of apparel and clothing accessories, knitted or crocheted	1,132,847	120,275	90,515	210,790	10.6	18.6	33
62	Articles of apparel and clothing accessories, not knitted or crocheted	43,853	2,482	3,697	6,180	5.7	14.1	29
63	Other made up textile articles; sets; worn clothing and worn textile articles; rags	355,897	38,241	29,609	67,850	10.7	19.1	12
<b>FOOTWEAR, HEADGEAR; PREPARED FEATHERS AND ARTICLES MADE THEREWITH; ARTIFICIAL FLOWERS; ARTICLES OF HUMAN HAIR</b>								
64	Suelas de caucho	4,635	498.48	392	890	10.8	19.2	1
65	Headgear and parts thereof	459	26	39	65	5.7	14.1	2
66	Umbrellas, sun umbrellas, walking sticks, seatsticks, whips, riding-crops and parts thereof	308	26.15	26	52	8.5	17.0	1
<i>Continuation</i>								

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Chapter HS	Description	Value 2006	Trade Creation (TC)	Trade Diversion (TD)	Change of the Imports (CI)	Rate of Growth respect 2006		Number Items at-8 digits HS
						TC	CI	
<i>Continuation</i>								
<b>ARTICLES OF STONE, PLASTER, CEMENT, ASBESTOS, MICA OR SIMILAR MATERIALS; CERAMIC PRODUCTS; GLASS AND GLASSWARE</b>								
68	Articles of stone, plaster, cement, asbestos, mica or similar materials	34,091	3,859	2,867	6,726	11.3	19.7	2
69	Ceramic products	53,314	6,036	4,498	10,533	11.3	19.8	2
70	Glass and glassware	671,487	76,017	47,430	123,448	11.3	18.4	12
<b>NATURAL OR CULTURED PEARLS, PRECIOUS OR SEMIPRECIOUS STONES, PRECIOUS METALS, METALS CLAD WITH PRECIOUS METAL, AND ARTICLES THEREOF; IMITATION JEWELRY; COIN</b>								
71	Natural or cultured pearls, precious or semiprecious stones, precious metals, metals clad with precious metals	14,404	1,223	1,222	2,445	8.5	17.0	3
<b>BASE METALS AND ARTICLES OF BASE METAL</b>								
72	Iron and steel	5,731,870	482,963	415,349	898,312	8.4	15.7	12
73	Articles of iron or steel	4,678,058	529,407	95,486	624,893	11.3	13.4	26
74	Copper and articles thereof	40,464	4,365	3,354	7,719	10.8	19.1	3
75	Nickel and articles thereof	596	64	51	115	10.8	19.2	1
76	Aluminum and articles thereof	36,154	4,093	3,052	7,145	11.3	19.8	3
82	Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal	4,391	423	373	795	9.6	18.1	5
83	Miscellaneous articles of base metal	284,125	32,165	23,711	55,876	11.3	19.7	14
<b>MACHINERY AND MECHANICAL APPLIANCES; ELECTRICAL EQUIPMENT; PARTS THEREOF; SOUND RECORDERS AND REPRODUCERS, TELEVISION IMAGE AND SOUND RECORDERS AND REPRODUCERS, AND PARTS AND ACCESSORIES OF SUCH ARTICLES</b>								
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	6,425,420	723,383	470,967	1,194,350	11.3	18.6	111
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recording apparatus and parts thereof; parts and accessories of such apparatus	1,998,486	226,244	165,586	391,830	11.3	19.6	67
<b>VEHICLES, VESSELS AND ASSOCIATED TRANSPORT EQUIPMENT</b>								
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	4,092,780	394,061	342,813	736,874	9.6	18.0	36
<b>OPTICAL, PHOTOGRAPHIC, CINEMATOGRAPHIC, MEASURING, CHECKING, PRECISION, MEDICAL OR SURGICAL INSTRUMENTS AND APPARATUS; CLOCKS AND WATCHES; MUSICAL INSTRUMENTS; PARTS AND ACCESSORIES THEREOF</b>								
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	279,721	19,000	23,448	42,447	6.8	15.2	21
91	Clocks and watches and parts thereof	361	24.52	31	55	6.8	15.3	1
<b>ARMS AND AMMUNITION; PARTS AND ACCESSORIES THEREOF</b>								
93	Arms and ammunition; parts and accessories thereof	275,588	31,199	17,983	49,182	11.3	17.8	6
<b>MISCELLANEOUS MANUFACTURED ARTICLES</b>								
94	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, other than incandescent-illumination lamps	242,041	21,211	19,950	41,162	8.8	17.0	15
96	Miscellaneous manufactured articles	23,172	1,967	1,923	3,891	8.5	16.8	5

Elaboration: Department of Studies and Information, DIRECON. VMG/vmg.

**TABLE 4.3.**

 Change in Chilean Exports to Turkey Due to the FTA by ISIC Code. Rates of Growth and Average *ad valorem* Tariffs (figures in dollars FOB and percentages)

Sector	ISIC	Subsector	Value 2005	Change of the Exports	Rate of growth
<i>I. Agriculture, Fruit, Livestock, Silviculture and Extractive Fishery</i>	<i>100</i>		<i>1,767,645</i>	<i>3,628,750</i>	<i>205.3</i>
	<b>110</b>	<b>Agriculture, fruit and livestock</b>	<b>1,767,645</b>	<b>3,628,750</b>	<b>205.3</b>
	111	Agriculture, fruit and livestock	95,366	150,988	158.3
	112	Fruit	1,672,279	3,477,762	208.0
<i>III. Manufacturing Industry</i>	<i>300</i>		<i>8,648,385</i>	<i>2,427,338</i>	<i>28.1</i>
	<b>310</b>	<b>Manufacture of food, beverages and tobacco</b>	<b>1,148,585</b>	<b>1,514,002</b>	<b>131.8</b>
	311	Food manufacturing	447,216	365,160	81.7
	313	Beverage industries	701,369	1,148,842	163.8
	<b>320</b>	<b>Textile, wearing apparel and leather industries</b>	<b>24,725</b>	<b>4,630</b>	<b>18.7</b>
	321	Textile products	24,471	4,588	18.7
	322	Wearing apparel, except footwear	146	35	24.0
	323	Leather and leather products	108	7	6.4
	<b>330</b>	<b>Manufacture of wood and wood products, including furniture</b>	<b>900</b>	<b>63</b>	<b>7.0</b>
	331	Wood and wood products, except furniture	900	63	7.0
	<b>350</b>	<b>Manufacture of chemicals, chemical, petroleum, coal, rubber and plastic</b>	<b>6,964,162</b>	<b>899,538</b>	<b>12.9</b>
	351	Manufacture of industrial chemicals	6,942,454	896,768	12.9
	352	Manufacture of other chemical products	9,000	842	9.4
	355	Manufacture of rubber products	60	4	5.9
	356	Plastics products	12,648	1,924	15.2
	<b>360</b>	<b>Manufacture of non-metallic mineral products, except products of</b>	<b>255</b>	<b>36</b>	<b>14.0</b>
	361	Manufacture of pottery, china and earthenware	255	36	14.0
	<b>370</b>	<b>Basic metal industries</b>	<b>371,309</b>	<b>1,300</b>	<b>0.4</b>
	372	Non-ferrous metal basic industries	371,309	1,300	0.4
	<b>380</b>	<b>Manufacture of fabricated metal products, machinery and equipment</b>	<b>120,316</b>	<b>6,079</b>	<b>5.1</b>
	381	Metal products	45,746	2,308	5.0
	382	Machinery except electrical	72,954	3,601	4.9
	384	Transport equipment	1,616	170	10.5
	<b>390</b>	<b>Other manufacturing industries</b>	<b>18,133</b>	<b>1,691</b>	<b>9.3</b>
	392	Musical instruments	29	3	8.7
	399	Other goods not elsewhere classified	18,104	1,688	9.3
<b>TOTAL</b>			<b>10,416,030</b>	<b>6,056,088</b>	<b>58.1</b>

Elaboration: Department of Studies and Information, DIRECON. VMG/vmg.

**TABLE 4.4.**  
 Change in Chilean Imports from Turkey Due to the FTA, and Rates of Growth by ISIC Code  
 (figures in dollars CIF and percentages)

Sector	ISIC	Subsector	Value 2005	Trade Creation (TC)	Trade Diversion (TD)	Change of the Imports (CI)	Rate of growth	
							TC	CI
<i>I. Agriculture, Fruit, Livestock, Silviculture and Extractive Fishery</i>	<i>100</i>		<i>287,108</i>	<i>8,126</i>	<i>20,263</i>	<i>28,388</i>	<i>2.8</i>	<i>9.9</i>
	110	Agriculture, fruit and livestock	287,108	8,126	20,263	28,388	2.8	9.9
	111	Agriculture	287,108	8,126	20,263	28,388	2.8	9.9
<i>II. Mining</i>	<i>200</i>		<i>162,526</i>	<i>9,200</i>	<i>12,001</i>	<i>21,200</i>	<i>5.7</i>	<i>13.0</i>
	230	Extraction of other mineral	131,586	7,448	9,950	17,398	5.7	13.2
	231	Rest of metal mining	131,586	7,448	9,950	17,398	5.7	13.2
	240	Otros	30,940	1,751	2,050	3,802	5.7	12.3
<i>III. Manufacturing Industry</i>	<i>300</i>		<i>36,209,581</i>	<i>3,498,017</i>	<i>2,468,406</i>	<i>5,966,422</i>	<i>9.7</i>	<i>16.5</i>
	310	Manufacture of food, beverages and tobacco	2,706,590	214,484	187,661	402,145	7.9	14.9
	311	Food manufacturing	1,639,033	129,886	123,982	253,868	7.9	15.5
	313	Beverages	917	73	78	150	7.9	16.4
	314	Tobacco	1,066,640	84,526	63,601	148,127	7.9	13.9
	320	Textile, wearing apparel and leather industries	2,669,389	282,412	200,381	482,793	10.6	18.1
	321	Textile products	2,577,648	277,219	192,640	469,859	10.8	18.2
	322	Wearing apparel, except footwear	76,414	4,325	6,455	10,780	5.7	14.1
	323	Leather and leather products	15,327	868	1,286	2,154	5.7	14.1
	330	Manufacture of wood and wood products, including furniture	112,027	6,341	9,064	15,405	5.7	13.8
	331	Wood and wood products, except furniture	2,677	152	227	378	5.7	14.1
	332	Furniture	109,350	6,190	8,837	15,027	5.7	13.7
	340	Paper and paper products, printing and publishing	32,193	1,913	2,723	4,637	5.9	14.4
	341	Paper, cellulose and paper products	16,100	547	1,359	1,906	3.4	11.8
	342	Printing, publishing and allied industries	16,093	1,366	1,364	2,731	8.5	17.0
	350	Manufacture of chemicals, chemical, petroleum, coal, rubber and plastic products	6,045,129	448,886	447,383	896,269	7.4	14.8
	351	Manufacture of industrial chemicals	2,096,215	142,384	137,195	279,580	6.8	13.3
	352	Manufacture of other chemical products	647,379	43,973	52,093	96,066	6.8	14.8
	353	Productos de petróleo y derivados	1,365,105	46,362	97,888	144,250	3.4	10.6
	355	Manufacture of rubber products	539,214	57,991	45,455	103,446	10.8	19.2
	356	Plastics products	1,397,216	158,175	114,752	272,927	11.3	19.5
	360	Manufacture of non-metallic mineral products, except products of petroleum and coal	758,892	85,912	54,795	140,707	11.3	18.5
	361	Manufacture of pottery, china and earthenware	53,314	6,036	4,498	10,533	11.3	19.8
	362	Manufacture of glass and glass products	671,487	76,017	47,430	123,448	11.3	18.4
	369	Manufacture of other non-metallic products, nesoi	34,091	3,859	2,867	6,726	11.3	19.7
	370	Basic metal industries	5,644,881	480,159	409,142	889,301	8.5	15.8
	371	Iron and steel basic industries	5,606,146	475,994	405,897	881,890	8.5	15.7
	372	Non-ferrous metal basic industries	38,735	4,166	3,245	7,411	10.8	19.1
	380	Manufacture of fabricated metal products, machinery and equipment	18,202,596	1,974,692	1,154,086	3,128,778	10.8	17.2
	381	Metal products	7,777,026	880,418	312,899	1,193,317	11.3	15.3
	382	Machinery except electrical	4,101,274	464,295	324,185	788,480	11.3	19.2
	383	Manufacture of electrical machinery apparatus, appliances and supplies	2,819,785	319,221	222,464	541,685	11.3	19.2
	384	Transport equipment	3,211,625	290,864	269,977	560,842	9.1	17.5
385	Manufacture of professional and scientific and measuring and controlling equipment not elsewhere classified, and of photographic and optical goods	292,886	19,894	24,560	44,455	6.8	15.2	
390	Other manufacturing industries	37,884	3,217	3,171	6,388	8.5	16.9	
391	Jewellery and related articles	5,040	428	427	855	8.5	17.0	
399	Other goods not elsewhere classified	32,844	2,789	2,744	5,532	8.5	16.8	
<b>TOTAL</b>			<b>36,659,215</b>	<b>3,515,342</b>	<b>2,500,669</b>	<b>6,016,011</b>	<b>9.6</b>	<b>16.4</b>

Elaboration: Department of Studies and Information, DIRECON. VMG/vmg.

## Potential Trade

### Introduction

When the basket of goods that a country exports to another is small (like it is the case of Chile and Turkey), and one plans to negotiate an agreement which grants mutual tariff preferences, questions arise respect to the group of goods which before the enforcement of the agreement are not traded.

These questions can be what new products can be exported to the trade counterpart?, and which method will be the most appropriate to value those new products?.

The answer to these questions is not formally modeling, therefore different techniques could be designed for such target. However, whichever it is, they will only be useful as indicator of expansion of the exports, since many of the criterions that should necessarily be used are somehow arbitrary.

For the case that concerns us, two scenarios are established, resulting in a range where the estimated total of the potential Chilean exports to Turkey could be located. The first of them, defines the group of goods that simultaneously Turkey buys while Chile sells from and to the rest of the world, but not to each other. The second scenario uses like destination of the Chilean sales only to those markets that could be classified as “analogous” or “similar” to Turkey. These are: European Union (first 15 members). In this way, while in the first case one you could obtain a wide basket of products, in the second one this universe will be more limited. In both cases, were considered those products exported by Chile whose value was bigger or similar to 10,000 dollars.

Once defined the potential basket of the products exportable by Chile and, being known the demand by Turkey imports, it should be defined what fraction of that demand would be able to be satisfied by Chile. A conservative measure is to suppose that the relative participation of the Turkish imports from Chile respect of the Turkish total demand for those goods during the year 2006 stays constant, excluding the products of copper. This rate is equivalent to 1.1%.

## Models

Be two countries,  $A$  and  $B$ . The country  $A$  needs to know the basket of exportable potentially products (trade non-trade goods) to country  $B$ . For that purpose, it requires to identify those products that country  $B$  imports but not from country  $A$ , and that country  $A$  sells to the rest of the world but not to country  $B$ .

The country  $A$  exports to the world the goods  $a$ ,  $b$ ,  $c$  and  $d$  and to the country  $B$  the goods  $a$  and  $b$ . While country  $B$  imports from the world the goods  $a$ ,  $b$ ,  $d$  and  $f$ . Therefore, the potentially exportable basket from  $A$  to  $B$  is composed by good  $d$ , since products  $a$  and  $b$  are already traded among the partners.

The following interesting step is to face these potentially traded products with the tariffs charged by country  $B$  to imports from country  $A$ . If they are located in a “high tariff” level, then one could infer that country  $A$  doesn’t export the identified products as potentially exportable because it faces in the country  $B$  an inhibiting tariff.

Then, for country  $A$  is important to know the size of the total demand by country  $B$  for the products that compose the potential basket. That is, the imported total value of good  $d$  by  $B$ . The above-mentioned is important because the economic value of the potential basket from  $A$  to  $B$  will be minor or equal to the imported total value by  $B$  of the good  $d$ .

Clearly, it arises the question about what fraction of the exportable potentially basket will country  $A$  be able to capture. The answer is completely discretionary. Perhaps the experience with other countries can be an useful indicator.

In spite of this restriction, this methodology provides an interesting support when the number of traded products between two countries is small, a situation that means that any evaluation of the

trade impact restricted only to that group of traded goods is not sufficient to capture the potential expansion of trade.

### **Conclusions**

The use of the model and of the above mentioned assumptions indicate that the potential Chilean exports to Turkey would be found in a range between 367.7 and 779.8 annual million dollars FOB (*ceteris paribus*) of the Turkey demand for imports of these products.

A higher diversification is achieved, arriving as maximum to 2,178 sub-headings at a 6-digits level of the Harmonized System classification. The above-mentioned represents an increase 29 times higher than the number of sub-headings to 6-digits exported to Turkey in the base year<sup>54</sup> (76 sub-headings at 6-digits level).

The results obtained by HS chapter are shown in the following tables. Some headings at 4-digits have been highlighting, because they represent higher relative weights regarding the estimated total.

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<sup>54</sup> The base year is 2006.

**TABLE 4.5.**  
**Potentially Exportable Products by Chile to Turkey. Scenario: Matching between Turkish Imports from Rest of the World and Chilean Exports to the Rest of the World –2006)**

HS Chap.	Description	Number of sub-heading at 6-level	Turkish Imports 2006		Value Potential Chilean Exports to Turkey mill US \$ FOB (1.1%)	Relative Weight (%)
			mill US \$ CIF	mill US \$ FOB		
<b>Total</b>		<b>2,178</b>	<b>76,153</b>	<b>70,822</b>	<b>780</b>	<b>100</b>
08	Edible fruit and nuts; peel of citrus fruit or melons	25	169.3	157.4	1.73	0.2
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruits; industrial	15	352.5	327.9	3.61	0.5
15	Animal or vegetable fats and oils and their cleavage products prepared edible	11	101.7	94.5	1.04	0.1
21	Miscellaneous edible preparations	15	328.5	305.5	3.36	0.4
24	Tobacco and manufactured tobacco substitutes	3	158.6	147.5	1.62	0.2
25	Salt; sulfur; earths and stone; plastering materials, lime and cement	17	244.5	227.4	2.50	0.3
26	Ores, slag and ash	11	583.8	542.9	5.98	0.8
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances	8	5,757.1	5,354.1	58.95	7.6
	2710 Oil (not crude) from petrol & bitum mineral etc,		5,570.3	5,180.4	57.04	7.3
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare	58	609.4	566.7	6.24	0.8
29	Organic chemicals	69	1,300.3	1,209.3	13.32	1.7
30	Pharmaceutical products	24	2,951.3	2,744.7	30.22	3.9
31	Fertilizers	9	232.8	216.5	2.38	0.3
32	Tanning or dyeing extracts; dyes, pigments, paints, varnishes, putty and mastic	27	926.9	862.0	9.49	1.2
33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations	23	529.3	492.2	5.42	0.7
34	Soap, organic surface-active agents, washing preparations, lubricating preparations	19	325.6	302.8	3.33	0.4
35	Albuminoidal substances; modified starches; glues; enzymes	9	207.7	193.2	2.13	0.3
37	Photographic or cinematographic goods	13	181.5	168.8	1.86	0.2
38	Miscellaneous chemical products	28	597.2	555.4	6.12	0.8
39	Plastics and articles thereof	88	5,613.6	5,220.6	57.48	7.4
	3901 Polymers of ethylene, in primary forms		1,013.3	942.4	10.38	1.3
	3902 Polymers of propylene or other olefins, in primary forms		1,458.4	1,356.3	14.93	1.9
	3904 Polymers of vinyl chloride or of other halogenated olefins, in primary forms		604.8	562.5	6.19	0.8
	3907 Polyacetals, other polyethers and epoxide resins, in primary forms; polycarbonates, alkyd resins, p		581.3	540.6	5.95	0.8
40	Rubber and articles thereof	48	1,036.4	963.9	10.61	1.4
41	Raw hides and skins (other than furskins) and leather	14	124.5	115.7	1.27	0.2
42	Articles of leather; saddlery and harness; travel goods, handbags and similar co	11	180.4	167.8	1.85	0.2
44	Wood and articles of wood; wood charcoal	29	461.6	429.3	4.73	0.6
48	Paper and paperboard; articles of paper pulp, of paper or of paperboard	61	1,583.0	1,472.2	16.21	2.1
49	Printed books, newspapers, pictures and other products of the printing industry;	15	129.9	120.8	1.33	0.2
51	Wool, fine or coarse animal hair; horsehair yarn and woven fabric	17	229.7	213.6	2.35	0.3
52	Cotton	19	182.8	170.0	1.87	0.2
54	Man-made filaments	20	573.3	533.2	5.87	0.8
55	Man-made staple fibers	23	263.5	245.1	2.70	0.3
56	Wadding, felt and nonwovens; special yarns, twine, cordage, ropes and cables a	15	179.7	167.1	1.84	0.2
57	Carpets and other textile floor coverings	7	105.4	98.0	1.08	0.1
58	Special woven fabrics; tufted textile fabrics; lace, tapestries; trimmings; embroi	9	112.2	104.3	1.15	0.1
59	Impregnated, coated, covered or laminated textile fabrics; textile articles of a ki	13	169.1	157.2	1.73	0.2
60	Knitted or crocheted fabrics	9	120.1	111.7	1.23	0.2
61	Articles of apparel and clothing accessories, knitted or crocheted	35	216.8	201.7	2.22	0.3
62	Articles of apparel and clothing accessories, not knitted or crocheted	67	529.6	492.5	5.42	0.7
64	Footwear, gaiters and the like; parts of such articles	21	501.2	466.1	5.13	0.7
68	Articles of stone, plaster, cement, asbestos, mica or similar materials	19	133.3	124.0	1.37	0.2
69	Ceramic products	14	304.3	283.0	3.12	0.4
70	Glass and glassware	22	325.5	302.7	3.33	0.4
71	Natural or cultured pearls, precious or semi-precious stones, precious metals, m	9	4,324.0	4,021.3	44.28	5.7
	7108 Gold (including gold plated with platinum) or in powder form, non-monetary		4,010.0	3,729.3	41.06	5.3
72	Iron and steel	61	5,936.6	5,521.0	60.79	7.8
	7204 Ferrous waste and scrap; remelting scrap ingots of iron or steel		3,858.9	3,588.7	39.51	5.1
73	Articles of iron or steel	82	1,271.1	1,182.1	13.02	1.7
74	Copper and articles thereof	26	634.0	589.6	6.49	0.8
76	Aluminum and articles thereof	20	438.6	407.9	4.49	0.6
79	Zinc and articles thereof	3	195.9	182.2	2.01	0.3
82	Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of ba	28	270.7	251.7	2.77	0.4
83	Miscellaneous articles of base metal	23	436.7	406.2	4.47	0.6

*Continuation*

Elaboration: Department of Studies and Informations, DIRECON. VMG/vmg.

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HS Chap.	Description	Number of sub-heading at 6-level	Turkish Imports 2006		Value Potential Chilean Exports to Turkey	Relative Weight (%)
			mill US \$ CIF	mill US \$ FOB	mill US \$ FOB (1.1%)	
<i>Continuation</i>						
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	306	14,998.8	13,948.9	153.59	19.7
	8408 Compression-ignition internal combustion piston engines (diesel or semi-diesel engines)		2,126.9	1,978.0	21.78	2.8
	8413 Pumps for liquids, fitted or designed to be fitted with a measuring device; liquid elevators		508.8	473.2	5.21	0.7
	8414 Air or vacuum pumps, air or other gas compressors and fans; ventilating or recycling hoods incorporated		654.9	609.1	6.71	0.9
	8429 Bulldozers and angledozers		1,076.3	1,001.0	11.02	1.4
	8471 Automatic data processing machines and units thereof; magnetic or optical readers, machines for text		1,788.0	1,662.9	18.31	2.3
	8479 Machines and mechanical appliances having individual functions, not specified or included elsewhere		619.2	575.9	6.34	0.8
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers	147	5,512.3	5,126.5	56.45	7.2
	8531 Electric sound or visual signalling apparatus (for example, bells, sirens, indicator panels, burglar alarm		1,200.1	1,116.1	12.29	1.6
	8536 Electrical apparatus for switching or protecting electrical circuits, or for making connections to or		530.6	493.5	5.43	0.7
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	45	8,411.2	7,822.4	86.13	11.0
	8703 Motor cars and other motor vehicles principally designed for the transport of persons (other than tax		3,373.0	3,136.9	34.54	4.4
	8704 Motor vehicles for the transport of goods		1,133.7	1,054.3	11.61	1.5
	8708 Parts and accessories of the motor vehicles of headings 8701 to 8705		2,307.8	2,146.3	23.63	3.0
88	Aircraft, spacecraft, and parts thereof	9	231.4	215.2	2.37	0.3
89	Ships, boats and floating structures	10	211.6	196.8	2.17	0.3
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments	89	2,351.9	2,187.3	24.08	3.1
91	Clocks and watches and parts thereof	13	137.4	127.8	1.41	0.2
94	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings	28	669.3	622.4	6.85	0.9
95	Toys, games and sports requisites; parts and accessories thereof	11	97.3	90.5	1.00	0.1
96	Miscellaneous manufactured articles	22	169.8	157.9	1.74	0.2

Elaboration: Department of Studies and Informations, DIRECON.VMG/vmg

**TABLE 4.6.**

Potentially Exportable Products by Chile to Turkey. Scenario: Matching between Turkish Imports from Rest of the World and Chilean Exports to the European Union (15) –2006)

HS Chap.	Description	Number of sub-heading at 6-level	Turkish Imports 2006		Value Potential Chilean Exports to Turkey mill US \$ FOB (1.1%)	Relative Weight (%)
			mill US \$ CIF	mill US \$ FOB		
<b>Total</b>		<b>558</b>	<b>35,905</b>	<b>33,392</b>	<b>368</b>	<b>100</b>
08	Edible fruit and nuts; peel of citrus fruit or melons	18	139.9	130.1	1.43	0.4
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruits;	11	338.2	314.5	3.46	0.9
15	Animal or vegetable fats and oils and their cleavage products prepared	6	98.6	91.7	1.01	0.3
21	Miscellaneous edible preparations	4	238.0	221.3	2.44	0.7
27	Mineral fuels, mineral oils and products of their distillation; bituminous	3	1,140.0	1,060.2	11.67	3.2
29	Organic chemicals	7	163.9	152.4	1.68	0.5
30	Pharmaceutical products	3	2,011.0	1,870.2	20.59	5.6
	3004 Medicaments (excluding goods of heading 3002, 3005 or 3006) consisting of mixed or unmi		1,699.5	1,580.5	17.40	4.7
33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations	7	268.8	250.0	2.75	0.7
34	Soap, organic surface-active agents, washing preparations, lubricating p	4	121.4	112.9	1.24	0.3
38	Miscellaneous chemical products	1	139.2	129.4	1.43	0.4
39	Plastics and articles thereof	22	1,046.4	973.2	10.72	2.9
40	Rubber and articles thereof	6	489.8	455.6	5.02	1.4
44	Wood and articles of wood; wood charcoal	20	237.1	220.5	2.43	0.7
48	Paper and paperboard; articles of paper pulp, of paper or of paperboard	10	577.9	537.4	5.92	1.6
51	Wool, fine or coarse animal hair; horsehair yarn and woven fabric	7	122.1	113.5	1.25	0.3
64	Footwear, gaiters and the like; parts of such articles	2	160.3	149.1	1.64	0.4
71	Natural or cultured pearls, precious or semi-precious stones, precious m	3	4,082.1	3,796.4	41.80	11.4
	7108 Gold (including gold plated with platinum) or in powder form, non-monetary		4,010.0	3,729.3	41.06	11.2
72	Iron and steel	8	3,916.5	3,642.3	40.10	10.9
	7204 Ferrous waste and scrap; remelting scrap ingots of iron or steel		3,858.9	3,588.7	39.51	10.7
73	Articles of iron or steel	14	528.6	491.6	5.41	1.5
74	Copper and articles thereof	11	247.8	230.4	2.54	0.7
83	Miscellaneous articles of base metal	5	175.6	163.3	1.80	0.5
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	99	8,649.5	8,044.0	88.57	24.1
	8408 Compression-ignition internal combustion pisto engines (diesel or semi- diesel engines)		1,950.3	1,813.8	19.97	5.4
	8429 Bulldozers and angledozers		761.5	708.2	7.80	2.1
	8471 Automatic data processing machines and units thereof; magnetic or optical readers, machine		1,715.9	1,595.8	17.57	4.8
85	Electrical machinery and equipment and parts thereof; sound recorders	34	3,038.3	2,825.6	31.11	8.5
	8531 Electric sound or visual signalling apparatus (for example, bells, sirens, indicator panels, bu		1,172.9	1,090.8	12.01	3.3
87	Vehicles other than railway or tramway rolling stock, and parts and acc	19	4,904.7	4,561.4	50.22	13.7
	8703 Motor cars and other motor vehicles principally designed for the transport of persons (other		1,571.5	1,461.5	16.09	4.4
	8704 Motor vehicles for the transport of goods		905.4	842.0	9.27	2.5
	8708 Parts and accessories of the motor vehicles of headings 8701 to 8705		2,099.9	1,953.0	21.50	5.8
88	Aircraft, spacecraft, and parts thereof	4	203.9	189.7	2.09	0.6
90	Optical, photographic, cinematographic, measuring, checking, precision	23	1,136.2	1,056.7	11.64	3.2
94	Furniture; bedding, mattresses, mattress supports, cushions and similar	14	413.5	384.5	4.23	1.2

Elaboration: Department of Studies and Informations, DIRECON. VMG/vmg.

### IV.3 Bilateral Liberalization of Trade in Services

#### IV.3.A Analysis

In 2005, services in the Chilean economy represented 56.4 % of total GDP<sup>55</sup>, and it has increased its share from 55.3% in 1996; and also its share in employment that comprises 63.1% of total employment in 2006<sup>56</sup>, up from 57.5% in 1996. This sector has been very dynamic as has experienced a higher than average rate of growth of its activity, measured in GDP, employment and investment.

<sup>55</sup> Computed from Banco Central de Chile, National Accounts at 1996 constant prices. According to the UN methodology the water, construction, electricity and gas sectors are considered as part of industry.

<sup>56</sup> Source: Instituto Nacional de Estadísticas INE, employment figures for the January-March period of each year by industries. According to the UN methodology the water, construction, electricity and gas sectors are considered as part of industry

Between 1974 and 2004, Services accounted by 32% of direct foreign investment, concentrated in Transport and Communications (12% of the total) and other Services (20%). In the Other Services sector, the most important segments were Financial Services, Insurance (17%), and the Wholesale and Retail Trade (12%).

The importance of the services sector may be clearly seen as a source of employment creation in the last six years (2000 – 2006). In the Chilean economy since January 2000, as may be appreciated from the following Table, some 637 thousand jobs have been created; of which 459 thousand were provided by the services sector, that is a 72% of the total jobs created in the last six years.

**Table 4.7**  
**Chile: Job creation January-March 2000 to 2006**

	Total	Non-services Industries*	Commerce	Transport& Telecommu- nications	Finance	Social and Communal Services	Services
Jobs created (thousands)	637.00	177.95	132.40	72.76	125.36	128.50	459.02
% share	100.0%	27.9%	20.8%	11.4%	19.7%	20.2%	72.1%

Source: Instituto Nacional de Estadísticas INE, Chile

\* Agriculture, manufacturing industry, construction, mining and electricity, gas and water

As a consequence of Chile’s long running privatization policies, state involvement in services is limited. The state retains ownership of Banco Estado, the postal and railway services, and public television. The state also owns seaports and major airports; however, these have been increasingly given in concession to private operators. The authorities indicate that involvement of the State in any of the sectors mentioned does not in any way preclude private participation.

As is stated in other part of this document, “there are a few measures that discriminate between national and foreign services providers, which affect the principle of national treatment, and a few minor exceptions to the MFN. Chile has some quantitative non-discriminatory restriction, mainly related to technical considerations, while in certain sectors local presence is required to better protect consumer interests or domestic market stability”<sup>57</sup>.

#### **IV.3.B. Conclusions**

In terms of assessing the likely impacts that a bilateral FTA would have on services, unfortunately the absence of reliable data on bilateral trade in cross border services only allows to undertake a qualitative analysis.

There are some data that is useful to look at, related to the maritime transport and tourism. The information concerning maritime transport in Table 4.8 shows a smaller participation in the figures of Chilean imports to Turkey. In 2004, 0.51% of Chilean exports were destined to Turkey, and the figure of maritime transport is of 0.15% of total exports to Turkey. The share of Turkish imports is 0.08% of total imports by maritime transport, while imports from Turkey in the same year were 0.13% of Chilean imports. Concerning total trade, 0.12% of cargo transport is coming from Turkey in 2004 (Table 4.8), a lower share than Turkey has in total trade with Chile in 2004 (0.35% of trade in 2004). In the case of tourism, what is found is a very low participation of tourism to and from

<sup>57</sup> A detailed description of the services regulations and policies is found in Chapter III.3 “Services” of this Study.

Turkey (Tables 4.9 and 4.10), but there is a growing presence of Turkish tourists in Chile (from 302 in 2001 to 1,690 in 2006). In the case of Chileans going to Turkey, there is an underestimate as Chileans are much more than the registered figures of Table 4.10<sup>58</sup>

**Table 4.8**  
**Chilean Exports and Imports by Maritime Transport, 2004**

	(Metric Tons)		
	Exports	Imports	Trade
World	41.724.456	22.666.014	64.390.470
Turkey	61.327	17.151	78.478
% Turkey	0,15%	0,08%	0,12%

Source: Dirección General del Territorio Marítimo y Marina Mercante  
(General Directorate of Maritime Transport and Merchant Vessels, Chile)

**Table 4.9**  
**Chile: Tourist Arrivals from Turkey and World, 2001-2006**  
**(Number of arrivals)**

	2001	2002	2003	2004	2005	2006
Turkey	302	427	577	731	919	1,690
World	1,723,107	1,412,314	1,613,523	1,785,024	2,027,082	2,252,952
% Turkey	0.02%	0.03%	0.04%	0.04%	0.05%	0.08%

Source: Servicio Nacional de Turismo  
(National Tourism Service, Chile)

**Table 4.10**  
**Chilean tourists departures to Turkey and world, 2001-2006**  
**(Number of departures)**

	2001	2002	2003	2004	2005	2006
Turkey	2	0	14	12	2	0
World	1,607,877	1,917,289	2,100,260	234,838	2,651,135	3,005,273
% Turkey	0.00012%	0.00000%	0.00067%	0.00511%	0.00008%	0.00000%

Source: Servicio Nacional de Turismo  
(National Tourism Service, Chile)

On the other hand, data on services and trade reflects that there is a positive correlation between services and trade: in the case of Chile, in the period 1998 to 2005, total trade in goods increased from US\$ 32.2 billions to US\$ 69.2 billions; and correspondingly trade in services surged from US\$ 8.4 billions to US\$ 14.9 billions in the same period. This is found in general, so if trade increases, it will also experience a corresponding surge in services.

Two general conclusions may be drawn from a further liberalization in the services sector between Chile and Turkey:

- The participation of Turkey in Chile's trade services is small; and has been reduced in the last 11 years; as is reflected by the figures of trade in goods: in 1994, 0.04% of Chilean

<sup>58</sup> The registration in the exit cards filled for boarding purposes puts an intermediate destiny as final destiny as there are not direct flights from Chile to Turkey.

trade was with Turkey, while this share has reached to 0.48% in 2006. With further liberalization of restrictive practices in the services sector between the 2 countries, the share of services would certainly increase.

- If trade in services were further liberalized between the two countries the increase in the absolute amounts of services would accompany the surge in trade. As was calculated in the goods sector, there would be an increase in bilateral trade around US \$ 12.0 million with respect to the figure of 2006, approximately 20.0% of the non-copper trade between the two countries. As there are no reliable sources concerning trade in services, it is not feasible to have an accurate estimate. But a rough indication may be calculated taking into account the average figure of services in the Chilean balance of payments accounts, which might mean a figure of US \$ 2.1 millions in the year 2006 of additional services because of the trade liberalization between the two countries. The services liberalization would mean additional points of increase in trade services between the two countries, beyond those estimates.

#### **IV.4. Bilateral Liberalization of Investment**

##### **IV.4.A Analysis**

Both the Turkish and the Chilean economies have experienced a dynamic economic growth, experiencing periods of stable and lastly expansion in the last 20 years. This, coupled with consistent liberalization of their economies, is conducive to increase investments and create new opportunities. In the case of Chile, the rate of investment has surged, recovering from the reduction of the late nineties due to the Asian crisis effect in the Chilean economy.

Foreign direct investment has been part of the strategy to enhance further growth in the Chilean economy (Chapter 1). This trend has continued, and the competitiveness of the Chilean economy and the low country risk has improved the attractiveness of investments in Chile. The Emerging markets bond index is at record low levels for Chile, reaching 65 base points in 2005, while the average for the world is 306; and for emerging countries in Asia is 265 and in Europe is 185 (see following table)

**Emerging Markets Bond Index Global Spread  
2001-2005**

	2001	2002	2003	2004	2005
Chile	192	177	126	83	65
Latin America	867	965	700	527	364
Asia	328	257	245	265	265
Europe	836	516	348	274	185
Global	797	727	533	423	306

Source: JP Morgan Chase  
In Banco Central de Chile, Monthly Bulletin  
(Boletín Mensual), April 2006, page 36

#### **IV.4.B Conclusions**

Concerning about the consequences for investment in the Chilean economy, given the process of an FTA with Turkey, it is possible to distinguish two main impacts: better information and an improvement of the legal certainty between both countries. The enhancement of the judicial certainty for investors from both countries and their investments in the other party's country would be a result of the consideration of the investment aspect in the FTA.

With the improved market access as result of the FTA and the necessary examination of the juridical aspects of foreign and Chilean investment in Turkey would mean additional investments by Chile in Turkey, in order to facilitate trade in goods and services.

The needs of the development of the Turkish economy and its reliance on imported inputs and raw materials, as is the case of other emerging economies, might induce additional Turkish investments in Chile.

#### **IV.5. Effects and Influence on Specific Sectors and Products (as appropriate) (Qualitative Analysis)**

For the matrix of analysis of the main impact of a prospective FTA Chile – Turkey in Chile by industries, it is possible to have a broad picture of which sectors would be influenced by the trade increase (imports and exports) starting from the quantitative data calculated in Chapter IV. 2<sup>59</sup>. In this section are presented the highlights in key sectors:

##### **IV.5.i. Agriculture (including fruticulture and food industries)**

- It is a sector that represents a 5.3% of the GDP in 2006<sup>60</sup>, it has a larger share of the GDP in Regions VII to X; and is the basis of important exporting industries as fruits, wines, juices, canned foods, meat, pork, poultry, dairy products and other export products that have expanded and evolved in the last 15 years. Chile is (2004 data) the 17<sup>th</sup> exporter in the world food market, with exports in the region of US\$ 7 billions<sup>61</sup> in that year and currently US \$ 10 billions.
- The main impact in this case would be of an increase in exports of 205%, 158% in agriculture and 208% in fruits, which may be seen as a first step to further increases, as has been the experience of fruit and other agricultural exports after signing the FTAs with other countries<sup>62</sup>. This increase would be higher in fruits that would grow by US \$ 3.5 million, compared with a base figure of US \$ 1.7 million in 2006; followed by the wine exports growing at a rate of 164% over the figure of 2006, with US \$ 1.2 million of additional exports.
- This impact is mostly due to the high level of tariffs in Turkey for Chilean wines, fruits and food industry products, ranging between 55% and 70% on average.

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<sup>59</sup> In this section, for calculations the potential impact of an FTA (of non-trade goods) is not included

<sup>60</sup> See Chapter 1

<sup>61</sup> Calculated from FAO figures by Chile Alimentos, includes several industries as food and beverages and fish and fish foods. (2004 figures).

<sup>62</sup> Cases of Mexico, Canada and other experiences

- In this sector Turkish products would increase its presence in the Chilean market, but imports are minimal.

#### **IV.5.ii. Forestry**

- The forest industry represents a 3% of Chilean GDP, and with exports of 3925.5 in 2006, 6.8% of Chilean exports
- Chilean exports of forest products would increase as a result of the FTA with Turkey by 7% over the level of 2006 exports.
- An increase is expected of the Chilean imports of these goods from Turkey of 13.8% over the current values.

#### **IV.5.iii Mining**

- This is a sector in which Chile has the largest competitive and natural advantages, mostly in the copper sector, being the largest exporter of copper in the world. In 2006, the mining sector comprised 7.9% of Chilean GDP, but it represented 24% of Chilean GDP at current prices, and mining exports represented 64% of total Chilean exports, both as a result of increases in the quantum and prices of copper and other mining products. This sector also represents a large Chilean export to the Turkish market (94.2% in 2006).
- The mining exports that Chile exports to Turkey correspond to copper products, which currently face a zero tariff. So there will not be additional exports because of the prospective agreement.

#### **IV.5.iv Manufacturing industry**

- The manufacturing sector represents a 17.4% of Chilean GDP<sup>63</sup>, and 30% of Chilean exports, reaching US\$ 17.7 billions in 2006. The exports of this sub-sector are led by the food and beverages industries (39.4% of total manufacturing exports), followed by the forest industry (forestry and furniture and cellulose, paper and by-products) reaching 23.6% of Chilean manufacturing exports. In a 3<sup>rd</sup> place are the processed and unprocessed chemicals (20.5% of manufacturing exports), in the 4<sup>th</sup> place the basic metal industries (7.7% of total manufacturing exports) and lastly, metal products, machinery and equipment (6.5% of total manufacturing exports).
- Concerning the gains from the FTA for Chile, the manufacturing industry would increase its exports by US\$ 2.4 million, which would mean an increase of 28.1% of current industrial exports to Turkey. The potentially most benefited sector would be the food and beverages industry (US\$ 1.5 million of additional exports).
- Imports from Turkey would increase mostly in the manufacturing sector in US \$ 6.0 millions of total manufacturing imports from Turkey of US\$ 36.2 million in 2006.

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<sup>63</sup> GDP at constant prices, Banco Central de Chile

#### **IV.5.v Chemical and petrochemical products**

- The chemical and petrochemical products are in a 3<sup>rd</sup> place among the manufacturing exports of Chile (processed and unprocessed chemicals with 20.5% of manufacturing exports), with a figure of US \$ 3.4 billion in exports in 2006.
- The chemical and petrochemical products would increase its exports to Turkey by US\$ 900 thousands, which would mean an increase of 13% of current exports to that market.
- Imports coming from Turkey that would increase by US \$ 896 thousands of a total figure of imports from Turkey of US\$ 6 million in 2006 in the chemical and petrochemical industries.

#### **IV.5.vi Textiles, clothing and leather products**

- This sector represents 0.7% of Chilean GDP; with Chilean imports from the world by a total of US\$ 1,510 million; and Chilean exports to the world of US\$ 165.7 millions.
- Imports from Turkey would increase by US \$ 483 thousands, 18.1% over the level of US \$ 2.7 millions in 2006.
- The main concern of the sector is to have a really competitive environment, and not to face unfair competition from abroad.

#### **IV. 5.vii. Fabricated metal products, machinery and equipment**

- This sector represents 2% of Chilean GDP; with Chilean imports from the world by a total of US\$ 13,162 million; and Chilean exports to the world of US\$ 1,078.4 millions.
- Imports from Turkey would increase by US \$ 3.1 million, 17.2% over the level of US \$ 18.2 millions in 2006.

#### **Services**

- Additional trade in services between Chile and Turkey would be approximately of US\$ 2.1 million.
- The transport services have been pointed out as a “natural barrier to trade” with Turkey, but the industry view<sup>64</sup> is that transport is a derived demand, so if there are opportunities to further expand trade to Turkey, the additional services will be supplied by the navigation companies.

#### **IV.6 Effects and Influences for the Respective Regions**

There is a growing relationship between Chile and the Latin American countries. There are trade agreements with Mercosur (Brazil, Argentina, Uruguay and Paraguay), the Andean Community (Venezuela, Peru, Bolivia, Colombia, Ecuador), Central America (Costa Rica, El Salvador,

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<sup>64</sup> Chilean National Farmers Association

Nicaragua, Honduras, Guatemala) and Mexico. In 2005, Chilean exports to those markets reached US\$ 6.4 Billion, having experienced a 9.5% yearly growth between 1994 and 2005 (following table). Latin America has a share of 16.4% of Chilean total exports. As has been noted earlier, 60% of exports to Latin America are of manufactured goods.

There is an opportunity for Turkish firms to establish distribution and/or manufacturing centers for the Latin American region, given the advantages of Chile as a reliable and well connected regional center.

#### Chilean exports to Latin America: 1994 and 2005

Chilean exports to Latin America: 1994 and 2005			
	1994	2005	Annual rate Of growth (%)
	Million US\$		
Central America	37.1	391.3	23.9%
Andean Community	774.1	1,986.6	8.9%
Mercosur	1,352.4	2,475.9	5.7%
Mexico	212.1	1,584.4	20.1%
All Chilean exports	11,664.7	39,251.9	11.7%
To Latin America	2,375.7	6,438.2	9.5%

Source: Studies and Information Department, DIRECON, based on data from Central Bank of Chile

Another aspect of the relationship is that Chile is an important investor in several Latin American countries. The stock of Chilean investment abroad for the period 1990 - 2004 is estimated at 30,000 million dollars. Nearly 93% of it is located in Latin American countries, being Argentina the main recipient of Chilean investment, capturing around 45%, followed by Brazil (15%), Peru (13%) and Colombia (11%).

## **V. ECONOMIC COOPERATION AND INFORMATION EXCHANGE ON OTHER ISSUES**

## **V. ECONOMIC COOPERATION AND INFORMATION EXCHANGE ON OTHER ISSUES**

### **V.1 Government Procurement**

#### **Legal Framework**

For goods and services:

Ley de Compras Públicas (Ley N° 19.886) y Reglamento / Procurement Law and Regulations

For construction services:

Ley Orgánica del Ministerio de Obras Públicas (DFL N° 859)/ Public Works Law

Reglamento para Contratos de Obras Públicas (D.S. MOP N° 75) / Public Works Regulation

Reglamento para Contratación de Trabajos de Consultoría (DECRETO MOP N° 48) / Consultancy Regulation

Ley de Concesiones de Obras Públicas (Decreto N° 900) / Concessions Law

Reglamento de Concesiones. (D.S. N° 956) / Concessions Regulation

Procurement Law (N° 19.886) applies for additional provisions not considered by the laws and regulations mentioned above.

GP measures are applied on a transparent and non discriminatory basis. Additionally all suppliers have access to an independent and specialized court.

#### **Main objectives of the new system**

- To achieve maximum transparency and efficiency in the Government Procurement market
- To create an institutional framework to ensure those objectives. The relevant institutions are:
  - o Directorate of Government Procurement (named Chilecompra)
  - o Government Procurement Court
  - o Electronic System of Government Procurement
- To preserve principles regarding equality before the law, competition, non discrimination and due process
- To cover a substantial proportion of buying entities, such as Central Government, Regional Governments (*Intendencias* and *Gobernaciones*), Local Governments (*Municipalidades*), some public enterprises, defence entities, etc.
- To establish open tendering as the general rule.

## **Government Procurement Court**

The Chilean system on government procurement contemplates a judicial authority in order to settle legal disputes in this area named Tribunal de la Contratación Pública (Government Procurement Court). This court does not depend from the Government or the administrative agencies. It began to work in September 27<sup>th</sup> of 2005. It is composed of three lawyers (judges) and their corresponding alternates. This court has jurisdiction to try challenge actions against illegal or arbitrary acts or omissions occurred in the procurement administrative procedures with public agencies governed by the Government Procurement Act.

## **International Agreements regarding Government Procurement**

Chile has negotiated GP chapters in its Free Trade Agreements with Central America (Costa Rica, El Salvador and Guatemala. With the latter country, although the negotiation is concluded the agreement is not yet in force), United States, South Korea, EFTA, European Union, P4 (New Zealand, Brunei, Singapore and Chile), Canada (not yet in force), Colombia (not yet in force), Japan (not yet in force), and Mexico (not yet signed). Currently, Chile is negotiating a GP Chapter in the context of its FTA negotiations with Australia. At the multilateral level Chile is an active participant in APEC's GPEG and an observer (not signatory) of WTO's GPA.

## **Main elements to be considered in a GP Chapter**

For Chile, the main elements to be considered in a GP Chapter are:

- To ensure non discriminatory market access
- Transparency
- Procedural simplicity with open tendering as the default mechanism.
- Due process
- Wide scope on procurement, with significant coverage in terms of entities, and thresholds
- Challenge procedures

## **V.2 Transparency**

Transparency is one of the basic principles in Chilean administrative law and in Free Trade Agreements.

### **V.2.A Transparency in the Administrative Law**

The general principle in the Chilean Constitution (Article 8, Paragraph 2) establishes that acts and resolutions of the State's agencies are public, and also their rationale and the procedures that are followed. However, a quorum-qualified law may establish the secrecy or confidentiality if the publicity affects the tasks of the State's agencies, fundamental rights, security of the nation or national interest.

Law N° 19,880, "Basis of Administrative Proceedings", published in the Official Gazette in 2003, sets the basis of the administrative proceedings that rule the acts of the agencies of the Administration of the State. This law establishes the general rules that govern the administrative proceedings. However, in case that any special law establishes another special proceeding, the latter shall prevail.

This law recognizes that Publicity and Transparency are the principles of the administrative proceedings. This means that the administrative proceedings shall allow and promote public knowledge, content and basis of the decisions adopted by agencies. Therefore, unless the law or regulations establishes a special rule, the administrative acts of agencies are public, as well as the documents that sustain or complement them.

Moreover, the Law N°19,880 establishes other principles of the administrative proceedings, such as: writing; gratuitousness; procedural economy; impartiality and refutability. One of the most important goals of these principles is to protect the rights of the citizen in relation to agency's acts.

Furthermore, this law establishes a group of specific citizen rights that reinforce the performance of the law: the right, in any time of the proceeding, to know about the stage of the act; to obtain a legal copy of the documents that are part of the proceeding; to know the officials any offices of the Administration that are in charge of the proceedings; to have access to the administrative acts (hearings or written orders or decisions) according with the law.

From another perspective, the Law N°19,653, published in the Official Gazette in 1999, establish the right to any person to require any information to agencies of the government. Article 11 of this law develops the right to know of the citizen in public affairs.

Finally, it may be highlighted that a bill regarding access to public information is under domestic approval of the National Congress.

## **V.2.B Transparency in Free Trade Agreements**

The main purpose of the transparency rules in the free trade agreements is to facilitate communication between the Parties and to make available any information to the citizens about measures concerning to any issue covered in the Agreement. From this perspective, transparency involves that Governments should provide the necessary means for individuals to become acquainted with the rules and thus allow compliance with them.

The transparency rules of the free trade agreements establish that the governments have to publish laws, regulations, procedures and administrative rules of general application without delay and give the opportunity to another Party to make observations about the regulations. Additionally, transparency seeks that, to the greatest extent possible, one Government notifies the other Government and citizens of any actual or proposed measure that may affect the functioning of the Agreement or the interests of any Party there under.

Furthermore, these rules include provisions on both due process in matters concerning administrative procedures, which may affect aspects covered in the Agreement and the creation of information centers with a view to facilitating communication between the Parties in matters concerning the Agreement.

Finally, free trade agreements signed by Chile with Canada, Mexico, Central America, Korea, the United States, the European Union, EFTA, P4 (New Zealand, Singapore and Brunei Darussalam), China and Japan contain regulations concerning transparency.

## **V.3 Movement of Business Persons**

**Regulations:** The general "Entry" regime can be considered as highly convenient for foreigners. Legislation such as Decree Law N° 1094 of 1975 on "foreign citizens", and Supreme Decree N° 597

of 1984, facilitate the “entry and stay” of foreigners in Chile, either for commercial or turistical purposes. Additionally, international legislation including international bilateral agreements should be considered as regulations currently enforced in Chile.

**Agreements:** Chile has included a specific Chapter on Temporary Entry of Business Persons (TEBP) in Free Trade Agreements with the U.S., Canada, Mexico, Korea and Japan. With the E.U., the TEBP commitments are reflected on the positive list as Mode four concessions.

Chile has negotiated comprehensive Chapters on this issue, which effectively facilitates bilateral trade on a mutually advantageous basis. Accordingly, Chile has included different categories of businesspersons, such as:

- Business visitors
- Traders and Investors
- Intra - Company Transferees
- Professionals

Having these categories included, automatically links the TEBP Chapter to those regulating Cross Border Services, Financial Services, Investment, and National Treatment and Market Access for Goods, as it facilitates the supply of a services or allows *in situ* contact between the investor and his investment; the developments of business opportunities; the personal supply of a service, and the free flow of human resources within a company with commercial presence in the territory of the Parties.

Regarding specific disciplines, they are aimed to achieve greater transparency and increase the exchange of relevant information between the Parties. Particularly important is the Temporary Entry Committee, which, as a general rule, sessions once a year with the purpose of reviewing existing measures, and develop new measures aimed to facilitate the temporary entry of businesspersons.

Notwithstanding the fore coming, the benefits associated to Chapters on TEBP do not intent to affect “sensitive issues” of domestic policy, such as the access to the labor market. In sum, the TEBP Chapter should not affect the Parties right to regulate on the different aspects of their immigration policy, as specifically provided in the “Relation with Other Chapters” article.

#### **i) Regimes for entry and work**

Chilean migration laws are contained in Decree Law No. 1,094 of 1975, on foreign citizens, and regulations there under established in D.S. No. 597 of 1984. Furthermore, this matter is governed by provisions contained in international treaties and agreements subscribed by our Government.

These legal texts vest the power to issue visas and resident permits for foreigners in the Ministries of Interior and Foreign Affairs.

The Ministry of Interior exercises these powers through the Department of Migration and Alien Affairs at central level, and through interior government offices at regional and provincial levels. In turn, the Department of Consular Affairs and Immigration of the Ministry of Foreign Affairs is responsible for foreign citizens affairs and issues consular authorizations and residence visas through Chilean Consulates abroad.

The migration legislation contains the following migration categories:

## Tourists

Tourist is any individual entering the country for a period not exceeding 90 days, for recreation, sports, health, study, business, family, religious and other similar reasons, but not for purposes of immigration, residence or development of remunerated activities.

In some cases, for reasons of national interest or based on the principle of international reciprocity, individuals should obtain a consular authorization (visa) from the concerned Chilean Consulate abroad prior to their entry to Chile. However, holders of the APEC Business Travel Card do not require consular authorization.

## Residence

- Residence Subject to a Labor Contract permit is granted to foreigners who enter the country under a work contract. This type of residence visa is subject to the performance of the activities agreed with the employer (who must be domiciled in Chile) and is issued for a maximum period of two years, and may be extended for similar periods while the contract duration.
- Student Residence permits are granted to foreigners who enter the country in the capacity of registered students in State or State-recognized educational institutions or a private institution recognized by a latter, or in a higher or specialized educational centers or institutions provided they can substantiate their corresponding enrollment. This permit only allows doing the relevant studies and is issued for a maximum period of one year, and may be renewed until completion of the relevant study program. In the case of scholarships, the permit is issued for the duration of the scholarship.
- Temporary Residence permit is granted to foreigners with proven family ties or interests in the country whose residence is deemed useful or convenient.

Generally, this type of visa allows its holder to carry out any activity in Chile, to the extent that the laws permit such activities. It is issued for a maximum period of one year, and may be renewed for like period.

## V.4 Intellectual Property Rights

### V.4.A. Chilean policy regarding the main Intellectual Property Rights / Relevant treaties subscribed

Chile has been a member of the World Intellectual Property Organization (WIPO) since June 1975, and has signed a number of IPR conventions (following Table 5.1). In addition, Chile has been a WTO member since 1 January 1995 and the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) came into force in 2000.

**Table 5.1**  
**Chile's participation in international IPR agreements**

Agreement, convention or treaty (latest Act in which Chile participates)	Date on which Chile became party (date it became party to the latest Act)
Berne Convention for the Protection of Literary and Artistic Works (Paris Act)	June 1970 (July 1975)

Agreement, convention or treaty (latest Act in which Chile participates)	Date on which Chile became party (date it became party to the latest Act)
Convention Establishing the World Intellectual Property Organization	June 1975
WIPO Copyright Treaty	March 2002
WIPO Performances and Phonograms Treaty	May 2002
Paris Convention for the Protection of Industrial Property (Stockholm Act)	June 1991
Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations	September 1974
International Convention for the Protection of New Varieties of Plants (UPOV 1978)	January 1996

The Chilean IPR regime has evolved significantly in recent times as a result of the incorporation of TRIPS commitments into national law. Also, several amendments have been made to comply with international obligations derived from bilateral agreements (mainly with the EU, the US, EFTA, Central America, Canada, Mexico and Korea). New amendments will be incorporated into the Chilean IPR legislation because of the ratification of the WIPO Internet Treaties and the implementation of other bilateral IPR commitments.

In late 2003, two sets of amendments were made to the Copyright Law to implement TRIPS and the Free Trade Agreements, and in late 2005 and early 2007 two amendments to the industrial property law were enacted. Those latest modifications introduced important amendments to the Chilean Industrial Property Law implementing, among other issues, a special registry for geographical indications, enables registration of collective, certificate and sound marks, protection of layout designs of integrated circuits, protection for undisclosed information related to new chemical entities; and additionally, has positively stated international exhaustion of industrial property rights.

The main domestic statutes for the protection of IPT in Chile are the Intellectual Property Law (Copyright Law), Law No. 17.336 of 2 October 1970 with its Regulation and the the Industrial Property Law, Law No. 19.039, 25 January 1991, with amendments introduced by Law 19.996, of 1 December 2005, and Law 20.160, of 26 January 2007, and its Regulation.. The protection of new varieties of plants is regulated through the New Plant Varieties Law, Law No. 19.342 of 3 November 1994. These statutes cover the major IP areas referred to in the TRIPS Agreement and also by main WIPO treaties.

### **Industrial Property Rights**

The Department of Industrial Property of the Ministry of Economy is in charge of granting industrial property rights (trademarks, patents, utility models, layout design of integrated circuits, industrial design), including the registry of geographical indications and appellations of origin. The Seeds Department of the Agriculture and Cattle Service administers the Chilean registry of new plant varieties.

Chilean national law provides protection for 10 years to trademarks right holders, but they may be renewed indefinitely. There are no requirements of use for registration or renewal of trademarks. Patents are granted by 20 years. Industrial property right holders have both civil and criminal remedies. Industrial designs that are novel are protected by 10 years from the date of filling. This period is non-extendable. Textiles designs and stampings may be protected at the same time under Copyright Law.

All industrial property right holders can collect costs and damages and courts have, among others, the faculty to order the destruction of tools and implements used to produce the falsification or copy. The Customs Service may also enforce some industrial property rights at the border.

In addition, Law 19.039 establishes for international exhaustion of these rights. Consequently, parallel importations are allowed.

Patents and Utility Models, exclusions and limitations. In accordance with the TRIPS Agreement patents are protected in Chile for 20 years from filing. Economic models and business plans, discoveries, scientific theories and mathematical methods, surgical, therapeutic or diagnostic methods, plant varieties, animals and software are not protected by patents or utility models. Patent system includes compulsory licenses in cases of (i) monopoly abuse, (ii) national security, public health, and national emergencies, (iii) non-commercial public use, or (iv) cross licensing in relation with patented subject matters.

Plant Varieties. Chilean legislation is homologated to UPOV 1978 Act. Nevertheless, Chile is committed to adhere to UPOV 1991 by the year 2009. Rights related to New Varieties of Plants must be pursued before civil courts.

### **Copyrights and Related Rights**

The Copyright Department of the Library, Archives and Museums Directorate is in charge of the Copyright Register. The main Copyright statutes are the Intellectual Property (Copyright) Law, Law No. 17,336 of 2 October 1970 with its Regulation (Supreme Decree No. 4,764 of 8 January 1985).

The term of protection for copyrights and related rights is 70 years. In conformity with the Berne Convention, protection is automatically recognized once works are created, but a register is available for publicity measures. Additionally, register constitutes a legal presumption of ownership in favor of the person who is registered as right holder.

According to the Copyright Law right holders have both civil and criminal remedies against infringers of rights. Once convicted, infringers may be forced to pay damages and fines, and also be imprisoned. The Customs Service may also enforce some intellectual property rights at the border.

A new bill was introduced in Congress in 2 of May 2007 to amend the Copyright Law. The main objectives of this new bill is to improve enforcement of copyright and related rights through new civil and criminal procedures, to introduce a new regime of exceptions and limitations to copyright and to regulate the responsibility of internet service providers for eventual copyright infractions, in accordance with international standards. This bill is currently in its first legislative stage at the Chamber of Deputies.

### **Enforcement of Intellectual Property Rights**

The Department of Industrial Property, the Court of Appeal for Industrial Property (reformed under the Law No. 19.996) and the Agriculture and Livestock Service for issues elated to plant varieties are responsible for administrative actions related to opposition or annulment of applications or granted registries.

Criminal and Civil remedies provided for infractions in the Industrial Property and Intellectual Property Laws must be pursued before Civil and Criminal Courts.

Persons convicted for offences against right holders of intellectual or industrial property rights may be required to pay costs and damages to right holders and also fines. In cases of intellectual property violations infringers can also be imprisoned.

Finally, in the year 2000 Congress passed new legislation for an overall modification of Chilean criminal system. This reform, which has been implemented in every Chilean Region (in Santiago has been implemented on June 2005), has shown to increase efficiency both in criminal courts and in action of police agencies against IPR infringers.

## **Others issues**

### **Undisclosed Information**

A whole chapter on undisclosed information was introduced to Law 19.039 by Law 19.996, both for trade secrets and for data submitted to government agencies for approval of pharmaceutical and agro-chemical products. In accordance with TRIPS agreement and bilateral trade agreements subscribed by Chile, protection for undisclosed information of new chemical entities is granted for 5 in the case of pharmaceutical products and for 10 years in the case of agro chemical products.

### **Evaluation of an agreement in Intellectual Property Rights**

Considering that almost every single FTA negotiated by Chile includes provisions on IPRs, we envisage having IPR provisions in an eventual agreement, through which both countries reaffirm its mutual international commitments on IPRs, and state for commitments in areas of particular interest of both parties.

The overall objective of comprehensive initiatives in this field should be to facilitate and encourage Chilean and Turkey partnership in the pursuit of increased competitiveness, fostering innovation and creating new opportunities for trade and joint ventures, including mutual consultation on common IPR interest issues.

#### **V.4.B Geographical Indications**

Geographical indications of Chilean wines and spirits are regulated through the Law No. 18.455 and its Regulations. As mentioned earlier, the last amendment of the Industrial Property Law creates a registry for Chilean and foreign geographical indications available for any kind of product.

Most of Chile's preferential agreements contain provisions for the explicit recognition of GIs. For instance, the Chilean geographical indication "Pisco" has been recognized in agreements with Mexico, Australia, New Zealand, Singapore, Japan, Canada, the United States, Mexico, China and the European Union.

At international level, Chile, together with Argentina, Australia, Canada, Chinese Taipei, Ecuador, Mexico, New Zealand and the United States submitted to the Council of TRIPS a proposed Draft on the Establishment of a Multilateral System of Notification and registration of Geographical Indications for Wines and Spirits (TN/IP/W/10) that facilitates the protection of Geographical Indications for wines and spirits through a system that is voluntary, that preserves the existing balance of rights and obligations in the TRIPS Agreement, that respect the territoriality of intellectual property rights for geographical indications, and that allows WTO Members to

determine for themselves the appropriate method of implementing the provisions of TRIPs Agreement within their own legal system and practices.

**V. 5. Environment and International Trade**

(Included under heading 1.1.F)

**V.6. Labor and International Trade**

(Included under heading 1.1.E)

**V.7. Science and Technology**

In the area of Science and Technology, Chile's experience on different Free Trade Agreements (FTA) already signed shows that opening opportunities for cooperation and collaboration connected with development issues, gives a strategic perspective to the relationship and creates long-term opportunities for mutual benefit.

The Chilean Government has already signed a FTA with the European Union, New Zealand, Singapore, Brunei Darussalam, Canada, Mexico and China. In all these free trade agreements we have special sections on Science and Technology collaboration, and mechanisms for identifying possible joint ventures, industry cooperation, educational and cultural projects.

For example, that is the case of Canada, the first FTA signed by Chile, where, based on the new commercial opportunities opened by the agreement, Fundación Chile (a private – public development organization) signed agreements to acquire licenses for the application of biotechnology to Radiata pine.

At present the Chile – Turkish relationship is in a development stage and shows promising areas for cooperation in science and technology

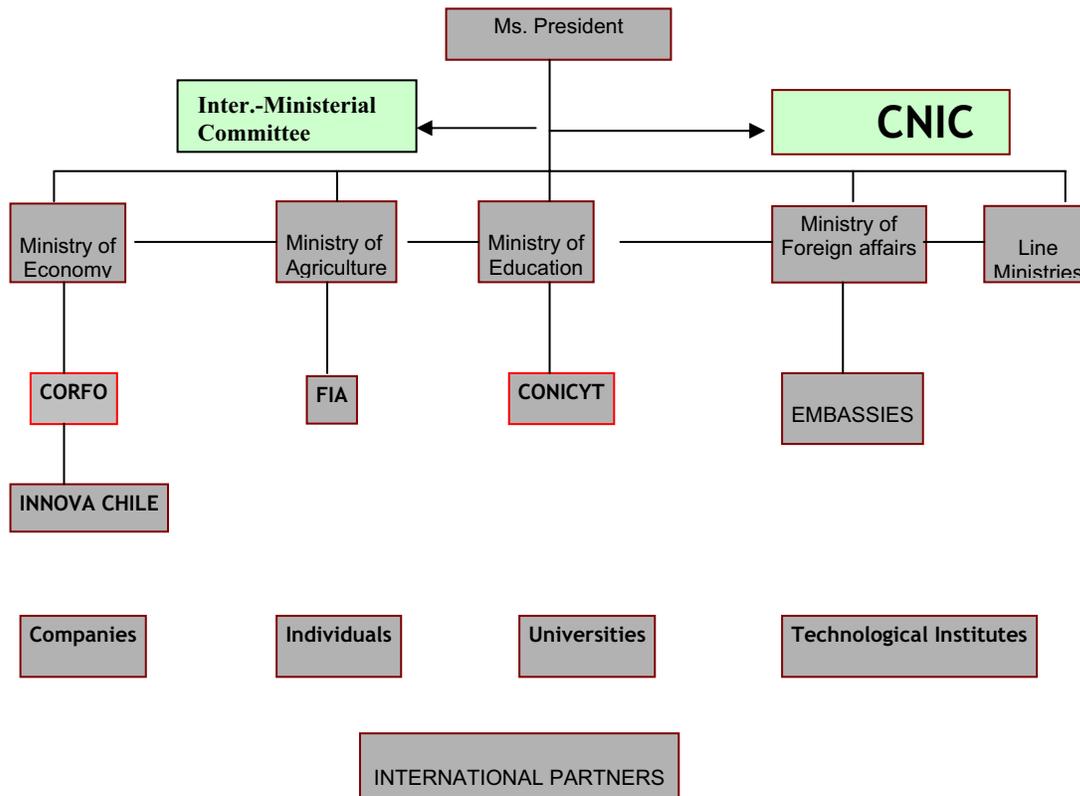
The interest of the Chilean government, in the context of a broad and comprehensive set of strategic initiatives, including the possible FTA, is to reinforce partnerships on the above-mentioned issues, recognizing that both Parties, being two countries with important bio-diversities, should promote collaboration for mutual benefit.

The Government of Chile is increasing Chile's growth potential, know how, capabilities and products that will create the difference, these are only possible through technological developments, for this object in May 2005 the Chilean government created the National Innovation Council & Competitiveness (CNIC), the Council is in charge of advising the president on the national strategy of innovation.

The CNIC combines the multiples visions of the different components of the system of innovation, facilitates the coordination, promotion, and development of this, and organizes this in line with the national priorities. The role of this council is to make consensus of the policies in this area.

The Inter-ministerial Committee implement the strategy of innovation & competitiveness presides over the Ministry of Economy, Ministry of Foreign Affairs, Ministry Agriculture, Ministry of Education, Ministry of Transport and telecommunication, Ministry of Finance.

### Institutional map of the National Strategy of Innovation



There are two main government agencies in Chile related with Science, Technology and Innovation. The National Commission of Investigation Science & Technology (CONICYT), which is responsible for national policy in the area of supporting universities and national research centres, and the government’s Economic Development Agency (CORFO), which is in charge of innovation policies and support for industries.

Both CONICYT and CORFO focus on innovation in the following areas:

- Outsourcing,
- Processed food industries
- Aquaculture
- Financing services
- Fresh fruit production
- Communications
- Logistic services
- Hog poultry breeding
- Construction
- Tourism
- Cooper and derivatives.

The Ministry of Foreign Affairs plays a key role in connecting international opportunities and possible joint ventures with local partners, through the Coordination of Science & Technology. We foresee that one of the most attractive agencies in Turkey for identifying possible joint projects is through the National Science and Technology Development Agency especially in areas of common interest.

We propose collaboration with a vision that encompasses four main elements:

1. Identifying projects, institutions and professionals for developing a ***Partnership on Innovation, Research and Development (I+R+D)***, for mutual benefit and with a concrete long-term vision to develop joint capacities in international markets. These initiatives would require the involvement of governmental R&D entities, private companies, social organizations, or could combine them.
2. ***Technology transfer and trade in selected industry sectors***, as food industry and selected manufacturing areas.
3. ***Collaboration in Human Resource Development***, through institutional agreements for initiatives aimed at training human resources, developing professional and technical consultancy and fostering the exchange of experiences in selected areas oriented to a service economy.
4. Common actions undertaken in order to implement a ***long term forward looking Partnership*** and common visions, where Turkey can be a focal point for Chile in the region and Chile could be an entry gate for Turkey in Latin America

#### **V.8. Others Areas of Cooperation**

Education and Culture are strategic and long-term areas that facilitate the building of a long-standing and stable relationship between countries at an international level. Education and culture facilitates the mutual knowledge and respect and enhance the human potential of international partnerships.

##### **Education**

Cooperation in Education can focus, among other topics, on education quality assurance processes, on-line and distance education at all levels, primary and secondary education systems, higher education, technical education and vocational training, industry collaboration for technical and vocational training and teacher training and development.

Some instruments for educational cooperation could be the exchange of information such as teaching and curriculum materials, teaching aids, and demonstration materials, as well as the organization of relevant specialized exhibitions and seminars, the joint planning and implementation of programs and projects, the development of collaborative training, joint research and development, across graduate and postgraduate studies and the exchange of teaching staff, administrators, researchers and students in relation to programs that will be of mutual benefit.

Other area of collaboration is to gain understanding of each Parties' education systems and policies including information relevant to the interpretation and evaluation of qualifications, potentially leading to discussions between institutions of higher learning on academic credit transfer and the possibility of mutual recognition of qualifications.

## **Cultural**

In the area of cultural cooperation possible areas of collaboration, could be to encourage dialogue on cultural policies and promotion of local culture, to support the exchange of cultural events and promote awareness of artistic works and to encourage exchange of experience in conservation and restoration of national heritage. To enhance experiences exchanges on arts management.

In the audio-visual sector, cooperation could focus in training programs in the audio-visual sector and means of communication, exchanges of views and information, and co-production, training, development and distribution activities.

## **Trade and investment promotion**

Chile has developed an aggressive policy to promote trade with all the country's partners with which free trade agreements have been signed. This initiative has positioned Chile as one of the fastest growing countries in term of exports around the world, especially in the area of food products. Chile is not only looking for markets to export their products, but is also looking for country partners that produce and manufacture those goods and services that Chile needs. In that sense, Chile understands international trade promotion as a two-way system: exporting and looking for high quality suppliers.

The national agency responsible for trade promotion is ProChile with more than 70 offices around the world and in each region of Chile. ProChile works closely with the professional teams in charge of trade negotiations, so to get the most of each trade agreement. Chile also, especially in the Asia Pacific Region, is looking for partnership to develop joint ventures to export new products and services to third markets.

In the area of investment, Chile has developed a series of services and support through the Foreign Investment Committee, which works in close relationship with the Ministry of Foreign Affairs and CORFO (Chilean Economic Developing Agency). This cluster of institutions provides a "platform" for supporting investments coming to Chile and offers the possibility of Chile being a gateway to Latin America for countries outside the region.

One of the key programs of this initiative is the High-Tech Investment Program oriented to the consolidation of Chile's position as an IT business center for Latin America and the promotion of the country as a location for technological projects of leading international companies.

The main instruments for cooperation in trade and investment promotion are:

- Policy dialogues and regular exchanges of information on ways to promote and expand mutual trade and investment
- Keeping each other informed of important economic and trade issues, and any impediments to furthering their trade and investment cooperation
- Providing assistance and facilities to businesspersons and trade missions that visit each other's country with the knowledge and support of the relevant agencies
- Supporting dialogue and exchanges of experience among the respective business communities
- Establishing and developing mechanisms for providing information and identifying opportunities for business cooperation, trade in goods and services and government procurement.



## **VI. CONCLUSIONS**

## **VI. CONCLUSIONS**

### **VI.1. Why Turkey?**

Today, Turkey, a market comprised of a population of 71 millions, has consolidated its position as a leading player (17<sup>th</sup> economy in the world), and is becoming an increasingly important market for other economies through commerce, achieved under trade and investment facilitation and liberalization. Turkey is also becoming a large exporter in the Middle East and Mediterranean region and in the world of industrial and high technology products, relocating some stages of its productive processes in other economies (mostly from Europe) and becoming in this way an active agent of productive and financial integration. Economic, technical and development partnership is becoming a valuable tool to build closer economic relations with its main business partners.

The Turkish economy is going through a stage of liberalization and deregulation in response to a proactive policy implemented within the framework of the negotiations with the European Union. Within this framework, authorities have modernized the guiding principles of Turkey's international economic policy, adopting a strategy of bilateral and multilateral agreements.

Turkey has become an important and dynamic market for Chilean exports (US \$ 408.2 millions in 2006), increased in a record 10,227% in the period 1994-2006, averaging annually a rate of growth of 47%. Imports have also increased, increasing its share in total imports from the 0.04% in 1994 to 0.12% in 2006.

Both countries-Chile and Turkey- have been active members in several international organizations and initiatives, as the United Nations, the WTO, the ILO and other instances, in which have shared similar tasks.

### **VI.2. Strategic Framework**

An on-going goal of Chilean governments since the 90s has been to expand and enhance commercial and financial trade. The Chilean trade policy has used three instruments to simultaneously achieve greater opening to and better integration into the world economy: 1) unilateral liberalization and facilitation of trade and investments, 2) active participation in the multilateral system and negotiations, and 3) bilateral negotiations through FTAs and other trade agreements. By implementing policies conducive to unilateral opening, Chile has sought to improve the allocation of productive resources, making domestic economic activities more efficient and competitive. At the multilateral level, Chile has actively participated in discussions and decisions in the WTO, and has modernized its economy to comply with the WTO's obligations.

Bilateral agreements have enabled Chile to address and move forward in key globalization issues, namely services, investment, trade remedies, intellectual property and competition policies, and also to address new strategic issues such as labor standards, environment, and economic, technological and development partnership. In this sense, trade exchanges have been expanded and diversified, creating conditions to improve competitiveness, attract new investment and technology, and generate new jobs.

#### **Recent FTAs**

Chile has followed an active policy of bilateral economic agreements, and today these agreements cover 61% of World population and 84% of world GDP. More than 90% of Chilean exports go to countries with which Chile has trade agreements

This trend has been enhanced in the last two years, as has been the closing of negotiations with China in 2005 (2<sup>nd</sup> Largest trading partner to Chile in 2005), that began to operate after Congress approval in October 1, 2006. Also in 2005 Chile closed negotiations for a Strategic Economic Partnership Agreement with Brunei Darussalam, New Zealand and Singapore, and a Partial Trade Agreement was reached with India. The same year was finished a Joint Study with Japan which resulted in trade negotiations and in a FTA, being in force since September 2007.

In 2006 Chile and Thailand finished a Joint Study Group on the Feasibility of an FTA, with positive conclusions. The same year, another JSG was finished with Malaysia and negotiations are currently ongoing with Australia, and Chile and Vietnam announced in the last APEC Meeting of 2007 their agreement to negotiate a FTA in a near future.

Chile is determined to follow new steps to further enhance its policy of opening new markets and is in the process of completing a round of bilateral negotiations with countries that have shown a potential for development and that have increased their economic ties with Chile, as is the case of Turkey and Australia. In 2003 came in force the Agreement Chile-European Union. In that negotiation the European Union expressed its interest that Chile would negotiate with Turkey, taking into account the Customs Union between the EU and Turkey. For Chile this is coincident because of its interest in enhancing and improving the economic relations with Turkey.

### **VI.3. Effects of a Free-Trade Agreement Chile/Turkey**

#### **VI.3.A. General Effects**

- In the case of Chile, trade with Turkey has increased from US \$ 8.3 millions in 1994 to a figure of US \$ 444.8 millions in 2005, which has meant an a growth of 5,230% between 1994 and 2006, well above the growth of Chilean foreign trade in the same period (307%). In 2006, Turkey accounted for 0.48% of Chile' s foreign trade. Direct investment levels have not been significant and there are no registered Turkish investments (through the DL 600) in the period 1979-2006
- An FTA between Chile and Turkey would have a positive impact on bilateral trade and economic welfare. The tariffs elimination would increase imports from Turkey (and exports from Turkey to Chile) by an amount of US \$ 6.0 millions over the figure of 2006, a 16.4% increase. Exports from Chile would increase by 58.1% in the 69 items considered to have an impact because of the current tariff level, and this would represent an increase of US \$ 6.1 millions over the figure of 2006 (US \$ 10.4 millions)<sup>65</sup>
- This estimate does not take into account the effect that might be created because of the several goods that Turkey imports from the rest of the world and does not import from Chile. This is also true in the other way round. Turkey imports from the rest of the world goods that are not imported from Chile (2006) a total of US \$ 70.8 billion (FOB values). Chile already sells those same items to other countries. Because of the tariffs reduction in an FTA, it is estimated that this "trade of non traded goods" would increase potential exports (2006) by a significant amount, between US \$ 368 million and US \$ 780 million (equivalent to a growth between 90 % and 191% over the pre-FTA figure).
- The dynamic effects because of a better resource allocation in Chile and Turkey would create additional positive impacts on both countries.

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<sup>65</sup> Total exports in 2006 from Chile to Turkey were US \$ 408.2 million

- Exports from Turkey to Chile are facing competition in the Chilean market of other suppliers that have already obtained FTA status –as is the case of goods from China and Korea- or that are already negotiating with Chile as is the case of Australia. In order not to lose competitiveness in the Chilean market it would be needed, from the Turkish point of view to have a better access in order to equalize conditions of market access compared to its competitors in Chile.

### **VI.3.B Effects on Trade and Investment by main economic sectors.**

- The industries that would be mostly benefited because of the tariff reduction with Turkey would be the fruit and food industries, forest products, manufacturing industry would increase its exports by US\$ 2.4 million, which would mean an increase of 28.1% of current industrial exports to Turkey; mining which already face in general a zero tariff for its products, which would be maintained, and in services
- The most important impact is because of potential trade, as has been pointed earlier, mainly in the industries of iron and steel, in boilers, machinery and mechanical appliances, the industry of vehicles and parts and accessories, plastics, pharmaceutical products, paper and paper products and several other industries-which might double the current level of exports to Turkey.
- Foreign direct investment would increase as having a better investment climate would be conducive to higher levels of Chilean and Turkish investments in both countries. This would also be facilitated because of the respective areas of influence in the case of Turkey in the Middle East and the Mediterranean, and in the case of Chile in Latin America.

An FTA would enhance cooperation in areas of mutual interest between Chile and Turkey, as have been analyzed in this document, in intellectual property, movement of business persons, environment, labor, government procurement, information and technology, tourism, education and small and medium enterprises

**VII. RECOMMENDATIONS (in additional file)**

## **APPENDIX**

# **JOINT STUDY GROUP ON THE PROSPECTIVE FREE TRADE AGREEMENT BETWEEN CHILE AND TURKEY**

## **APPENDIX 1**

Turkey's answers for the questions and comments raised by Chile during the 1<sup>st</sup>. Meeting of the Joint Study Group on the Prospective Free Trade Agreement Between Chile and Turkey ( Santiago, July 26 and 27, 2007) and the Draft Report (Report on Turkey, July 2007)

September 14, 2007

Turkey's answers for the questions and comments raised by Chile during the 1<sup>st</sup>. Meeting of the Joint Study Group on the Prospective Free Trade Agreement Between Chile and Turkey ( Santiago, July 26 and 27, 2007) and the Draft Report (Report on Turkey, July 2007)

September 14, 2007

Related to  
TBT matters

**1. Please provide a copy in English of the Ministerial Decree on the Regime regarding Technical Regulations and Standardizing for Foreign Trade.**

The “Ministerial Decree on the Regime Regarding Technical Regulations and Standardisation for Foreign Trade” is attached to this document (**Annex I.1**).

**2. Do local governments issue technical regulations and conformity assessment procedures?**

The local administrative bodies in Turkey neither issue technical regulations nor execute conformity assessment procedures. Thus, technical regulations and enforcement of conformity assessment are under the responsibility of central governmental bodies in Turkey.

**3. Could you please provide the regulation that establishes the principles and procedures relating the notification of draft technical regulations and conformity assessment procedures?**

The legal basis for the establishment of an enquiry point was outlined by the Regulation published in the Official Gazette No. 22965 dated 15 April 1997. According to this Regulation, the Undersecretariat of the Prime Ministry for Foreign Trade (UFT) is responsible for the implementation and the administration of the WTO Agreement on Technical Barriers to Trade (TBT Agreement) in the fields of technical regulations and conformity assessment procedures. On the other hand, Turkish Standards Institution (TSE) is the National Enquiry Point regarding notifications in the field of standards. Full text of the regulation can be reached at “<http://www.teknikengel.gov.tr/ktmllite/files/uploads/TBT-Yonetmelik.DOC>” in the original language.

**4. How is the coordination with the different Agencies with power to regulate, for the purposes of notification to the WTO?**

In Turkey, if a governmental body to regulate a field in its area of operation, it consults to other governmental agencies to which the matter in question affects. If such an action affects foreign trade, the relevant authority informs the UFT. Then, under the rules set by the WTO TBT agreement, it is decided whether drafted regulation is to be notified to WTO or not.

**5. How has been the experience with the private sector's involvement in TBT matters? (For instance, do they actively participate with comments on Turkish draft regulations).**

According to domestic legislation process, when a new legislation is planned to be introduced, usually all stakeholders including the private sector are asked to provide comment on the issue. Private sector's participation is represented by the chamber of commerce or industry.

Regarding other countries' draft legislation; Turkish firms depend on conventional methods for expressing their concerns or exchange of views. Thus a website has been established from where Turkish firms can reach other countries' draft legislation and send their comments. By using that website, it has been aimed to encourage the Turkish firms to use more rapid ways to get into contact with the administration. It can be said that Turkey is on an early stage in terms of private sector's active participation in the process of commenting on other countries' draft regulations.

**6. Has Turkey signed any MRA with any country? If the answer is yes, in what sector.**

No MRA has been signed with any country up till now.

**7. Do Turkish authorities recognize test reports or certificates in the regulated areas issued by signatories of the IAF and ILAC?**

Turkish Accreditation Agency (TURKAK) recognize the test reports and certificates in the regulated areas issued by the signatories of ILAC. As the legal basis has not been fully established for IAF (TURKAK is a party to IAF but the MRA has not been signed yet), the test reports and certificates in the regulated areas issued by the signatories of IAF are not recognized yet.

**8. The Investment Committee of the OECD has its Guidelines for the Multinationals. Please refer how has been the experience of the National Contact Point of Turkey on Labour Issues.**

In fact, the only issue that has so far been raised with the Turkish National Contact Point (NCP) was relevant to the Labour Relations Chapter of the OECD Guidelines. Once the application was received, the case regarding allegations of breach of trade union membership rights of the workers of a multinational company operating in Istanbul, Turkey, was investigated. Since it was found out that the issue concerned had already been brought to the court by the relevant parties, the NCP of Turkey decided not to accept the case in line with its principles regarding "parallel legal procedures"

**9. Turkey is in a process in order to incorporate into the EU. What is the vision of Turkey regarding the social dimension of that process? Has Turkey addressed the issue of labour in any way with the EU? How?**

The accession negotiations started between EU and Turkey on October 3, 2005. The chapters of accession negotiations have been classified under 35 policy areas (headings). The screening for acquis regarding to these chapters were completed in 2006.

The EU acquis concerning Social Policy, Working Life and Employment has been handled within the 19th heading of the Negotiating Framework named "Social Policy and Employment". Likewise, the "Union Rights", "The Handicapped", "Women Rights", "Children's Rights" under the same heading have been taken up within the Copenhagen Political Criteria.

In this context, the explanatory screening meetings -related to this chapter under the EU legislation of Social Policy and Employment that the Turkish Ministry of Labour and Social Security is directly responsible- was held on February 8-10, 2006 and the comprehensive screening meetings were held on March 20-22, 2006. The EU Acquis concerning Occupational Health and Safety, the Disabled, European Social Fund, Labour Law, Social Dialog, Employment Policy, Discrimination, Social Protection, Social Inclusion and Equal Opportunities that constitute the EU Social Policy area, as well as the legal status and institutional capacity of Turkey in view of the

compliance were handled within these meetings. Furthermore, the explanatory screening meeting for the “Freedom of Movement for Workers” composing the second chapter of the Negotiating Framework has been held on July 19, 2006, while the comprehensive screening meeting was held on September 18, 2006. In these meetings; the subjects such as Accession to the Labour Market (including Supplementary Pension System), Eures (The European Job Mobility Portal), the Coordination of Social Security Systems and the European Health Insurance Card as well as the relevant Acquis were taken up.

Moreover, the presentations made under both headings and displaying the legal process and institutional developments have been accessed from the website: <http://ab.calisma.gov.tr/web>.

**10. Turkey has many FTAs and other trade and investments agreements. Have any of these agreements a social dimension or an approach to labour issues?**

Turkey’s FTAs does not make particular reference to labor issues. In terms of other investment agreements, although particular reference is not made for labor issues, on the occasion that any labor related issue is brought to the agenda of a Joint Economic Committee (JEC) meeting between Turkey and a third country, the mentioned issue can be forwarded to the relevant governmental institutions.

**11. Has Turkey any agreements on labour cooperation with their trade partners? Please refer.**

Turkey has bilateral labour agreement with 9 countries; Germany, Australia, Belgium, France, The Netherlands, Sweden, Turkish Republic of Northern Cyprus, Qatar, Libya and Jordan. However these agreements are not functional except bilateral agreement with Libya. Turkey has an exceptional labour agreement with Germany. Turkey also concluded bilateral social security agreements with 22 countries; Germany, France, The Netherlands, Belgium, Denmark, Austria, Swiss, Switzerland, United Kingdom, Libya, Turkish Republic of Northern Cyprus, Azerbaijan, Albania, Bosnia Herzegovina, Czech Republic, Luxembourg, Macedonia, Norway, Romania, Canada, Georgia, Quebec.

**12. How has been the experience of Turkey with the GSP system of the EU? Does Turkey apply to that system? And with the USA?**

Article 16 of Decision No 1/95 of the Association Council states “With a view to harmonizing its commercial policy with that of the Community, Turkey shall align itself progressively with the preferential customs regime of the Community within five years as from the date of entry into force of this decision. This alignment will concern both autonomous regimes and preferential agreements with third countries.”

Turkey initiated a Generalised System of Preferences by harmonising with the EC’s GSP on 1 January 2002 and extended the system with the view of aiming to align itself fully with EC’s GSP scheme in the consecutive years. With the 2006 Import Regime put into force on 1 January 2006, full alignment to the EC’s GSP scheme has been achieved.

It should be stressed that, Turkey has adopted the EC’s GSP scheme as for the consequences with the aim of a fully-fledged implementation. In that sense, a column indicating the applied tariff rates for GSP countries has been added to the List II of the Import Regime Decree. Thus, all of the preferential tariffs determined in the EC’s GSP regulation have been exactly adopted.

## Product Coverage

The products under the EC's GSP scheme are listed as the annex of the EC Regulation No: 980/2005 concerning the application of Generalised System of Preferences entering into force as of 1 January 2006. Turkey granted tariff preferences to the same products listed at the annex of the abovementioned EC GSP regulation. In this regard, the products granted tariff preferences are specified in the List II of the Import Regime.

The List II of Import Regime includes the products under customs union and indicates their applied tariff rates to the GSP countries (namely Least Developed Countries (LDCs), Developing Countries (DCs) and Countries of Special Incentive Arrangement (CSIAs)), Free Trade Agreements Countries (FTACs) and other countries.

European Coal and Steel Community (ECSC) products are not in the scope of Turkey's GSP regime as they are not covered by 1/95 Association Council Decision. Products subject to tariff preferences are listed at the annex 5 of the Import Regime Decree which is fully in line with the Annex II of the EC Regulation No: 980/2005 and is presented here as an annex to this document.

### Sample from the List II of Import Regime Degree

CN CODES	DESCRIPTION	CUSTOMS DUTY RATES (%)				
		EU AND FTA COUNTRIES	GSP COUNTRIES			Ocs
			LDCs	CSIAs	DCs	
3901.10.10.00.00	Lineer polietilen	0	0	0	3	6.5
3901.10.90.00.11	Low density polietilen	0	0	0	3	6.5
3901.10.90.00.12	Polietilen compounds	0	0	0	3	6.5
3901.10.90.00.19	Others	0	0	0	3	6.5

Preferences are differentiated according to the sensitivity of the products fully in harmony with the EC's. It is sufficient to differentiate between two product categories, namely non-sensitive and sensitive products for the developing countries.

Tariff duties on non-sensitive products are suspended, while duties on sensitive products are subject to a tariff reduction.

Turkey grants preferential treatment to selected countries and territories which are classified as developing countries or least developing countries in World Bank in line with EC.

Beneficiary countries are announced annually in Annex 3 of the Import Regime Decree taking into consideration the changes made in the EC's regime. There are three groups of countries namely developing countries, least developed countries and countries of special incentive arrangements parallel to the Annex 1 of the current EC GSP regime. Annex 3 of Import Regime Decree entered into force as of 1<sup>st</sup> January, 2006 which is also presented at the annex to this document.

Least Developed Countries have duty and quota free access to Turkish market for all industrial products falling under chapters 25-97 (except chapter 93) and for some agricultural products covered by customs union between Turkey and EU in the framework of the EBA incentive of EC GSP scheme.

While all duties on products covered by Turkish GSP scheme has been suspended for the countries benefiting from the special incentive arrangements in line with the EC's GSP scheme, for developing countries the duties have been suspended or reduced in accordance with sensitivities of the products.

Finally, Turkey adopted the same tariff duties with the EC, neither higher nor lower, for GSP products.

### **Graduation Mechanism (Country/Sector)**

Turkey applied graduation mechanism in line with EC's application. Beneficiary countries have been incorporated to the Annex III of the Import Regime. Some chapters have been excluded from tariff preferences for related countries in accordance with the graduation mechanism of the EU GSP scheme as shown in the Annex to this document regarding the beneficiary countries.

On the other hand, chapters referred to in the EC's GSP Regulation are grouped in the same manner in the Annex 3 of Import Regime Decree presented at the annex to this document (**Annex I.2**).

List of products covered under the GSP scheme of Turkey, by sectors is annexed to this document (**Annex I.3**).

### **U.S. Generalized System of Preferences and Turkey**

The U.S. Generalized System of Preferences (GSP), a program designed to promote economic growth in the developing world, provides preferential duty-free treatment for 3,400 products from 134 designated beneficiary countries and territories, including Turkey. In the scope of this system, most of the dutiable manufactures and inputs are certain agricultural, fishery, and primary industrial products (metals, chemicals). In 2006, the GSP-eligible imports from the beneficiary countries increased by 22% with respect to the previous year and reached to the level of 32.6 billion dollars.

This system gives Turkish exports an advantage in U.S. market, providing cheaper goods to U.S. industry and consumers. Between the years 2004-2006, the 21% of U.S. imports from Turkey had been made under the GSP program. For the first 4 months of the year 2007, this ratio has risen to the level of 24%. In 2006, imports from Turkey amounting to 1.13 billion dollars placed Turkey on the sixth rank among the 131 beneficiary countries of U.S. GSP. By this way, U.S. importers saved 47.5 million dollars in duties. The main items of the U.S. imports from Turkey under the GSP have been jewelry, refined copper wire, building stone, vehicle engine parts and shotguns. In 2006, Turkey realized duty free exportation in 931 tariff lines out of the 3474 GSP-eligible tariff lines.

### **13. We would appreciate to have information on how the Ministry for the Environment and Forestry is structured and how it coordinates with other national authorities.**

Detailed information on the structure of the Ministry is attached to this document (**Annex I.4**).

### **14. We would like to know whether Turkey has incorporated environmental provisions in their FTAs.**

Turkey does not incorporate any specific environmental provision on its FTAs however, reference is made to environment in general exceptional clause in some of Turkey's FTAs which

makes reference to the protection of environment. The wording of the article in Turkey – Israel FTA as an example is given below:

Article on General Exceptions:

*“Nothing in this Agreement shall preclude prohibitions or restrictions on imports, exports or goods in transit justified on grounds of public morality, public policy or public security; the protection of health and life of humans, animals or plants and of the **environment**; the protection of national treasures possessing artistic, historic or archaeological value; or the protection of intellectual, industrial and commercial property, or rules concerning gold or silver. Such prohibitions or restrictions shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between Turkey and Israel.”*

**15. How many tariff lines have bound tariffs in the WTO? How many are agricultural and non agricultural?**

46.3% of Turkey's tariff lines are bound (all tariff lines for agricultural products are defined in related WTO Agreement, and about 36% of the lines for non-agricultural products). Since 2005, final bindings range from zero to 225% on agricultural products, and from zero to 102% on non-agricultural goods.<sup>66</sup>

**16. Is there a difference between the current and bound tariffs?**

There is a difference between the current and bound tariffs. For certain products, applied MFN rates are well below the bound rates, the simple average bound rate has declined to 33.9%, compared with a simple average applied MFN rate of 11.6% in 2007. In accordance with its obligations under the Customs Union Declaration, Turkey largely aligned its tariff binding (mainly on non-agricultural products) on the EC's applied tariff rates.

**17. Does Turkey use any system of variable tariffs as compensatory tariffs or minimum or entry prices?**

Turkey does not use any system of variable tariffs. Therefore, there are no variable tariffs on Turkey's import regime.

**18. Does Turkey use any WTO quota or other quotas?**

Since 1 January 1996, Turkey has been applying import quotas on certain textile and clothing products as a requirement for harmonizing its import policy with that of the EU. Currently, Turkey applies quotas to products from Belarus (country with which an agreement has been reached) in 34 categories under the double checking system, and to the goods from the Democratic People's Republic of Korea (48 categories), Montenegro and Kosovo (12 categories), and Uzbekistan (2 categories) with which an agreement has not been reached under the single checking system.

In addition, Turkey applies quota restriction on 44 categories of textile and apparel products originating in China in accordance with the 242<sup>nd</sup> paragraph of the Report of the Working Party on the Accession of China to the WTO.

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<sup>66</sup> The reduction in bound tariffs was implemented in equal annual installments between 1995 and 2004. GATT (1994), Schedule XXXVII.

Finally, Turkey applies quota restriction on float glass (HS code:70.05) originating in China until April 2009 in accordance with Transitional Product-Specific Safeguard Mechanism (Article 16 of the Protocol on the Accession of the People's Republic of China to the WTO).

**19. Are there products in which there are import permits or licenses? Are they automatic? How does the import system operate? For which products?**

Prior import licenses are required for 13 groups of items<sup>67</sup>, including some machinery, some motor vehicles, transmission apparatus, some chemicals, endangered species of wild fauna and flora, and some high intensity sweeteners. No agricultural product is subject to the import licenses. These products are subject to the SPS controls by the Ministry of Agriculture and Rural Affairs.

All these licenses are automatic.

**20. Are there prohibited imports? For which products?**

The importation of 10 items is prohibited on the ground of protection of environment, public security, public morals, health, or the fulfillment of international obligations. These products are narcotics, hashish and prepared opium; ozone depleting substances; certain coloring matters having cancerous character; certain chemicals used in production of chemical weapons; measurement instruments not conforming to the Turkish legal norms (non-metric or double standard); arms and ammunitions; gambling instruments; products making illegal use of a trade mark; leaf, soil, stalk, straw, grass and natural manure used for agricultural purpose and counterfeit labels and products for packing (please see the table below).

Description of items	Invocation of WTO Article	Domestic/International legislation
Narcotics, hashish and prepared opium (2 items) <sup>a</sup>	Health, IA <sup>b</sup> (Article XX:b, h)	Law No. 2313 on the Control of Narcotics, and the International Agreement on Narcotics Goods (1961)
Ozone depleting substances (1 item) <sup>a, c</sup>	Environment (Article XX:b, d)	Montreal Protocol on Substances that Deplete the Ozone Layer; London Amendments to the Montreal Protocol; Kopenhagen Amendment to Montreal Protocol; Import Regime Communiqué No. 2007/14 (Lists I, II, and III)
Colouring matters (1 item)	Health (Article XX:b)	Law No. 1593 on the Protection of the Public Health; Regulation on Special Conditions of Foodstuffs and Supplies and Objects Concerning Public Health; Import Regime Communiqué 2007/15 Add II (List)
Schedule I and II of the Convention (4 items) <sup>c</sup>	Environment (Article XX:b, d)	The Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and their Destruction; Import Regime Communiqué No. 2007/17 (List I)
Measurement instruments not conforming to Turkish legal norms (non-metric or double standard) (6 items)	Compliance with domestic law (Article XX:d)	Law No. 3516 on Standards and Accords
Arms and ammunition, propellant powders, prepared explosives, fuses, caps igniters detonators <sup>a</sup> (3 items)	Security (Article XXI:b(i),(ii))	Law on Firearms (No. 6136 of 1953); Import Regime Communiqué No. 2007/2
Gambling instruments (except for specified tourism purposes) <sup>a</sup> (1 item)	Public morals (Article XX:a)	Law No. 1072 on Gambling Instruments like Roulette, Tilt, and Pinball

<sup>67</sup> Details are presented in the WTO documents of G/LIC/N/1/TUR/5 for Turkey's notification on import licenses.

Products making illegal use of a trade mark (all industrial products)	Compliance with domestic law; IA <sup>b</sup> (Article XX:d,h)  Public morals (Article XX:a)	Paris Convention 1883 annexed to the Law of 1930 on Accession to 1925 Hague Agreement on International Industrial Property (1925); Statutory Decree No. 556 on the Protection of the Trademarks  Customs Law (No. 4458 of 1999)
Soil, leaf, stem, straw, and natural manure used for agricultural purpose (excluding turf and perlites cultivated in culture environment)	Health (Article XX:b)	Regulation on Agricultural Quarantine
Spawn of silk-worm	..	Law No. 859 on Cultivation and Sale of Silk-worm and Silk-worm Spawn

.. Not available.

- A Prohibited except when imported by authorized government bodies.
- b IA: Undertaken in pursuance of obligations under intergovernmental commodity agreements.
- c Imports prohibited only from non-members of the international agreements.

Note: Number of items refers to the Harmonized System classification at the four-digit level.

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

## 21. How are the sanitary certificates or permits obtained? Are them parallel processes or are sequential?

In the importation of the agricultural products, an importer has to obtain a control certificate issued by the Ministry of Agriculture and Rural Affairs (to ensure sanitary and phytosanitary compliance).

Imports permits for animal and animal products are issued by Directorate General of Protection and Control (GDPC) within the Ministry of Agriculture and Rural Affairs. The sanitary certificate (veterinary health certificate) is issued by the exporter country. The exporter applies to the Ministry of Agriculture and Rural Affairs with sanitary certificate and other related documents in order to get the import permit.

With regard to the exports of animal and animal products, the sanitary certificate is issued by Provincial Directorates under Ministry of Agriculture and Rural Affairs.

### Fisheries:

Protectionist measures on sanitary certification operations and avoiding counterfeiting:

Regarding the fisheries products exports, the sanitary certification model designated by the European Commission Directive (1664/2006 EC) is used for European Union (EU) countries. For fisheries products exports to the countries other than the EU, sanitary certification model designated by Turkey (except Russian Federation and China where the models are designated by these countries) is used. In fisheries exports, a separate certificate is issued for every export installment.

- 1- In every sanitary certificate models used;
- Cold seal exists,

- Certificates are published with sequential serial numbers and are distributed in line with these serial numbers to municipal authorities for registration.

2- During the approval stage by the municipal authorities each sanitary certificate is given a sanitary certificate registration number and their export records are held.

3- The part of the sanitary certificate that stays with the municipal authority and the part that goes with the product are given the hologram label carrying the same number. Hologram labels are issued by the Ministry of Agriculture and Rural Affairs in exchange for debit.

4- The sanitary certificates are approved by the Veterinary Doctors listed in the “Fishery Products Auditor List” assigned in the Municipal Directorship which are authorized by the Ministry of Agriculture and Rural Affairs.

5- For the exports of live, fresh and refrigerated fishery products inspection and organoleptic inspection are required. For exports of refrigerated and processed fishery products (refrigerated, fume, canned, etc.) by exemplification for designated periods, several analyses are required. For the products having approved institutional audit results along with the inspection and analysis results sanitary certificates are issued.

### **Food:**

For exports to the EU and other countries certification is made in line with the importer country’s applied legislation and request. In case a Sanitary Certificate is required by the importer country, that particular country shall consult the Control Division of the Municipal Agricultural Directorate which exists in 81 municipalities in Turkey.

For the food imports made by Turkey, certificates holding the security reliability of the product are required. As for the animal products, a certificate approved by the authorized institutions of the country where the products originate and/or freighted; stating that raw materials obtained from the animal and to be used in the product shall be free from contagious and/or epidemic animal diseases.

### **Phytosanitary:**

For plant and plant products Phytosanitary Certificates carrying the ISPM 12 standards are required. Moreover, export permits are required for production materials. Detailed information can be found in the website of Agrarian Quarantine Directive of the Ministry of Agriculture and Rural Affairs ([http://www.kkgm.gov.tr/yonetmelik/zir\\_kar.html](http://www.kkgm.gov.tr/yonetmelik/zir_kar.html)).

For some industrial products, if an imported product falls under the category of a relevant legislation to be controlled by a certain Ministry for sanitary purposes, it is so certified by the relevant institution. For example, for some medical devices, a certificate is issued by the Ministry of Health and for some hazardous materials for health a control certificate is issued by the Ministry of Environment. The process to obtain a sanitary certificate for a product is then neither parallel nor sequential since, as the case may be, there can only be one institution responsible for issuance of the certificate.

## **22. GDP and employment figures: are they referred only to primary sector or to agro industrial sector as well?**

Since there is no such distinction between the agro industrial sector and primary sector in the figures calculated by Turkey, the GDP and employment figures stated in Turkey’s Report cover both the primary and the agro industrial sectors.

**23. Have you considered in the short or medium term any Irrigation Investment Program? If your answer is positive, how many financial resources (US\$) are you going to allocate for that purpose and how many new hectares will be irrigated?**

In accordance with the Development Plans and Programs, 2006-2010 National Agriculture Strategy and the Law on Agriculture, and with a view to improving the infrastructure of the agricultural irrigation for the projected investments which the producers will make individually and/or collectively on the basis of equity, and in order for supporting the investments in the Integrated Compressive Irrigation Facilities and for the more effective and the more economic use of the water, the Ministry of Agriculture and Rural Affairs provides %50 granted aids for the individual investments in compressive irrigation facilities and %75 granted aids for the investments in compressive irrigation facilities for the collective infrastructure rehabilitation within the scope of the Program for the Support of Rural Development Investments.

Moreover, it was planned to establish a compressive irrigation system for the area of approximately 20000 hectares and to grant 20 million New Turkish Liras (NTL) in 2007.

**24. Dealing with market intervention: Are there buying powers of the State for agricultural products, and/or, is there any price-fixing scheme?**

Turkish Grain Board (TMO) is a state owned enterprise and responsible for the intervention buyings of cereals, paddy rice and hazelnut. Also TMO carries out the state monopoly on opium and narcotic substances. TMO determines the intervention buying prices.

**25. Would you please inform us the sugar-beet cultivated area and the average production by hectare (yields in tons).**

**Production Figures for Sugar Beet (2006)**

Product Name	Area Sown (Hectare)	Area Harvested (Hectare)	Production (Tonnes)	Average Production (Kg/Hectare)
Sugar Beet	325.699	323.714	14.452.162	44.640

**26. Would you please give us some data for apple trees and table grapes area?**

**Production Figures for Apple and Table Grapes (2006)**

Product Name	Area covered (Decares)	Production (Tonnes)
Apple	1.626.406	2.002.033
Table Grape	3.038.161	2.060.167

**27. Would you please tell us the main destination markets of poultry meat?**

The main destination markets of poultry meat are Azerbaijan, Vietnam, China, Iraq, Macedonia, Hong Kong, Bosnia Herzegovina, Tajikistan, Uzbekistan, Turkish Republic of Northern Cyprus, and Singapore.

Statistical information on the main destination markets of poultry meat is annexed to this document (**Annex I.5**).

**28. Would you please inform us the amount of dairy product imports and its composition?**

The amount of dairy product imports and its composition are annexed to this document (**Annex I.6**).

**29. Could Turkey provide us with a copy of the “New Foreign Direct Investment Law”**

The “New Foreign Direct Investment Law” is attached to this document (**Annex I.7**).

**30. Is Turkey’s position to incorporate investment chapters in the context of Free Trade Agreements?**

Given the fact that Turkey’s Bilateral Investment Treaty web includes 79 countries, it is not our practice to incorporate very detailed investment chapters to the texts of FTAs. Generally, a short text (1-2 articles) is included to some of the FTAs illustrating the well intention of the both Parties for promoting the flow of capital between their countries. The Article on “Investment Promotion” in the FTA between Turkey and Egypt is given below as an example:

*“The Parties recognize the importance of promoting investment and technology flows between them as a means of achieving economic growth and development. Co-operation in this respect shall include:*

- a) appropriate means of identifying investment opportunities and information channels on investment regulations;*
- b) the provision of information on the Parties’ measures promoting investment abroad (technical assistance, financial support, investment insurance, etc.);*
- c) the planning and implementation of development projects, including for the participation of foreign investors;*
- d) encouraging the creation of joint ventures, especially for SMEs and, when appropriate, the conclusion of agreements between Turkey and Egypt.”*

**31. Do you have bilateral agreements that include this issue?**

Turkey has not signed any other bilateral agreements including investment chapters other than its Bilateral Investment Treaties which has been referred to under Title “**III.5.C. Bilateral Investment Treaties and Other Agreements**” in Turkey’s Report.

**32. Under the assumption of “no movement” in the Doha Round Negotiations. Is Turkey’s position to assume bilateral commitments in matters of cross-border trade in services? If Doha Round Negotiations move forward, will this position change?**

Turkey’s existing commitments under GATS are already very liberal in terms of cross border supply of services (Mode 1) and Turkey undertakes full commitments in many services sectors. Besides, Turkey does not intend to assume bilateral GATS plus commitments in matters of cross-border trade in services for the time being.

**33. Are there bilateral agreements subscribed by Turkey which include commitments in the subject of cross-border trade in services?**

There are not any bilateral agreements subscribed by Turkey which include commitments in the subject of cross-border trade in services

**34. Which categories of Business Persons are contemplated in Turkey's domestic legislation and how is it regulated?**

There are two types of visas in the Turkish practice:

- a) Entry visa (single entry, multiple entry and entry with special annotations)
- b) Transit visa (single and double transit)

Turkey applies a simple and expeditious visa procedure for the businessmen regardless of their nationality. Foreign businessmen could be issued multiple entry visas valid up to five years, provided that they meet certain conditions.

These conditions include;

- that the applicant should not be among those whose entry to Turkey is banned,
- that the applicant should be a businessmen in any field in the country of his/her residence,
- that the applicant should be a member of the business delegations assigned to by leading companies,
- that the applicant has traveled to Turkey previously and/or he/she has an intention to establish continuous links with Turkey,
- that the applicant should be in possession of visas from EU countries, or the USA; Canada, Switzerland, Norway, Australia, New Zealand and Japan.

**35. How is regulated the temporary entrance of Business Persons in the Agreement subscribed with the E.U.? Is any kind of visa required?**

Visa is not required for eight EU Member Countries' nationals and sixteen Member Countries' nationals (including the businessmen) can get their sticker type visa at border gates upon their arrival.

**36. Does Turkey have any cooperation programs on IPR protection with the EU?**

In the scope of membership to the EU, a Twinning Project "To Support Turkey's Efforts in the Full Alignment and Enforcement in the Field of Intellectual Property Rights with a Focus on Fight Against Piracy" has been started in May 2006 and scheduled to end by November 2007. The project envisages supporting the Turkish Government in its efforts towards strengthening the capacity in legal, institutional, technical and investment matters related to intellectual property rights protection with specific focus on fight against piracy; and promoting effective protection through developing a well-structured strategy for cooperation among IPR related bodies and awareness raising activities together with collecting societies, national police, the customs and user and improving the existing legal environment by assessing and contributing to its further alignment with the EU legislation.

Moreover, Turkish Patent Institute (TPE) is having great steps in the way to be "a leading contributor to the national innovation system by raising awareness and stimulating use of IP

**through a range of customer-oriented products and value-adding services to make Turkey more innovative and competitive.”** which is the new IP Awareness&Use Strategy of TPE.

In the beginning of year 2006 TPE has started an innovation project that covers the inside innovation (revision in the infrastructure, services and products of TPE) and creating outside innovation that is helping SME's to develop innovation based culture with the help of industrial property. At the end of year 2006 TPE has completed the restructuring of its departments and services and prepared the background for the studies in the field.

Nowadays TPE implements a pilot project “HEZARFEN” in one of the biggest industrial zones in Turkey: OSTIM OSB. The project includes SME consultancy (one-to-one), **use of IP information in each phase of innovation**, helping SME's to understand the strategic use of IP information in the innovation management process etc. In the Project HEZARFEN, TPE develops its practical knowledge, enhances communication with the industry, in other words TPE nowadays transforms knowledge into practice. TPE cooperates with Small&Medium Industry Development Organization and OSTIM OSB management.

OSTIM OSB has nearly 5000 companies from different sectors including service sector. Hezarfen has designed for the different types of companies with different needs from innovation concept. First group consists of all companies in OSTIM, who are clients of promotional products&events such as press products, guides and brochures on industrial property and innovation etc. With the contribution of Dutch consultant group, TPE has developed a new online survey KOBİHİT ®. KOBİHİT ® helps SME's to evaluate their innovative capacity, urge for innovation, innovative capabilities and behaviors by themselves. This scan is general promotional instrument for all SME's in order to raise awareness on innovation related issues.

Second target group of Hezarfen, nearly 500 manufacturing SME's of OSTIM OSB, is clients of information products, listed below:

- Workshops (3 sets of workshops, to be repeated for 3 times)
- Monitoring technology and competitors, use of patent databases for innovation management,
- Business plan, integrating industrial property to business plans,
- Creating innovative environment inside the company, managing innovation
- Website (on the project, industrial property, innovation for SME's) <http://hezarfen.tpe.gov.tr>
- Publications on the innovation, strategic use of industrial property concepts,
- Upgrading front desk&information centers,
- Other SME oriented products of TPE (searches, newsletters, interviews etc)

Besides the informational products, detailed consultancy services on innovation is planned to be served in Hezarfen. This consultancy, including orientation products of TPE covers all the steps in product/process innovation to be taken in the company. The consultancy service, to be served by company visits, will be given only 20 companies of OSTIM. The following path of inside company workshops is planned:

- Innovation Basics Scan,
- Innovation Field Priorities Workshop,
- Innovative Idea Generation Workshop,
- SME Innovation Project Roadmap Workshop.

Hezarfen project started in March 2007 and ends at the end of year 2007. The Pilot Project got its own name ‘**Hezarfen**’, derived from the first man flying and thereby crossing the Bosphorus.

The word also has a meaning "people who knows thousands of science", which is interpreted in Hezarfen as "SME's who know thousands of business strategies". In addition, it has a slogan '**Its time to make new things**', paraphrasing a well-known Turkish philosopher, Mevlana's words when referring to the need 'to turn the page'.

**37. Please explain with more detail the functioning of the GI registration process according to the Turkish law**

GI registration process is regulated under the "DECREE-LAW No. 555 on the Protection of Geographical Signs". Moreover, in Turkish legislation there is "the Implementing Regulations under the Decree-Law No. 555 Pertaining to the Protection of Geographical Signs". Both texts are attached to this document (**Annex I.8**).

**38. In page 100 in your report, in the paragraph that is after the chart, it says: "On the other hand, while Chile faces 356.8 million dollars increase in imports, the total tariff revenue decreases 216.6 million dollars". These figures, where do they come from? or how were calculated?**

We assume that Turkish exports to Chile are the same that the Chilean imports from Turkey. The Chilean imports from Turkey were 31.89 million dollars. If the Chilean imports from Turkey in the year 2005 were 31.9 million dollars, and the estimated change in the Turkish exports would be 4.7 million dollars, then the total sum would be 36.6 million dollars and not 356.8 million dollars.

Basically, in the related literature, a tariff reduction in partial equilibrium analysis has 4 major results:

- Trade Creation Effect
- Trade Diversion Effect
- Tariff Revenue Effect
- Market Effect (which can also be divided into "consumer welfare effect" and "producer welfare effect")

In FTA feasibility reports of Chile with the other countries, the main focus was on trade creation and diversion effects. However this time, as the Turkish side, we think that all of these four effects should be calculated at the same time while we have the necessary data, which will better help to see the whole picture.

In the very beginning of the IV<sup>th</sup> section, in "IV.1.Introduction" part, it is clearly stressed that "*all of the tariff reduction scenarios are set up using WITS/SMART model*" which is a partial equilibrium model and uses WITS database that brings together various databases ranging from bilateral trade, commodity trade flows and various levels and types of protection. **SMART** simulation model enables us to see all these four effects in a practical and user friendly way.

**Also**, different from the previous studies of the Chilean side with other countries, we took into account the 27 EU-member countries as beneficiary countries by mentioning in our report that "*On the other hand, all of the simulations will be set up under the assumption that "EU-27 members are also beneficiaries of the tariff reduction", which will certainly effect the value of trade creation and trade diversion effects.*". It means the 27 countries will also benefit from the tariff reductions on the applied rates and the total trade values can also change in respect to the trade relations with these 27 countries.

Accordingly, this approach leads to different **“total import”** results than the **“total import results of the bilateral view”** which the Chilean side has preferred to use. This means, in our report, the effect of Turkey on *‘the change of Chilean imports’* accounts for 4,7 million dollars of 356,8 million dollars, and the rest of the effects, 352,1 million dollars, belongs to the 27 EU-member states.

To sum up, all of the calculations are made with the help of “WITS/SMART model” and the 4 major results calculated in our report with the help of this model are directly related with *the literature on “partial equilibrium analysis of trade policy changes”*. You can also find additional information about the theoretical background of the SMART model attached to this document (**Annex I.9**). In addition, the estimated increase of 356,8 million dollars in the total imports of Chile is calculated by taking into account 27 EU-member countries together with Turkey as all of the countries will benefit from the tariff reductions on applied rates.

**39. In the experience of Turkey after the trade agreements with other countries, which has been the trade increase? Has it been more than originally calculated?**

In the experiences of Turkey, generally both Turkey’s exports and imports values showed significant rise and the total volume performed increasing trend after the FTA’s. Below there are some tables showing 2000-2006 period trade figures of Turkey related with the FTA partners and shaded areas refer to the time period that the FTA’s are in force<sup>68</sup>.

	Turkey's Exports (million dollars)						
	2000	2001	2002	2003	2004	2005	2006
Israel	650.14	805.22	861.43	1083.00	1315.29	1466.91	1529.16
EFTA	324.25	316.11	409.04	538.09	666.59	820.85	1189.17
Morocco	70.41	98.15	138.33	180.78	330.06	370.82	551.38
Tunisia	162.27	140.59	121.14	220.02	256.16	294.79	324.89
Croatia	23.59	30.11	42.87	85.60	118.06	167.99	213.88
Macedonia	107.77	89.82	101.32	122.72	149.33	162.48	172.76
Bosnia and Herzegovina	26.87	27.59	43.26	63.23	99.94	128.22	150.84
Gazze	5.62	6.00	4.73	6.49	9.03	9.40	21.15

	Turkey's Imports (million dollars)						
	2000	2001	2002	2003	2004	2005	2006
EFTA	1155.27	1480.93	2512.00	3395.68	3911.43	4439.55	4520.18
Israel	505.48	529.49	544.47	459.49	714.14	804.69	782.13
Morocco	72.98	38.19	68.31	76.99	105.78	143.23	173.90
Tunisia	64.84	72.94	71.80	98.14	100.41	117.37	150.09
Croatia	25.37	17.33	9.39	16.70	35.23	85.57	60.56
Macedonia	10.47	9.11	14.91	27.34	51.94	52.08	55.94
Bosnia and Herzegovina	7.50	4.93	6.32	8.34	11.48	15.40	9.38
Gazze	0.15	0.10	0.01	0.45	0.54	0.30	0.50

<sup>68</sup> It is not given in the tables but the FTA with EFTA entered into force in 1992 and the FTA with Israel entered into force in 1997. In addition, the FTA’s with Egypt and Syria entered into force in 2007. However, the FTA with Albania which was signed in 22.12.2006 has not entered into force yet.

	Trade Volume (million dollars)						
	2000	2001	2002	2003	2004	2005	2006
<b>EFTA</b>	1479.52	1797.04	2921.04	3933.76	4578.02	5260.40	5709.35
<b>Israel</b>	1155.62	1334.71	1405.90	1542.49	2029.44	2271.60	2311.29
<b>Morocco</b>	143.40	136.34	206.65	257.77	435.84	514.06	725.27
<b>Tunisia</b>	227.11	213.53	192.94	318.15	356.57	412.16	474.99
<b>Croatia</b>	48.96	47.44	52.26	102.29	153.29	253.56	274.44
<b>Macedonia</b>	118.24	98.93	116.23	150.06	201.27	214.56	228.70
<b>Bosnia and Herzegovina</b>	34.37	32.51	49.58	71.57	111.41	143.62	160.22
<b>Gazze</b>	5.77	6.10	4.74	6.94	9.57	9.71	21.65

Looking through the tables, it is obvious that FTA's have significant effects on Turkey's trade figures. Furthermore, in the experiences of Turkey, the total trade after an FTA has generally exceeded the expected values, which have been the case in trade with Israel and the EFTA countries.

### **Annex I.1 - The Ministerial Decree on the Regime Regarding Technical Regulations and Standardizing for Foreign Trade**

#### **THE MINISTERIAL DECREE ON THE REGIME REGARDING TECHNICAL REGULATIONS AND STANDARDIZING FOR FOREIGN TRADE**

##### **PART ONE Objective, Scope, Definitions and Authorization**

#### **Objective**

**Article 1**– In the framework of the technical regulations, standards, conformity assessment and inspections regarding foreign trade, the objective of this Decree is;

**a)** To avoid the technical regulations, standards, conformity assessment and inspections, which are implemented in the foreign trade, be an unnecessary barrier to international trade and to develop trade;

**b)** To increase the competitiveness of export products and to make the foreign buyers prefer our products by providing that export products are safe and of high quality;

**c)** To avoid the unfair competition and deceiving practices resulting from poor quality of the import products, to take the consumer-protective and quality-raising measures;

**d)** To provide the import products be in conformity with the technical regulations and/or be safe without making a discrimination between import products and domestic products, to protect the health and safety of persons, presence of animals and plants and environment and to fulfil out the requirements for public morality, public policy and public security;

**e)** To provide the technical legislation in the content of the international treaties and the Customs Union established between Turkey and the European Union be adapted to the foreign trade system;

f) To lay down the technical regulations, standards, conformity assessment and authorities responsible for inspections, the actions to take and the principles and procedures for foreign trade.

### Scope

**Article 2-** This Decree covers the technical regulations, standards, conformity assessment and inspections to which import and export products are subject, the obligations of the importers and exporters, the powers and the obligations of the customs authorities and related authorities, the sanctions to apply and the notifications related to these issues.

The technical regulations, standards, conformity assessment and inspections regarding foreign trade shall be enforced in the framework of this Decree, the regulations and communiqués published relying on this Decree and the instructions given to the related authorities by the Undersecretariat and multilateral and bilateral international treaties.

### Definitions

**Article 3** – For the purposes of this Decree;

a) **Undersecretariat** shall mean the Undersecretariat for Foreign Trade;

b) **Technical regulation** shall mean any mandatory document which lays down the characteristics or processing and production methods of a product, including the administrative provisions, as well as one or more of the related terminology, symbols, packaging, marking, labelling and the conformity assessment procedures aspects;

c) **Standard** shall mean any voluntary document which is accepted by consensus and ratified by an authorised body; aims to provide an optimum order under the existing conditions; lays down, for common and repeated use, the characteristics, processing and production methods of a product, as well as one or more of the related terminology, symbols, packaging, marking, labelling and conformity assessment procedures aspects;

d) **Market surveillance** shall mean the market surveillance mentioned in the Law Relating to the Preparation and Implementation of the Technical Legislation on the Products;

e) **Safe product** shall mean any product, which under normal conditions of use, does not present any risk or presents only risks considered as acceptable and brings a high level of protection with respect to the essential requirements;

f) **Essential requirements** shall mean the minimum safety conditions which the product shall present regarding the level of protection for the health of persons, safety of persons and their properties, life and health of animals and plants, environment and the consumer;

g) **Inspection** shall mean the activity carried out to determine whether a good subject to foreign trade is in conformity with this Decree and the legislation published relying on this Decree;

h) **Authority responsible for inspection** shall mean the public authority making the inspections in the content of this Decree;

**i) Related authority** shall mean the authority of which the activities and/or decisions affect the actions in the content of this Decree in a direct or indirect manner;

**j) Standardization** shall mean the process of putting and applying rules, which contain the standards, technical regulations, conformity assessment, with the assistance and cooperation of all relevant parties in order to provide economical and social benefits from an activity.

**k) Conformity assessment** shall mean any procedure concerning the testing, inspection and/or certification of a product's conformity with the relevant technical regulation;

**l) Code of good practice** shall mean any specific practical principles related to the health and safety in the framework of the existing technological level and scientific criteria in the sector concerned.

### **Authorization**

**Article 4-** In the framework of this Decree, the Undersecretariat is authorized;

**a)** To make the inspections to find out whether the products subject to foreign trade are in compliance with the technical regulation and/or safe or to authorize or designate the institutions to make these inspections with the coordination of the authorities responsible for market surveillance, giving priority to these authorities;

**b)** To determine or let them be determined the specifications, which would be the principle for the inspections regarding foreign trade, for products with no technical legislation until the technical regulation is prepared by taking the international practices into account and to make the necessary inspections or make them be made.

**c)** With the approval of the Minister responsible for the Undersecretariat, to make the required Turkish standards mandatory or to abolish mandatory standards, to make the necessary inspections regarding these standards or make them be made by taking the export and domestic market practices into account;

**d)** To harmonize the technical legislation, which is published in the framework of the competencies given by the legislation to the Undersecretariat and the Ministries and other institutions, into the foreign trade and to lay down the application principles;

**e)** To carry out the coordination regarding technical regulation, standards, conformity assessment and inspections regarding foreign trade between the related authorities;

**f)** When needed, to determine the entry and exit customs authorities for some import and export products in coordination with the Undersecretariat of Customs by taking the opinion of the related authorities into account in order to carry out the technical regulations, standards, conformity assessment regarding foreign trade effectively, fast and efficient, to provide the exchange of information between market surveillance activities and import and export controls, to establish the information infrastructure regarding this exchange, to found the national and international notification systems and to make the notifications, to make the necessary studies to inform the public about these activities and to prepare reports;

**g)** To make the regulations regarding the import and export of the substances, which are out-of-standard, scraps, remains and risk-presenting to environment, by taking the opinion of the related authorities into account;

**h)** To start inquiry for the producer firm about the technical specifications and the compliance of these specifications of the import products which are determined as hazardous to the health of persons or facility or environment, to control each kind of import of the said product until the enquiry is finalized, to take the necessary measures regarding the inspection of the product when the enquiry is finalized;

**i)** To take the necessary actions to abolish the foreign countries' practices those create technical barriers to Turkey's export products, to have meetings with these countries, to make mutual recognition agreements and to take the necessary measures within the framework of the international treaties;

**j)** To make the necessary changes and to take measures at the each step of the technical regulation, standards, conformity assessment and inspections regarding foreign trade, to lay down the principles regarding sample taking in the content of the inspection, to determine the maximum and minimum level of charges to repay the services of inspection and to lay down the principles regarding payments, to ask the related persons or authorities for every kind of information and certificates regarding these activities;

**k)** To determine the requirements that have to be conformed by the international survey firms, which would act in the supervision activities of the products subject to foreign trade anticipated in the regulations based on this Decree, by taking the opinion of the Ministry of Industry and Trade, to give the statute of international surveillance firms and to cancel that statute, to identify the area of activity of these firms and to control their activities;

**l)** To establish a committee of the related persons appointed by the Undersecretariat, in order to determine the suitable dates for pruning, collecting and exporting of the products subject to export by taking the type, the characteristics of the land and the condition of transportation into account in order to guarantee that these export products meet the demand of the target market;

**m)** To examine the special and imperative cases which are required by the needs and economical conditions of the country the and to finalize them regarding the technical regulations and standardization processes for foreign trade, to give the necessary permission and to make the necessary amendments in the related directives, communiqués and instructions, to make exceptions regarding conformity assessment and certification processes and to define the scope of these exceptions.

## **PART TWO**

### **Uniformity in Application of Technical Legislation and Inspections Regarding Foreign Trade**

#### **Uniformity in Application of Technical Legislation**

**Article 5-** The coordination, monitoring, transparency and notification of technical regulations, standards, conformity assessment and inspection shall be carried out in accordance with this Decree in a uniform and harmonious way.

Any regulation dealing with documents and signs that show that an import or export product is in conformity with the rules applicable, such as control certificate, conformity certificate, type approval certificate, "CE" marking and "e" marking, shall be notified to the Undersecretariat. The

Undersecretariat shall assess the these proposals and –if appropriate- publish in the Official Journal.”

### **Inspections Regarding Foreign Trade**

**Article 6-** The inspections to find out whether the products subject to import and export are in compliance with the technical legislation and/or standards shall be carried out in accordance with this Decree, the Regulation, No 6/7677, of 7 February 1967 about the application of the Turkish standards, the principles laid down in the technical regulations and standards, the directives, communiqués published and instructions given by the Undersecretariat.

## **PART THREE**

### **Product Safety and the Obligations of the Importers, Exporters and the Related Authorities**

#### **Product Safety**

**Article 7-** The new products subject to import shall be in conformity with the relevant technical regulation and/or be safe.

The product in compliance with the relevant technical regulation shall be assumed as safe. In the absence of a relevant technical regulation, safety of a product shall be assessed in accordance with the national or international standards and in the absence of these, with the codes of good practice in the sector concerned or with the state of science and technology or with the safety which consumers may reasonably expect.

#### **Obligation of the Importer**

**Article 8-** The importer shall be responsible for importing products that are in compliance with the relevant technical regulations and safe.

#### **Obligation of the Exporter**

**Article 9-** The exporter shall be responsible when the products subject to export would present serious and close risk regarding the essential requirements of health of persons, safety of persons and their properties, life and health of animals and plants, environment and the protection of consumers.

#### **Obligation of the Related Authorities**

**Article 10-** The related authorities shall be responsible for participating in the information and notification systems, which are established by the Undersecretariat to carry out the activities in the content of this Decree effective, fast and in a coordinated manner, and for providing the necessary cooperation.

## **PART FOUR**

### **Free Movement of Goods Between Turkey and European Union**

**Article 11-** The import of the products, which are under the scope of the Customs Union, manufactured in compliance with the EU technical legislation and/or the national legislation of the Member States and/or which are put into free circulation shall not be restricted or banned.

This provision shall not preclude prohibitions or restrictions on imports, exports or goods in transit justified on grounds of public morality, public policy or public security; the protection of health and life of humans, animals or plants; the protection of national treasures possessing artistic, historic or archaeological value; or the protection of industrial and commercial property.

Such prohibitions or restrictions shall not, however, constitute a means of discrimination between import and domestic products or a disguised restriction on trade.

The justifications of the prohibitions or restrictions stated in the second paragraph shall be notified to the European Union Commission by following the procedures anticipated in the related legislation and Customs Union.

The principles regarding the above mentioned issues shall be determined in the directive.

## **PART FIVE**

### **Other Provisions**

#### **Measures To Take**

**Article 12-** Even if it is certified that a product subject to foreign trade complies with the technical regulation, when the authority responsible for inspections finds out that it does not comply with the technical regulation and/or it is not safe, on condition that the expenses be covered by the importer or exporter, one or few of the below mentioned measures shall be taken in proportion with the level of risk:

- a) Prohibition of the import of the product by the customs authority;
- b) Warning the importer or exporter in case where it is possible for the importer or exporter to render the product in compliance with the technical legislation and/or to render them safe;
- c) Whole or partial disposal of the product according to the risk level it presents in case where the importer or exporter does not render the product safe or where it is impossible to render it safe;

#### **Sanctions To Apply**

**Article 13-** One or few of the below mentioned sanctions shall be applied in proportion with the seriousness of the acts of the ones who act against this Decree and the directives, communiqués, instructions and written engagements based on this Decree and who uses imitated certificates and who make distortions in the certificates, in addition to the provisions of the related legislation:

- a) Warning the firm;
- b) Forbiddance of the firm temporarily or permanently for the exemptions that are brought in the content of the legislation relying on this Decree;
- c) Halting of the import of the firm temporarily or permanently;
- d) Forbiddance of the international survey firms temporarily or permanently for its activity or cancelling its statute;

e) Collection of the fine in accordance with the provisions of the “Law Regarding the Procedures of Collecting the Public Receivables”, No. 6183 by the tax department where a written engagement is taken, the fine shall be equal to the 60 % of the CIF value of the product defined in the written engagement.

The sanctions to apply in the content of this article, except the warning the firm and the fine, shall be published in the Official Journal.

### **The Abolished Legislation**

**Article 14-** Ministerial Decree of 8/1/1996 on the Regime Regarding Technical Regulations and Standardisation for Foreign Trade, No 96/7794, which was published in the Official Journal on 1/2/1996, No 22541, shall be abolished. The attributions in the related legislation made to the said Decree shall be assumed to be made to this Decree.

### **Entry into Force**

**Article 15 –** This Decree shall be put into force on the date of publication.

### **Implementation**

**Article 16-** This Decree shall be enforced by the Minister responsible for the Undersecretariat.

## **Annex I.2 - List of Turkey's GSP beneficiary countries and territories (Annex 3 of Import Regime Degree)**

### **List of Turkey's GSP beneficiary countries and territories (Annex 3 of Import Regime Degree)**

<b>Countries</b>	<b>Sectors Excluded</b>
United Arab Emirates	
Antigua and Barbuda	
Anguilla	
Netherlands Antilles	
AQ Antarctica	
Argentina	
American Samoa	
Aruba	
Azerbaijan	
Barbados	
Bahrain	
Bermuda	
Brunei Darussalam	
Botswana	
Brazil	4 ; 9
Bahamas	
Bouvet Island	
Belarus	
Belize	

<b>Countries</b>	<b>Sectors Excluded</b>
Cocos Islands (or Keeling Islands)	
Congo	
Côte d'Ivoire	
Cook Islands	
Chile	
Cameroon	
People's Republic of China	6; 7; 8; 9; 10; 11(a); 11(b); 12; 13; 14; 15; 16; 17; 18; 20
Cuba	
Christmas Islands	
Dominica	
Dominican Republic	
Algeria	5
Egypt	
Fiji	
Falklands Islands	
Federated States of Micronesia	
Gabon	
Grenada	
Ghana	
Gibraltar	
Greenland	
South Georgia and South Sandwich Islands	
Guam	
Guyana	
Heard and McDonald Islands	
Indonesia	3; 9
India	11(a); 14
British Indian Ocean Territory	
Iraq	
Iran (Islamic Republic of)	
Jamaica	
Jordan	
Kenya	
Kyrgyzstan	
St Kitts and Nevis	
Kuwait	
Cayman Islands	
Kazakhstan	
Lebanon	
St Lucia	
Libyan Arab Jamahiriya	
Morocco	
Marshall Islands	
Macau	
Northern Mariana Islands	
Montserrat	
Mauritius	

<b>Countries</b>	<b>Sectors Excluded</b>
Mexico	
Malaysia	3
Namibia	
New Caledonia	
Norfolk Island	
Nigeria	
Nauru	
Niue Island	
Oman	
French Polynesia	
Papua New Guinea	
Philippines	
Pakistan	
St Pierre and Miquelon	
Pitcairn	
Palau	
Paraguay	
Qatar	
Russian Federation	6; 10; 15
Saudi Arabia	
Seychelles	
Santa Helena	
Suriname	
Syrian Arab Republic	
Swaziland	
Turks and Caicos Islands	
French Southern territories	
Thailand	14; 17
Tajikistan	
Tokelau	
Tonga	
Trinidad and Tobago	
Turkmenistan	
Tunisia	
Ukraine	
United States Minor Outlying Islands	
Uruguay	
Uzbekistan	
St Vincent and Northern Grenadines	
Virgin Islands (British)	
Virgin Islands (USA)	
Viet Nam	
Wallis and Futuna Islands	
Mayotte	
South Africa	17
Zimbabwe	

### Beneficiary Countries of Special Incentive Arrangements

Bolivia	Mongolia
Ecuador	Moldova (Republic of)
El Salvador	Nicaragua
Guatemala	Panama
Georgia	Peru
Honduras	Sri Lanka
Colombia	Venezuela
Costa Rica	

### Least Developed Countries (LDCs)

Afghanistan	Malawi
Angola	Maldives
Bangladesh	Mali
Benin	Mauritania
Bhutan	Mozambique
Burkina Faso	Myanmar*
Burundi	Nepal
Cape Verde	Niger
Djibouti	Central African Republic
Chad	Rwanda
Equatorial Guinea	Samoa
Eritrea	São Tomé and Príncipe
Ethiopia	Senegal
Gambia	Sierra Leone
Guinea	Solomon Islands
Guinea-Bissau	Somalia
Haiti	Sudan
Cambodia	Timor-Leste
Kiribati	Tanzania (United Republic of)
Comoros	Togo
Democratic Republic of Congo	Tuvalu
Lao People's Democratic Republic	Uganda
Lesotho	Vanuatu
Liberia	Yemen
Madagascar	Zambia

\* The preferences in all chapters granted under GSP are suspended for a temporary period for Myanmar. The customs duty rates indicated in the column of MFN is applied for this country.

**Annex I.3 - List of products covered under the GSP scheme of Turkey, by sectors (Annex 4 of the Import Regime Degree)**

**List of products covered under the GSP scheme of Turkey, by sectors (Annex 4 of the Import Regime Degree)**

<b>Sector Number</b>	<b>Description</b>	<b>Product Coverage</b>
<b>1</b>	Other products of animal origin	0509.00.90.00.11,12
<b>2</b>	Lac, gums and resins	1302.12.00.10.11,12; 1302.12.00.90.11,12; 1302.13; 1302.20.10.90; 1302.20.90.90
<b>3</b>	Waxes of animal and vegetable origin	1505.00.10; 1516.20.10; 1517.90.93; 1518.00.10; 1518.00.91; 1518.00.95.10,90; 1518.00.99; 1521.90.99.00.11,19; 1522.00.10
<b>4</b>	Edible preparations and beverages; products of tobacco	1702.90.10; 1704.90.10; 18.03; 18.04; 18.05; 1806.10.15; 1901.90.91; 2001.90.60; 2008.11.10; 2008.91; 2101.11.11.10,90; 2101.11.19.10,90; 2101.12.92.10,90; 2101.20.20.00.11,19; 2101.20.92; 2101.30.11,91; 2102.10.10,90; 2102.20.11.10,90; 2102.20.19.1
<b>5</b>	Mineral products	Chapters 25-27 (Including chapters 25 and 27)
<b>6</b>	Products of chemical or allied industries	Chapters 28-38 (Including chapters 28 and 38)
<b>7</b>	Plastics and rubber	Chapters 39 and 40
<b>8</b>	Leather, raw hides, and skins	Chapters 41-43 (Including Chapters 41 and 43)
<b>9</b>	Wood	Chapters 41-46 (Including Chapters 44 and 46)
<b>10</b>	Paper	Chapters 47-49 (Including Chapters 47 and 49)
<b>11 (a)</b>	Textile	Chapters 50-60 (Including Chapters 50 and 60)
<b>11 (b)</b>	Clothing	Chapters 61-63 (Including Chapters 61 and 63)
<b>12</b>	Footwear	Chapters 64-67 (Including Chapters 64 and 67)
<b>13</b>	Glass and ceramic	Chapters 68-70 (Including Chapters 68 and 70)
<b>14</b>	Jewellery and precious metals	Chapter 71
<b>15</b>	Base metals and articles of base metals other than ECSC products	Chapters 72-83 (Including Chapters 72 and 83 ) other than ECSC products
<b>16</b>	Electro-mechanics	Chapters 84 and 85
<b>17</b>	Transport equipment	Chapters 86-89 (Including Chapters 86 and 89)
<b>18</b>	Optical and clocks	Chapters 90-92 (Including Chapters 90 and 92)
<b>20</b>	Miscellaneous	Chapters 94-96 (Including Chapters 94 and 96)
<b>21</b>	Works of art collectors' pieces and antiques	Chapters 97-99 (Including Chapters 97 and 99)

### **Annex I.4 – The organization of the Turkish Ministry of Environment and Forestry**

The organization of the Turkish Ministry of Environment and Forestry consists of the central and rural organizations along with the affiliated institutions.

#### **Central Organization**

The central organization of the Turkish Ministry of Environment and Forestry is made up of main service units, advisory and auditing units and auxiliary services units.

The central organization of the Ministry is shown in the table given below.

#### **Minister**

The Minister is the highest ranking officer of the Ministry and he/she is charged with conducting the services provided by the Ministry in accordance with the legislation, general politics of the government, national security strategy, development plans and annual programs and also establishing cooperation and coordination with the other ministries on the subjects that are within the scope of activities of the Ministry, and the Minister is responsible to the Prime Minister.

The Minister is separately responsible of the activities and operations of the people under his authority. The Minister is charged and authorized with inspecting the activities, operations, and accounts of the central and rural organization of the Ministry as well as the affiliated institutions.

#### **Undersecretary**

Undersecretary is under the authority of the Minister and he/she is also the Minister's assistant. The Undersecretary arranges and executes the operations of the Ministry on behalf of the Minister and in line with his/her directives and orders and in accordance with the objective and policies, development and annual plans as well as the legislation. With this purpose, he can give the necessary orders to the institutions of the Ministry except the Ministry Inspection Committee and he observes their implementation and makes sure that these are implemented.

The Undersecretary is responsible against the Minister in the execution of the aforesaid services.

#### **Assistant Undersecretary**

Four separate assistant Undersecretaries can be appointed to the Ministry to help with the Undersecretary.

#### **Main Service Units**

The main service units of the Turkish Ministry of Environment and Forestry are as follows;

- a) Environmental Management General Directorate
  - Air Management Department
  - Waste Management Department
  - Water and Soil Management Department
  - Chemicals Management Department
  - Sea and Coastal Management Department
  - Measurement and Control Department

- Finance and Planning Department
- Administrative and Financial Affairs Department
- b) Environmental Impact Assessment and Planning General Directorate
  - Industrial Investment EIA Department
  - Planning and SEI Department
  - Infrastructure Investment EIA Department
  - EIA and Plan Monitoring Control Department
  - Environment Inventory Department
  - Administrative and Financial Affairs Department
- c) Forestation and Erosion Control General Directorate
  - Planning Department
  - Forestation Department
  - Erosion Control and Pasture Improvement Department
  - Special Forestation and Projects Department
  - Plantation and Seed Affairs Department
  - Administrative and Financial Affairs Department
- d) Forest-Village Relations General Directorate
  - Planning Department
  - Individual Loans Department
  - Cooperatives Department
  - Marketing and Settlement Department
  - Administrative and Financial Affairs Department
- e) Nature Protection and National Parks General Directorate
  - Hunting and Wildlife Department
  - National Parks Department
  - Nature Protection Department
  - Promenade Areas Department
- f) Research and Development Department
  - Forestry Research and Development Division
  - Environment Research and Development Division
  - Soil, Water, Air Study and Analysis Division
  - Coordination and Evaluation Division
  - Administrative and Financial Affairs Division
- g) Foreign Relations and European Union General Directorate
  - Protocol and Coordination Division
  - Regional and Bilateral Relations Division
  - Externally Financed Projects Division
  - Relations with International Institutions Division
  - Relations With European Union Division
  - Administrative and Financial Affairs Division
- h) Training and Publications General Directorate
  - Publicity, Collecting Information and Evaluation Division
  - Edition, Publication and Documentation Division
  - Public, Non-governmental Organizations and Public Relations Division
  - Formal and Mass Education Division
  - Administrative and Financial Affairs Division

### **Advisory and Inspection Units**

The Advisory and Inspection Units of the Turkish Ministry of Environment and Forestry are as follows;

- a) Presidency of Inspection Committee
- b) Presidency of Research, Planning and Coordination Committee
- c) Legal Counseling Department
- d) Ministry Advisors
- e) Press and Public Relations Advisors

### **Presidency of Inspection Committee**

The Presidency of the Inspection Committee, under the instructions and with the approval of the Minister, carries out the following duties;

- a) To carry out functions of inspection, examination and investigation with respect to all the activities and operations of the Ministry Organization and the institutions that are affiliated with the Ministry.
- b) To prepare and submit to the Minister the necessary proposal to ensure that the Ministry better realizes its objectives and conforms to the legislation, plan and programs in the work it conducts.
- c) To conduct the duties assigned by the special laws as well as the similar duties which may be assigned by the Minister.

The following are arranged by regulations; the hiring of assistant inspectors, their training and appointment as inspectors along with the duties, authorities and responsibilities of the inspectors and the principles and procedures pertaining to the working of the Inspection Committee.

### **Presidency of Strategy Development**

The duties of Presidency of Strategy Development are as follows;

- a) For the Ministry, within the framework of Government Program, Development Plans, annual programs, Cabinet Decisions and national security strategy, to coordinate the determination of the work principles for performing the responsibilities, which are assigned to the Ministry and to help in preparation of the Ministry's main service policies and plans in line with these principles.
- b) To ensure the determination of services and measures, along with the fundamental policies pertaining to these and to send these to the Undersecretariat of State Planning Organization after receiving the approval of the Minister.
- c) To prepare, and follow up the implementation of the budget of the Ministry in line with the principles of the plan and the program.
- d) To prepare the annual work programs of the Ministry and to monitor their implementation.
- e) To help determine the opinions of the Ministry with respect to the drafts of Laws, statutes and regulations.
- f) For the purposes of supporting the local administrations, to establish the cooperation and coordination pertaining to projects of environmental protection and improvements which will be prepared and implemented by the institutions and establishments.
- g) To carry out the processes and procedures related with some expenses pertaining to the prevention and cleaning of environmental pollution, and credits to be extended with regards to this subject, as well as services performed for forestation and erosion control, national park protection

and development services and services provided for the development of the villages in the forested areas.

h) To carry out research and analysis on the subjects that will be assigned by the Ministry and to perform similar services.

### **Legal Counseling Department**

The duties of Legal Counseling Department are as follows;

a) To give opinion with respect to the legal issues which are asked about by the other departments of the Ministry as well as the transactions that may give rise to legal, financial and penal outcomes.

b) To take the necessary legal measures in a timely manner so that the interests of the Ministry are protected and the conflicts are avoided.

c) To prepare the necessary information pertaining to the legal and administrative actions as per the provisions of 8 January 1943 dated and 4353 numbered Law, and to represent the Ministry in the administrative cases that do not interest the Treasury.

d) To prepare the legal proposals, which makes it possible for the Ministry to achieve its objectives and work in compliance with the legislation, plan and program, and to submit these to the Minister.

e) To examine the law, statute and regulation drafts which are prepared by the institutions of the Ministry or sent by the ministries, under a legal perspective and to submit opinion with respect to these.

### **Ministry Advisors**

Thirty Ministry Advisors can be assigned to aid the Minister on the subjects that carry priority and special importance at the Ministry.

The Ministry Advisors report to the Minister.

### **Press and Public Relations Advisors**

For planning the activities of the Ministry related with the Press and Public Relations a Press and Public Relations Consulting section will be established and this section makes sure that the said activities of the Ministry are conducted in accordance with the principles and procedures to be determined.

### **Auxiliary Service Units**

The Auxiliary Service units of the Central Organization of the Turkish Ministry of Environment and Forestry are as follows;

- a) Personnel Department
- b) Administrative and Financial Affairs Department
- c) Information Processing Department
- d) Defense Secretary
- e) Principal Clerk's Office

### **Continuous Committees**

The continuous Committees of the Turkish Ministry of Environment and Forestry are as follows;

- a) Higher Environment Committee
- b) Local Environment Committee
- c) Environment and Forestry Supreme Council
- d) Central Hunting Commission

The establishment, duties and working principles and procedures of these committees are arranged by the regulations.

### **Rural Organization**

In accordance with the provisions of 27 September 1984 dated and 3046 numbered Law, 10 June 1949 dated and 5442 numbered Provincial Management Law and 13 December 1983 dated and 190 numbered Decree Law on General Payroll and Procedures, the Ministry is authorized to establish rural organizations in the provinces that are deemed to be necessary.

### **Affiliated Institutions**

The institutions that report to the Turkish Ministry of Environment and Forestry are as follows;

- a) Forestry General Directorate
- b) State Meteorology Works General Directorate
- c) Private Environmental Protection Association
- d) State Hydraulic Works General Directorate

### **Coordination and Cooperation**

The Ministry, in accordance with the legislation, is responsible for and authorized to determine the principles that other ministries and public institutions and establishments will comply to on the subjects that are related with its duties and to take the measures necessary to prevent waste and establish coordination.

The Ministry is responsible for establishing the necessary cooperation and coordination with respect to its activities on the subjects that are within the scope of other ministries and to do this in line with the principles that are set out by the Prime Ministry and after consulting the related ministry.

The Ministry establishes the coordination with the local leaders on the subject that are within its service area

MINISTRY OF ENVIRONMENT AND FORESTRY CENTRAL ORGANIZATION				
<u>Undersecretariat</u>	<u>Assistant</u>	<u>Main Service Units</u>	<u>Advisory and Inspection Units</u>	<u>Auxiliary Service Units</u>
	<u>Undersecretariat</u>			
Undersecretariat	Undersecretariat Ass.	General Directorate of Environmental Management	Presidency of Inspection Committee	General Directorate of Personnel
	Undersecretariat Ass.	General Directorate of Environmental Impact Assessment and Planning	Presidency of Strategy Development	General Directorate of Administrative and Financial Affairs
	Undersecretariat Ass.	General Directorate of Forestation and Erosion Control	Legal Counseling	General Directorate of Information Processing
	Undersecretariat Ass.	General Directorate of Forest-Village Relations	Ministry Advisors	Defense Secretary
		General Directorate of Nature Protection and National Parks	Press and Public Relations Advisor	Principal Clerk
		General Directorate of Research and Development		
		General Directorate of Foreign Relations and European Union		
		General Directorate of Training and Press		

**Annex I.5 – Turkey’s Exports of Poultry Meat (0207) 2004 – 2007**

		2004	
EXPORT DESTINATION		KG	\$
1	CHINA	12.292.000	5.703.350
2	MACEDONIA	2.408.928	3.730.756
3	AZERBAIJAN	3.186.160	2.746.322
4	HONG-KONG	6.171.914	2.565.565
5	IRAQ	1.460.540	1.746.387
6	TURKISH REPUBLIC OF NORTHERN CYPRUS	460.705	872.153
7	TURKMENISTAN	602.163	338.183
8	UKRAINE	538.000	274.774
9	SAUDI ARABIA	110.516	261.287
10	BULGARIA	700.537	244.854

		2005	
EXPORT DESTINATION		KG	\$
1	CHINA	11.947.405	6.829.289
2	AZERBAIJAN	6.991.388	6.140.264
3	IRAQ	4.179.921	4.996.622
4	MACEDONIA	3.372.295	4.613.643
5	HONG-KONG	4.956.194	2.323.452
6	UZBEKISTAN	4.027.778	1.913.976
7	SINGAPUR	2.016.000	876.528
8	BOSNIA HERZEGOVINA	1.379.985	807.736
9	TURKISH REPUBLIC OF NORTHERN CYPRUS	636.179	775.627
10	UKRAINE	1.355.000	588.183

		2006		2007 (Jan.-June)			
EXPORT DESTINATION		KG	\$	EXPORT DESTINATION	KG	\$	
1	AZERBAIJAN	9.402.373	9.379.534	1	VIETNAM	10.967.922	7.825.459
2	VIETNAM	16.612.452	8.756.444	2	AZERBAIJAN	3.874.987	4.569.967
3	IRAQ	2.159.001	3.472.231	3	TAJIKISTAN	2.400.973	1.164.955
4	BOSNIA HERZEGOVINA	2.060.501	1.314.993	4	HONG-KONG	1.697.979	1.065.301
5	CHINA	2.172.000	1.022.644	5	CHINA	2.781.000	905.445
6	TAJIKISTAN	2.034.514	973.437	6	IRAQ	331.709	538.977
7	SINGAPUR	2.072.000	904.029	7	BOSNIA HERZEGOVINA	676.288	475.218
8	HONG-KONG	978.005	429.459	8	TAILAND	83.000	91.934
9	TURKISH REPUBLIC OF NORTHERN CYPRUS	72.474	194.898	9	TURKISH REPUBLIC OF NORTHERN CYPRUS	21.066	82.897
10	INDIA	100.000	50.000	10	RUSSIA	26.000	36.400

The main export destinations of Turkey for poultry meat are Azerbaijan, Vietnam, China, Iraq, Macedonia, Hong Kong, Bosnia Herzegovina, Tajikistan, Uzbekistan, Turkish Republic of Northern Cyprus, and Singapore.

#### **Annex I.6 – Turkey’s Imports of Dairy Products 2004 – 2007**

HS CODE	DESCRIPTION	2004		2005		2006		2007 (Jan.-June)	
		KG	\$	KG	\$	KG	\$	KG	\$
0401	Milk and cream, not concentrated nor containing added sugar or other sweetening matter	202.193	197.472	184.110	265.589	25.839	39.746	450	1.097
0402	Milk and cream, concentrated or containing added sugar or other sweetening matter	11.881.684	25.228.819	9.714.759	23.049.305	16.826.633	38.724.214	4.168.271	13.020.199
0403	Butter milk, curdled milk and cream, yoghurt, kephir and other	338.125	502.368	259.861	435.125	7.944	20.672	3.200	15.196
0404	Whey	535.027	1.631.651	390.635	1.582.869	538.768	1.537.895	163.873	390.927
0405	Butter and other fats and oils derived from milk	4.293.681	10.209.140	6.193.424	14.687.400	6.328.372	12.994.487	3.012.244	6.956.940
0406	Cheese and curd	5.366.238	16.517.365	5.227.860	20.034.168	4.619.592	16.453.784	2.399.927	9.283.880
<b>TOTAL</b>			<b>54.286.815</b>		<b>60.054.456</b>		<b>69.770.798</b>		<b>29.668.239</b>

## **Annex I.7 – Turkish Foreign Direct Investment Law**

### **FOREIGN DIRECT INVESTMENT LAW**

**Law No. 4875**

**Date of Passage: 5 June, 2003**

**Date of Official Gazette: 17 June, 2003**

#### **OBJECTIVE AND SCOPE**

**Article 1.** The objective of this Law is to regulate the principles to encourage foreign direct investments; to protect the rights of foreign investors; to define investment and investor in line with international standards; to establish a notification-based system for foreign direct investments rather than screening and approval; and to increase foreign direct investments through established policies. This Law establishes the treatment to be applied to foreign direct investments.

#### **DEFINITIONS**

**Article 2.** The terms used in this Law shall have the following meanings:

**a) Foreign investor:**

- 1) Real persons who possess foreign nationality and Turkish nationals resident abroad, and
- 2) Foreign legal entities established under the laws of foreign countries and international institutions,

who make foreign direct investment in Turkey.

**b) Foreign direct investment:**

- i) Establishing a new company or branch of a foreign company by foreign investor,
- ii) Share acquisitions of a company established in Turkey (any percentage of shares acquired outside the stock exchange or 10 percent or more of the shares or voting power of a company acquired through the stock exchange)

by means of, but not limited to the following economic assets:

- 1) Assets acquired from abroad by the foreign investor:
  - Capital in cash in the form of convertible currency bought and sold by the Central Bank of the Republic of Turkey,
  - Stocks and bonds of foreign companies (excluding government bonds),
  - Machinery and equipment,
  - Industrial and intellectual property rights;
- 2) Assets acquired from Turkey by foreign investor:
  - Reinvested earnings, revenues, financial claims, or any other investment-related rights of financial value,
  - Commercial rights for the exploration and extraction of natural resources.

**c)The Undersecretariat:** The Undersecretariat of Treasury.

#### **PRINCIPLES CONCERNING FOREIGN DIRECT INVESTMENTS**

### **Article 3.**

#### **a) Freedom to Invest and National Treatment**

Unless stipulated by international agreements and other special laws:

1. Foreign investors are free to make foreign direct investments in Turkey,
2. Foreign investors shall be subject to equal treatment with domestic investors.

#### **b) Expropriation and Nationalization**

Foreign direct investments shall not be expropriated or nationalized, except for public interest and upon compensation in accordance with due process of law.

#### **c) Transfers**

Foreign investors can freely transfer abroad: net profits, dividends, proceeds from the sale or liquidation of all or any part of an investment, compensation payments, amounts arising from license, management and similar agreements, and reimbursements and interest payments arising from foreign loans through banks or special financial institutions.

#### **d) Access to Real Estate**

Companies may freely acquire real estate or limited rights in rem through a legal entity established or participated by foreign investors in Turkey, provided that such acquisitions are permitted for Turkish citizens.

#### **e) Dispute Settlement**

For the settlement of disputes arising from investment agreements subject to private law and investment disputes arising from public service concessions contracts and conditions which are concluded with foreign investors, foreign investors can apply either to the authorized local courts, or to national or international arbitration or other means of dispute settlement, provided that the conditions in the related regulations are fulfilled and the parties agree thereon.

#### **f) Valuation of Non-Cash Capital**

Non-cash capital is valued within the regulations of Turkish Commercial Law. In case that stocks and bonds of companies established abroad are used as foreign capital share of foreign investors, the values determined by the relevant authorities in the home country, or by the experts designated by the courts of the home country, or any other international institutions performing valuations will be accepted.

#### **g) Employment of Expatriates**

Work permits are issued by the Ministry of Labour and Social Security for foreign personnel to be employed in the companies, branches and entities established within the scope of this Law.

In accordance with the Article 23 of the Law on Work Permits for Foreigners No. 4817 dated 27 February 2003, the definition of the key personnel within the scope of the Regulation the

companies and the entities with foreign capital which shall be in the context of the Regulation, and other special procedures and principles concerning the work permits of the key personnel will be determined in a Regulation to be prepared jointly by the Undersecretariat of Treasury and the Ministry of Labour and Social Security,

Provisions stipulated in Article 14, paragraph 1, sub-paragraph (b) of Law No. 4817 will not be applicable to those personnel to be employed within the context of this Regulation. The conditions under which the provisions stipulated in paragraph 1 of Article 13 of Law No. 4817 are to be applied to key foreign personnel employed will be specified in the Regulation.

#### **h) Liaison Offices**

The Undersecretariat is authorized to permit foreign companies established under the laws of foreign countries to open liaison offices, provided that they do not engage in commercial activities in Turkey.

### **DETERMINATION OF POLICIES AND DATA COLLECTION**

**Article 4.** Considering the objectives of the development plans and annual programs, the general economic status of the country, trends in international investments and the opinions of the relevant public institutions and private sector professional organisations, the Undersecretariat is authorised to determine the general framework of policies concerning foreign direct investments, and for this purpose to participate in the activities of other organisations. The consent of the Undersecretariat shall be taken before any amendment or enactment of a regulation related with foreign direct investments.

For the purpose of establishing and developing an information system related to foreign direct investments, the Undersecretariat is authorized to request statistical information concerning the investments from all public establishments and institutions and private sector professional organizations.

Foreign investors shall submit the statistical information on their investments according to the procedures and principles to be determined by a regulation to be enacted by the Undersecretariat. Such information cannot be used as evidence other than for statistical purposes.

### **OTHER PROVISIONS**

#### **Article 5.**

##### **a) Existing Companies with Foreign Capital**

The companies with foreign capital established pursuant to Law No. 6224 dated 18 January 1954 shall be subject to this Law, reserving their granted rights.

##### **b) Regulations**

The implementing principles for this Law will be determined in a regulation to be prepared by the Undersecretariat within one month following the publication of the Law.

### **c) Repealed Provisions**

The Law for Encouragement of Foreign Capital No. 6224 dated 18 January 1954 is repealed.

The references made to Law No. 6224 in the legislation are considered as referring to the related provisions of this Law.

**d)** Any amendments concerning the articles of this Law can only be done by means of amending or appending provisions to this Law.

**PROVISIONAL ARTICLE 1.** The provisions of the decrees, communiqués and circulars in effect, which are in conformity with this Law, shall remain in force until new regulations for the implementation of this Law take effect.

### **EFFECTIVENESS**

**Article 6.** This Law shall come into force on the date of its publication.

### **ENFORCEMENT**

**Article 7.** The provisions of this Law shall be enforced by the Council of Ministers.

### **Annex I.8 – “DECREE-LAW No. 555 on the Protection of Geographical Signs” and the Implementing Regulations under the Decree-Law No. 555 Pertaining to the Protection of Geographical Signs**

## **DECREE-LAW NO. 555 ON THE PROTECTION OF GEOGRAPHICAL SIGNS**

### **PART I GENERAL PROVISIONS**

#### **Section I**

#### **Aim, Scope, Persons Entitled to Protection, Definitions**

##### *Aim and Scope*

**1.** The aim of this Decree-Law is to protect natural, agricultural, mining and industrial products and handicrafts under geographical signs when they conform to the provisions thereof.

##### *Persons Entitled to Protection*

**2.** The protection conferred by this Decree-Law shall be available to natural and legal persons domiciled or having industrial or commercial establishments within the territory of the Turkish Republic, or to persons having application rights deriving from the terms of the Paris or Berne Conventions or the Agreement Establishing the World Trade Organization. Natural or legal persons other than those referred to in the first paragraph of this Article who are nationals of States that accord legal and *de facto* protection to nationals of the Turkish Republic shall enjoy protection in Turkey according to the principle of reciprocity.

### *Definitions*

3. For the purposes of this Decree-Law, "geographical sign" means a sign indicating the origin of a product that possesses a specific quality, reputation or other characteristics attributable to that place, area, region or country of origin. For the purposes of this Decree-Law, geographical signs shall be divided into two groups as appellations of origin and geographical indications. The name of the place, area or region of origin of a product shall be its appellation of origin when all of the following conditions are met:

(a) the product originates in a place, area or region, or in exceptional cases a country, the geographical boundaries of which have been defined;

(b) the quality or characteristics of the product are essentially or exclusively due to the inherent natural and human factors of the place, area or region;

(c) the production, processing and preparation of the product take place within the defined boundaries of the place, area or region.

Traditional geographical or non-geographical names that have become customary in the current language to designate a product originating in a place, area or region which fulfill the conditions referred to in the third paragraph above may also be used as appellations of origin.

The name of the place, area or region of a product's origin shall be its geographical indication when the following conditions are met:

(a) the product originates in a place, area or region the geographical boundaries of which have been defined;

(b) the product possesses a specific quality, reputation or other characteristics attributable to the place, area or region;

(c) at least one of the activities of production, processing or preparation of the product takes place within the defined boundaries of the place, area or region.

Also, for the purposes of this Decree-Law:

(a) "Institute" means the Turkish Patent Institute assigned to implement the provisions of this Law;

(b) "Paris Convention" means the Paris Convention for the Protection of Industrial Property of March 20, 1883;

(c) "Agreement Establishing the World Trade Organization" means the international agreement of April 15, 1994, establishing the World Trade Organization;

(d) "producer" means a producer of agricultural, industrial or handcrafted products, a processor of natural products or a trader of such products.

## **Section II**

### **General Conditions**

#### *Protection by Registration*

4. The protection afforded by this Decree-Law to signs constituting appellations of origin or geographical indications in relation to products shall be obtained by registration.

#### *General Conditions*

5. The following may not be registered as geographical signs:

(a) names and signs that do not conform to the definitions given in Article 3;

(b) names that have become the generic designation of the product; for the purposes of this Decree-Law, the generic name of a product is the name that has become the common name for that product even where it relates to a region or an area associated with the production or marketing origin thereof; use by the public in the area of origin and use by consumers in general shall be taken into consideration in order to determine whether or not a name is generic;

(c) names of plant varieties, animal breeds or similar names that are likely to mislead the public as to the true origin of the product;

(d) signs contrary to public policy or general principles of morality;

(e) names that are not protected or the period of protection of which has expired or names and signs the use of which is not allowed by the countries referred to in Article 2.

#### *Registration Authority*

6. The authorized body for the registration of geographical signs is the Institute. All applications shall be filed with the Institute or with any body that it may authorize for the purpose.

## **Section III**

### **Application Conditions**

#### *Right to Apply*

7. The following natural and legal persons shall be entitled to file applications:

(a) natural or legal persons who are producers of the product;

(b) consumer associations;

(c) public institutions concerned with the product or the geographical region.

#### *Application Procedure*

8. An application for the registration of a geographical sign shall be filed together with the following:

(a) a request for registration including information identifying the applicant and information concerning the applicant association or institution within the meaning of Article 7;

(b) the name of the product and the appellation of origin or geographical indication to be registered;

(c) a description of the product, namely technical information and documents explaining the physical, chemical, microbiological and similar characteristics of the product and if necessary of the raw material;

(d) a definition of the geographical area, with information and documents that clearly identify the geographical boundaries;

(e) product manufacturing techniques including, if relevant, authentic and specific local techniques and conditions;

(f) evidence that the product complies with the provisions of Article 3 in relation to the sign filed for registration;

(g) information on the inspection facilities provided for in Article 20;

(h) information on labeling and marking and the means of using the registered appellation of origin or geographical indication;

(i) proof that the application fee has been paid;

(j) other particulars as specified in the Implementing Regulations.

Subject to international agreements, the Institute shall, in relation to applications concerning geographical signs for products originating in other countries, apply the provisions of Articles 9, 10, 11, 12 and 13 to determine whether the registration requirements in the country of origin conform to the provisions of this Article, whether inspection is available as provided in Article 20 and whether the country of origin affords reciprocal protection in response to applications for the registration of geographical signs from Turkey. Where a geographical sign registered in another country is the same as a geographical sign protected in Turkey, registration shall be granted after the regional and traditional use of the name and the possibility of confusion have been evaluated. The use of such a sign shall be allowed only on condition that the name of the country of origin is clearly and visibly stated on the label.

#### **Section IV** **Examination, Registration, Publication and Fees** *Examination*

9. The application shall be examined by the Institute for compliance with Articles 3, 5, 7 and 8. The Institute may, if it sees fit, request additional information and documents and ask for deficiencies to be remedied within the period prescribed in the Implementing Regulations.

The Institute may require examination of the application by one or more public institutions or universities or independent private bodies to verify the technical information. The examination fees to be paid to such institutions and the fees for the services of the Institute shall be borne by the applicant and be payable to the Institute.

Applications that comply with the provisions of Articles 3, 5, 7 and 8 shall be published in the Official Gazette, in the two national newspapers with the widest circulation and in one local newspaper.

Publication shall include the identity of the applicant, the name of the product, information on the appellation of origin or geographical indication, conditions governing the use of the registered name and other particulars laid down in the Implementing Regulations.

On being published, an application shall be entered in the register of geographical signs. The entry shall be provisional and shall become final on fulfillment of the provisions of Article 12.

#### *Deficiencies*

**10.** Where the Institute finds deficiencies in relation to Articles 3, 5, 7 and 8, the applicant shall be requested to remedy those deficiencies within the period specified in the Implementing Regulations.

If the deficiencies referred to in the first paragraph of this Article are not remedied as provided in this Decree and within the period specified in the Implementing Regulations, the application shall be refused.

#### *Objections and Examination*

**11.** Within six months of the publication of the application, any person having a legitimate interest may object to the registration by filing an objection with the Institute regarding the application's conformity with Articles 3, 5, 7 or 8.

On receiving the objection, the Institute shall have it examined by one or more of the public institutions or universities or independent private institutions that have expertise in the subject matter concerned. The examination fees charged by those institutions and the fees for the services of the Institute shall be borne by the applicant and be payable to the Institute. Objections filed by public institutions shall not be subject to fees.

#### *Registration and Publication*

**12.** If no objection is filed within six months of its publication in the Official Gazette, the geographical sign or name shall become effective as of the publication date and entered in the Register of Geographical Signs.

Applications that have undergone changes of form and content during the examination process shall be republished according to the procedure laid down in Article 9. The publication shall clearly explain the changes, and the application with its revised form and content shall become effective as of the new publication date and be entered in the Register of Geographical Signs.

Where an objection is found to be valid, the application shall be refused and the decision published in the Official Gazette and entered in the Register of Geographical Signs.

#### *Fees, Payment Periods and Effects*

**13.** Filing, registration and publication fees and any other fees specified in the Implementing Regulations shall be payable by the applicant or his agent.

The payment dates of the fees specified in the Implementing Regulations shall be notified to the applicant or his agent by the Institute.

An application shall be considered withdrawn where any of the fees have not been paid within the prescribed period.

**Section V**  
**Persons Having the Right to Practice, Agents**  
*Persons Having the Right to Practice Before the Institute*

**14.** The following persons shall have the right to practice before the Institute in relation to geographical signs:

(a) natural or legal persons who are applicants;

(b) authorized trademark agents who are registered in the Trademark Agents Register in accordance with Decree-Law No. 544.

Legal persons shall be represented by natural persons duly empowered by their respective authorized bodies.

Persons domiciled outside the country may only be represented by trademark agents.

Where an agent has been appointed, all procedures shall be conducted through the agent. All notices served on the agent shall be considered served on the principal.

PART II  
SCOPE OF PROTECTION AND USE

**Section I**  
**Scope of Protection**  
*Scope of Protection*

**15.** Persons entitled to file an application for a geographical sign and those entitled to use a protected geographical sign shall have the right to prevent third parties from engaging in the following:

(a) direct or indirect commercial use of a registered name in connection with goods that are similar or comparable to the registered goods, or any use of the name that would exploit its reputation;

(b) any use as a word of a name denoting a real geographical place in a manner that conveys a false impression of origin, or use of the name in translation or accompanied by expressions such as "style," "type," "method," "as produced in" or other similar qualifying terms;

(c) any use of false or misleading information as to the origin, nature or essential qualities of the product on its packaging, or in advertising material or documents relating to the product;

(d) any packaging of the product in a container that is liable to convey a false impression as to its origin, or any other practice liable to mislead the public.

*Use Beyond the Scope of Protection*

16. Where a registered name contains the generic name of the product, the use of that generic name shall not fall within the scope of Article 15. A registered geographical sign may not be the generic name of the product.

**Section II**  
**Use of Geographical Names and Inspection**  
*Use of the Registered Name*

17. A registered geographical name shall be used only on goods that comply with the conditions laid down in this Decree-Law.

A registered appellation of origin shall be used commercially by the producers active in the registered geographical area in connection with goods specified in the Register, subject to compliance with the quality and other requirements likewise specified in the Register. The use of a registered geographical indication shall be conditional on at least one of the activities of production, processing or preparation of the product being performed within the boundaries of the place, area or region specified in the Register and on the product complying with the quality and other requirements likewise specified in the Register.

*Relation to Trademarks*

18. Where a geographical sign has been filed for registration in accordance with this Decree-Law, the application for the registration of a trademark that is covered by the provisions of Article 15 or is to be used in connection with the same product shall be refused.

A claim under Article 15 of this Decree-Law may be asserted against an application for the registration of a trademark within five years of the general recognition in Turkey of the violation of the registered geographical sign. A claim may also be asserted against a registered trademark within five years of the date of registration, provided that the date of general recognition of the violation of the geographical sign is earlier than the publication date of the trademark.

Claims under the second paragraph of this Article may be asserted only for a valid geographical sign registered in good faith.

Trademarks registered in breach of the first paragraph of this Article shall be declared invalid.

The validity of a registered trademark shall be upheld and its use in good faith may continue where the application for registration of the trademark was filed in good faith and registered, or where the right of use was acquired before the registered geographical sign had been granted protection in its country of origin or before this Decree-Law came into force.

A previously registered trademark with features that are liable to mislead the public as to the actual characteristics of the product shall not be registered as an appellation of origin or as a geographical indication.

*Use in Good Faith*

19. The provisions of Article 15 shall not extend to geographical signs that have been used in good faith for a continuous period of at least 10 years prior to April 15, 1994, that is, the date of the signature of the Agreement Establishing the World Trade Organization.

*Inspection*

20. Any association, regardless of its legal form, of producers or processors of a product that has registered the related geographical sign in accordance with this Decree-Law shall possess sufficient qualified staff, equipment and resources with which to inspect the production, marketing and medium of use of registered appellations of origin or geographical indications, and the labeling details of the product bearing the protected geographical sign. The cooperation of competent experts and independent bodies may be sought.

The scope and form of the inspection procedures shall be governed by the Implementing Regulations.

PART III  
INVALIDITY OF GEOGRAPHICAL SIGNS AND  
TERMINATION OF THE PROTECTION PERIOD

**Section I**

**Invalidity of Geographical Signs**

21. A registered sign shall be declared invalid by the court in the following cases:

(a) where it is proved that the conditions for protection specified in Articles 3, 5 and 8 of this Decree-Law have not been fulfilled;

(b) where it is proved that the right provided for in Article 7 of this Decree-Law actually belongs to another person or persons;

(c) where it is proved that the inspection provided for in Article 20 of this Decree-Law has not been properly conducted.

Claims relating to entitlement under Article 7 may only be asserted by those who have rights under Article 7.

*Request for Invalidation*

22. Any person may request the invalidation of a geographical sign.

*Effects of Invalidity*

23. Where a geographical sign has been declared invalid, the declaration of invalidity shall have retroactive effect. The legal protection afforded to a registered geographical sign

by this Decree-Law shall therefore be deemed never to have existed from the outset when the sign is declared invalid.

The retroactive effect of invalidity shall not extend to the following:

(a) any final judgment for infringement of the rights in a geographical sign that has been reached and enforced prior to the declaration of invalidity;

(b) contracts concluded and executed prior to the declaration of invalidity;

(c) however, partial or total repayment of sums paid under the contract may be claimed, on grounds of equity, to an extent justifiable by the circumstances.

A final declaration of invalidity shall be effective against all persons. The court decision received by the Institute shall be entered in the Register and published within the period prescribed by the Implementing Regulations.

PART IV  
INFRINGEMENT OF GEOGRAPHICAL SIGNS  
AND PROCEEDINGS FOR INFRINGEMENT  
**Section I**  
**Infringement of Rights Arising from a Registered Geographical Sign**  
*Acts of Infringement*

**24.** The following uses of a geographical sign by third parties not entitled to engage in such uses shall be regarded as infringement:

(a) any use that would exploit the reputation of the registered name or any direct or indirect commercial use of the registered name for products that are similar or comparable to the products registered;

(b) any use of the name in a form which, by indicating a real geographical place as a word, conveys a false impression of the origin of the product, or use of the name either in translation or accompanied by expressions such as "style," "type," "method," "as produced in" or the like;

(c) any use of false or misleading information as to the origin, nature or essential qualities of the product on the packaging thereof or in advertising material or documents relating thereto;

(d) any form of packaging or representation of the product that is liable to convey a false impression as to its origin, or any other practice liable to mislead the public;

(e) participation or assistance in or any form of encouragement or furtherance of the acts referred to in subparagraphs (a), (b), (c) and (d), above;

(f) failure to explain where and how an illegally produced and marketed product has been obtained when found to be in possession thereof.

Where the application for a geographical sign has been published under Article 9 of this Decree-Law, the holder of the application rights may institute civil and criminal proceedings against infringing parties.

**24A.-(a)** Persons who make false statements as to the true identity of the holder of geographical sign rights, or who remove without authority the notice of geographical sign rights

properly placed on a product or on its packaging, or who falsely present themselves as owners of the rights in a geographical sign application or geographical sign shall be sentenced to imprisonment for a term of between one and two years and to a fine of between 300 million and 600 million liras\*.

(b) Persons who affix signs on a product produced or placed on sale by themselves or by others, or on the packaging thereof or in commercial documents or advertising material in such a way as to convey the impression that a relationship exists with legally protected geographical sign rights, or who use to the same end written matter, signs or expressions in advertisements and commercials in the published and visual media without being the rightful owner of the geographical sign rights, or for such acts performed after the expiry of the term of protection or after the invalidation or termination of the geographical sign rights shall be sentenced to imprisonment for a term of between two and three years and to a fine of between 600 million and one billion liras.

(c) Persons who have committed any of the offenses specified in Article 24 shall be sentenced to imprisonment for a term of between two and four years and to a fine of between 600 million and one billion liras, in addition to which the judgment shall order the closure of the premises of their undertaking for a period of not less than one year, during which time they shall also be prevented from practicing any commercial activity.

Where the offenses specified above are committed by persons working in the undertaking, either on their own initiative or on instructions given them in the course of their duties, the staff and the owner or manager or their representative or the person holding whatever title who is *de facto* managing the undertaking who have not prevented the offense shall be punished in the same manner. Where the offenses specified in Article 24 have been committed in the performance of tasks on behalf of a legal entity, the legal entity shall also be liable for the fines, expenses and damages in place of the actual persons who have committed the offense. For those assisting in the acts, depending on the nature of the action, the provisions of Articles 64, 65, 66 and 67 of the Turkish Penal Code shall apply. Prosecution for the offenses specified above shall take place on a complaint.

Subparagraph 8 of paragraph 1 of Article 344 of Criminal Procedure Code No. 1412 shall not apply to the implementation of the provisions of this Article. The right of complaint shall belong to the person whose geographical sign rights have been infringed, and also to the Institute for all offenses except those provided for in Article 24; it shall belong to consumer associations and to establishments governed by Law No. 5590 or 507 for false statements as to the true identity of the holder of the geographical sign rights, and for the affixing of signs on a product produced and placed on sale by oneself or by others, or on the packaging thereof or in commercial documents or advertising material in such a way as to convey the impression that a relationship exists with legally protected geographical sign rights, or for the use to the same end of written matter, signs or expressions in advertisements and commercials in the published and visual media without being the rightful owner of the geographical sign rights, or for such acts performed after the expiry of the term of protection or after invalidation or termination of the geographical sign rights.

Proceedings against such offending acts should be initiated within two years of the date on which the offending act and the offender became known. Complaints concerning acts falling within the scope of this provision shall be treated as urgent matters. The provisions of Article 36 of the Turkish Penal Code and the relevant Articles of the Criminal Procedure Code shall apply to the

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\* With the Economic Stabilization Programme introduced by the government Turkey removed six zeros from its currency. Hence, since the year 2005, 1.000.000 liras (TL) is equal to 1 New Turkish Lira (NTL).

seizure, confiscation or destruction of the goods, and of the equipment and machinery used to produce the goods, in relation to which offenses have been committed through infringement of the rights arising from a geographical sign application or a protected geographical sign in accordance with this Decree-Law.

## **Section II Civil Proceedings**

### *Action by the Holder of Rights and the Competent Court*

25. The holder of the rights in a geographical sign whose rights have been infringed may in particular apply to the court for the following:

- (a) recognition of the existence of an infringement;
- (b) prohibition and prevention of the acts infringing the rights in a geographical sign;
- (c) remedies for infringement and compensation for damages incurred;
- (d) confiscation of the goods produced or marketed and of the equipment used directly to produce such goods;
- (e) enforcement measures to prevent the continued infringement of geographical sign rights, in particular the destruction of the goods and equipment if essential for the prevention of the acts of infringement or the alteration of the goods and equipment confiscated under subparagraph (d), above;
- (f) disclosure of the court judgment to the public and to those concerned, the cost thereof to be met by the offending party.

With regard to the measures, the court shall rule on precautionary measures in accordance with the relevant provisions of the Civil Procedure Code.

The competent court for the institution of civil proceedings against third parties by the holder of the rights in a geographical sign shall be the court of the domicile of the plaintiff, the place in which the act was committed or the place in which the act had effect.

Where the plaintiff is not a citizen of the Republic of Turkey, the competent court shall be that of the domicile of the authorized agent entered in the Register or, if the agent's registration has been cancelled, that of the domicile of the Institute.

The competent court for the institution of proceedings by third parties against the holder of the rights in a geographical sign shall be the court of the domicile of the defendant. If the applicant for or holder of the rights in a geographical sign is not domiciled in Turkey, the provisions of the third paragraph above shall prevail.

Where there are several competent courts, the court at which the proceedings are instituted first shall be the competent court.

*Compensation*

26. Infringers who have committed acts provided for in Article 25 shall be liable for the damages incurred by the holder of the rights in a geographical sign.

*Documents Evidencing Infringement*

27. The holder of the rights in a geographical sign may request from the infringing party the documents relating to the use of the geographical sign for the assessment of the injuries suffered as a result of the exploitation of the sign without his consent.

*Compensation Not to Be Requested*

28. The holder of the rights in a geographical sign may not institute proceedings under this Section of this Decree-Law against persons who have used goods placed on the market by a person who has paid compensation to the holder of the rights in a geographical sign. This provision shall not apply if there is evidence of bad faith.

*Time Limit*

29. The provisions of the Code of Contractual Obligations on time limits shall apply to the time limits for action against infringements of the rights in geographical signs.

**Section III**  
**Special Courts**  
*Competent Courts*

30. Special courts to be established by the Ministry of Justice shall have jurisdiction over all actions and claims provided for in this Decree-Law.

The High Council of Judges and Prosecutors shall determine which of the commercial courts of first instance and criminal courts of first instance are to be appointed as special courts, and shall specify the jurisdiction of each one on a request from the Ministry of Justice.

The special courts referred to in the first paragraph above shall have jurisdiction over actions brought against decisions of the Institute under this Decree-Law and over actions brought against the Institute by third parties who have suffered from its decisions.

*Publication of the Court's Decision*

31. Where a court judgment has become final, the successful party may request the publication in full or in summary form of the final judgment in a daily paper, local paper or other medium, the cost thereof to be met by the other party.

The nature and extent of the publication shall be specified in the judgment. The right of publication shall be void if not exercised within three months of the judgment becoming final.

**Section IV**  
**Special Provisions**  
*Claims of Non-Infringement*

**32.** Any interested party may institute proceedings against the holder of the rights in a geographical sign to obtain a non-infringement ruling.

*Action to Secure Evidence*

**33.** Any person legally entitled to assert rights arising from a geographical sign may request the court to determine and secure evidence of acts of infringement.

*Request for Precautionary Measures*

**34.** Any person legally entitled to bring action under this Decree-Law may request the court to order precautionary measures.

The request for precautionary measures may be filed before or on the institution of proceedings or later. The request for precautionary measures shall be examined separately.

*Nature of the Precautionary Measures*

**35.** The precautionary measures shall be of such a nature as to permit the securing of the judgment and shall in particular provide for the following:

(a) cessation of acts of infringement of the rights of the plaintiff arising from a geographical sign;

(b) seizure within the borders of Turkey, including at the customs or in free ports or free trade areas, and the holding in custody, of produced or imported goods that have infringed the rights in a geographical sign;

(c) provision of security for such damage as may have to be compensated.

*Civil Procedure Code*

**36.** The provisions of the Civil Procedure Code shall apply to other securing actions and precautionary measures.

*Seizure at Customs*

**37.** The customs authorities shall as a precautionary measure withhold infringing goods as fraudulent copies on either importation or exportation.

Withholding procedures shall be laid down by legislation enacted for the purpose.

The withholding measure applied by the customs authorities shall cease to have effect if proceedings are not instituted before the special court or if a preventive injunction is not obtained from the court within 10 days of the said measure.

TRANSITIONAL PROVISION  
*Jurisdiction Pending Appointment of the Special Courts*

**Transitional Provision 1.** For the purposes of this Decree-Law, until the special courts are established, at the request of the Ministry of Justice, the High Council of Judges and Prosecutors shall select, from among the commercial courts of first instance and the criminal courts of first instance, those to be appointed as special courts, and shall specify the jurisdiction of each.

*Entry Into Force*

**38.** This Decree-Law shall enter into force on the day of its publication.

*Execution*

**39.** This Decree-Law shall be executed by the Council of Ministers.

**THE IMPLEMENTING REGULATIONS UNDER THE DECREE-LAW NO. 555  
PERTAINING TO THE PROTECTION OF GEOGRAPHICAL SIGNS**

PART ONE  
GENERAL PROVISIONS

**Section One**

**Object, Scope, Foundation and Definitions**

*Object*

**1.** The object of this Regulation is to specify the procedures and the rules to be followed concerning the preparation of the application documents for registering a geographical sign, and other matters related with geographical signs as provisioned in The Decree-Law No. 555 Pertaining to the Protection of Geographical Signs.

This Regulation encompasses the principles, the rules and the conditions for the protection of geographical signs by the registration of the appropriate geographical signs.

*Legal Foundation*

**2.** This regulation has been prepared based on the provisions of The Decree-Law No. 556 Pertaining to the Protection of Geographical Signs.

*Definitions*

**3.** For the purposes of this Regulation following shall mean:

Geographical Sign:

Signs indicating the origin of a product which possesses a specific quality, reputation or other characteristics attributable to that place, area, region or country of origin.

Designation of origin:

The name of a place, an area or a region of a product originating from that particular place, area, region or in exceptional cases a country, of which the geographical boundaries have been defined, and that the quality or characteristics of the product are essentially or exclusively due to the inherent natural and human factors of this place, area or region, and that the production, processing and

preparation activities of all of which take place within the defined boundaries of this place, area or region.

Geographical indication: The name of a place, an area or a region of a product originating from that particular place, area or region of which the geographical boundaries have been defined, and that the product possesses a specific quality, reputation or other characteristics attributable to this place, area or region, and that at least one of the activities of production, processing or preparation of which take place within the defined boundaries of this place, area or region.

Institute: Turkish Patent Institute

Circular: Circular on the schedule of fees to be administered by the Turkish Patent Institute in accordance with Articles 6/f and 25 of the Decree-Law No. 544.

## **Section Two**

### **Application, Examination, Publication**

#### *Application*

4. Natural or legal persons who are producers of the product, consumers associations, public institutions related with the product or the geographical region may apply for the registration of a geographical sign.

#### *Conditions of Application*

5. When applying for the registration of a geographical sign, a petition, conforming to the sample form attached to this Regulation as Annex-1, shall be prepared on an A4 size plain white paper using a typewriter or a computer printer, and all of the questions shall be answered.

The application petition must include information identifying the applicant, and information concerning the applicant's group as specified in Article 4 of this Regulation.

Following documents must be filed with the application:

a) 15 copies of the (8x8) representation of the designation of origin or the geographical indication to be registered,

b) the name of the product with respect to the designation of origin or the geographical indication to be registered,

c) the original receipt for the payment of the application fee,

d) the description of the product, technical information and documents explaining the physical, chemical, micro biological and similar characteristics of the product and if necessary of the raw material,

e) production techniques of the product and if relevant the authentic and specific local techniques and conditions,

f) information and documents evidencing that the product conform to the respective definition of the geographical sign,

g) the definition of the geographical area, information and the documents clearly indicating the geographical boundaries,

h) information detailing the labeling, marking and the means of using the registered designation of origin or geographical indication,

i) information detailing the inspection structure,

j) the original receipt for the payment of publication fee.

#### *Examination*

6. The application shall be examined by the Institute as to the compliance with Articles 3, 5, 7 and 8 of the Decree-Law No. 555. The applicant shall be asked to remedy the deficiencies, and if deemed necessary shall be requested to supply additional information and documents, and shall be allowed three months to comply. If the deficiencies are not remedied within this period the application shall be rejected by the Institute.

Institute may require that the application be examined by one or more public institutions or universities, or by independent private institutions to verify the technical information. The applicant shall be informed of the examination fees to be paid to these institutions and the fees for the services of the Institute as prescribed in the Circular, and requested to execute the payments within three months. The application shall be considered withdrawn where these fees are not paid within the prescribed period.

#### *Publication*

7. The applications which comply with the provisions of Articles 3, 5, 7 and 8 of the Decree-Law No. 555 shall be published in the Official Gazette and in two of the highest circulating national newspapers and in one local newspaper. Publication shall include the following:

a) information on the identify of the applicant,

b) name of the product,

c) the designation of origin or geographical indication,

d) conditions relating to the use of the registered geographical sign.

The publication fee shall be requested from the applicant. A published application shall be provisionally entered in the geographical signs register.

### **Section Three** **Opposition, Registration, Payment of Fees** *Objections and Examination*

8. Within six months of the publication of the application of a geographical sign, anybody legitimately concerned may object to the registration by filing an objection at the Institute as to the invalidity of the sign with respect to the Articles 3, 5, 7 and 8 of the Decree-Law No. 555. The opposition fee prescribed in the Circular has to be paid before the examination can start. After receiving the opposition if the Institute finds it necessary to have the objection examined by one or

more of the public institutions or universities or independent private institutions which have the expertise in the related subject matter, the applicant shall be informed of this decision and requested to pay within three months the examination fee and the fee for the Institute's services as prescribed in the Circular.

Oppositions by Public Institutions are not subject to the opposition fee prescribed in the Circular.

#### *Registration and Recording in the Register*

9. If no objection is filed within six months of the publication at the Official Gazette, the geographical sign or name shall become effective as of the publication date and shall be recorded in the geographical sign register.

The following particulars are entered in the geographical sign register:

- a) application date and number,
- b) registration date and number,
- c) the identity and address of the holder of the right to the geographical sign,
- d) conditions relating to the use of the registered geographical sign.

Applications which have undergone changes with respect to form and content during the examination process shall be re-published within the framework of the provisions of Article 9 of the Decree-Law No. 555, and shall become effective as of the new publication date. This status will be recorded in the geographical sign register.

#### *Payment of Fees*

10. The filing, registration and publication fees, the examination fees to be paid to outside institutions, and fees due to the Institute shall be payable by the applicant or his agent. The applicant or his agent shall be notified by the Institute with regard to the dates of payment of fees. Where the fees are not paid within the prescribed periods the application shall be considered withdrawn.

#### **Section Four** **Copy and Register** *Copy*

11. A copy of the Geographical Sign Certificate shall be supplied upon the request of the trademark proprietor or of the agent. Following documents have to be submitted for obtaining a copy:

- a) a petition,
- b) the original receipt for the payment of the fee

*Register*

12. Upon request and payment of the prescribed fee a copy of the register shall be available to the any requesting party.

**PART TWO**

**Section One**

**Use of Geographical Names and Inspection**

*Use of the Registered Name*

13. The geographical names registered in compliance with the conditions specified in the Decree-Law No. 555, shall be used only on products they are registered for.

The provisions of Article 15 of the Decree-Law No. 555 shall not extend to geographical signs which have been continuously used in good faith for minimum period of ten years prior to 15 April 1994.

Provided that the sign has not been used to mislead the public, the use of the names of the right holder and of the successor in title during business intercourse shall not be considered breach of Article 15. However, where the use of the name within the meaning of the provision of Article 15 of Decree-Law No. 555, is liable to mislead the public as to the actual geographical origin of the product, the Institute shall request that the necessary measures are taken to prevent the public from being mislead.

*Inspection*

14. Any association, irrespective of its legal form, of the producers or the processors of the product which has registered the related geographical sign within the provisions of this Decree Having the Power of Law, shall possess sufficient qualified staff, equipment and resources to inspect the production, marketing, medium of use of registered designation of origin or geographical indication, labelling details of the product bearing the protected geographical sign. Co-operation of the related experts and independent bodies may be enlisted.

The scope and the form of inspection procedures shall be ruled by the Implementing Regulation.

**Section Two**

**Invalidity of the Geographical Sign**

15. Where a claim of invalidity has been made under Article 23 within the provisions of Article 21 of the Decree-Law No. 555, and upon which a geographical sign has been declared invalid by the court, the decision of invalidity shall have effect against all third parties. The Institute shall record the court decision in the register and make the decision public by publishing.

**Section Three**

**Last Provisions**

**Transitional Article 1.** The fees which have not been paid before coming into force of this Regulation and of the Circular of Fees to be Administered by The Turkish Patent Institute in accordance with the provisions of Articles 6/f and 25 of the Decree-Law No. 544, shall be paid within two months of the Institute's notice to the applicant. The applications shall be considered withdrawn if the fees are not paid within this period

*Entry into Force*

**16.** These Regulations shall enter into force on the day of publication.

*Execution*

**17.** These Regulations shall be executed by the President of the Turkish Patent Institute.

**JOINT STUDY GROUP ON THE  
PROSPECTIVE FREE TRADE  
AGREEMENT BETWEEN  
CHILE AND TURKEY**

**APPENDIX 2**

**ANSWERS BY CHILE**

**Including additional questions 4, 5, 6, 38, 42 and 43  
Santiago, October 30, 2007**

## FTA Modalities

**1. On page 51 of the Chilean Part of the Joint Study Group Report a reference is made to the Preferential Trade Agreement with India. What is the difference between Chilean Free Trade Agreements and Preferential Trade Agreements in the context of the product coverage and other provisions?**

*A. In the case of the Partial Trade Agreements it is a negotiation with a limited number of products, disciplines exclusively related to the tariff rebate and in the case of India the sanitary and technical barriers to trade issues were included.*

*The Free Trade Agreements include the full range of the tariff codes, as coverage of products. Additionally are developed in depth disciplines- among others- as the rules of origin, the sanitary subjects, technical barriers to trade, services and investments.*

**2. We observe that in its FTAs with third countries Chile defines tariff reduction lines for sensitive products (page 52 of the Chilean Report). Are these lines defined during the negotiations or after the negotiations in Joint Committee meetings?**

*A. Sensitivities are defined during the negotiation and negotiations that may occur in the Agreement Committees are usually focused towards liberalization*

**3. Do you give bilateral concessions in terms of tariff quotas especially for agricultural products, how do you allocate tariff quotas, and what kind of a certificate is required in imports for this purpose?**

*A. Chile does not have as a policy to grant preferences through tariff quotas. Usually quotas that have been established are the result of reciprocity to quotas imposed by the counterpart and the most used form to administer these quotas is through the logic of first to ask is the first to use it.*

*In the case of quotas granted for sugar imports under the WTO, these are to be asked to the National Customs Service ("Servicio Nacional de Aduanas") and are granted in function of the use by firms in earlier years.*

**4. What is the Chilean view of the FTAA process?**

*A. Given the series of political changes and economic difficulties within the region, the FTAA negotiations have been mired since 2003. At the end of 2003 it was established there had to be a degree of flexibility within the FTAA so as to incorporate the sensitivities of the different countries. However, Chile still favors the creation of a comprehensive and ambitious FTAA, that recognizes the necessity of flexibility so as to accommodate different countries sensitivities. The de-facto suspension of the FTAA negotiations, in which our country has invested so many efforts and resources, is disappointing. However, taking into account regional reality, we are willing to continue working towards a consensus and try to bring together the different positions. We see that the renewal of negotiations involves effort in terms of political will by the two larger parties, Brazil and the USA; also possibly, by advances within the WTO and the positions of detractors within Latin American countries*

**5. What is the Chilean view of the US initiative at the WTO to further liberalize trade in used goods?**

*A. Chile has not endorsed the US proposal concerning used goods in the WTO*

**6. Could you provide a list of countries Chile has Mutual Recognition Agreements with?**

*A. Chile has Mutual Recognition Agreements with the following countries:*

- a. Ecuador ( signed in 1917)*
- b. Uruguay (signed in 1916)*
- c. Colombia (signed in 1921)*
- d. Spain (signed in 1967)*
- e. Brasil (signed in 1976)*
- f. Perú (signed in 1978)*
- g. <sup>69</sup>Multilateral Convention of Mexico (signed in 1902)*

**Banking System**

Could you please elaborate more on market access to the banking sector in Chile by providing answers to the following questions;

**7. In which forms is it possible for foreigners to enter to the market (branch, subsidiary, participation in capital)?**

*A. Foreign banks can establish subsidiaries, branches and offices of representation in Chile. Subsidiaries are Chilean corporations. Branches are agencies of foreign corporations. Regulatory requirements are the same for subsidiaries and branches, the only difference being that the latter do not have to have a board of directors in Chile. Both subsidiaries and branches are considered to be separate entities from their parents for regulatory purposes.*

**8. Is there any limit to foreign participation in capital in a bank in Chile?**

*A. No.*

**9. Is there any other barrier regarding the market access to the banking sector?**

*A. No.*

**Customs Administration**

Concerning Paragraph 3 of section III.2.C:

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<sup>69</sup> This Agreement is in force for the following countries: Bolivia, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Peru.

**10. Isn't the implementation of "bona fide self valuation" for the goods imported on a temporary basis also valid for the goods which are imported definitively? If not, what is the implementation for the goods which are not imported temporarily? –**

*A. The importer declares the price of the merchandise according to that indicated in the commercial invoice. Ad-valorem duties are applied over the CIF value indicated in the import declaration and, over this, the VAT.*

*If Customs has a reasonable doubt with respect to the declared value, it will initiate, according to article VII of GATT 1994, a procedure that compares values with respect to identical or similar imported merchandise in a similar period; a variation of up to 10% of this declared value with respect to the value of identical goods is allowed.*

**11. Which functions of the Customs administration have been transferred to customs agents?**

*A. Custom agents are governed by customs regulation, which deals with matters relative to applicable responsibilities and sanctions. Specifically, they are regulated in articles 191 to 211 of the abovementioned customs regulation.*

**Government Procurement**

**12. With regard to government procurement policy in Chile, could you state full list of current procurement legislation including works and secondary legislation in your report?**

*A. For goods and services:*

*Ley de Compras Públicas (Ley N° 19.886) y Reglamento / Procurement Law and Regulations*

*For construction services:*

*Ley Orgánica del Ministerio de Obras Públicas (DFL N° 859)/ Public Works Law*

*Reglamento para Contratos de Obras Públicas (D.S. MOP N° 75) / Public Works Regulation*

*Reglamento para Contratación de Trabajos de Consultoría (DECRETO MOP N° 48) / Consultancy Regulation*

*Ley de Concesiones de Obras Públicas (Decreto N° 900) / Concessions Law*

*Reglamento de Concesiones. (D.S. N° 956) / Concessions Regulation*

*Procurement Law (N° 19.886) applies for additional provisions not considered by the laws and regulations mentioned above.*

*These can be found in*

*[https://www.chilecompra.cl/Portal/Portalproveedor/centro\\_informacion/centro\\_informacion\\_home.asp](https://www.chilecompra.cl/Portal/Portalproveedor/centro_informacion/centro_informacion_home.asp)*

and

[www.mop.cl](http://www.mop.cl)

**13. In order to analyze Chilean public procurement market, could you provide us with some statistics regarding supply, service and works contracts, number of contracting entities and number of complaints against public contracts?**

*A. - Government Procurement (2006. Excludes state enterprises and concessions):*

*Total amount: US\$ 4.000 millions.*

*Of which:*

<i>Services</i>	<i>44%</i>
<i>Goods</i>	<i>35%</i>
<i>Public Works</i>	<i>21%</i>

*- Number of Contracting Entities:*

*900 (includes all municipalities)*

*- Number of complaints presented to the Tribunal de Contratación Pública (Chilean Court of Public Procurement):*

<i>YEAR</i>	<i>#</i>
<i>2005</i>	<i>46</i>
<i>2006</i>	<i>100</i>
<i>2007 (July)</i>	<i>47</i>

## **Investments**

**14. In Chapter III.4, Foreign Investment Regimes, it is emphasized that “There is a free entrance of capitals. Thus, subject to domestic regulations, investors can materialize their investments freely”. Are there any exceptional sectoral limitations to National Treatment principle?**

*A. Regarding the free entrance of capitals there is no discrimination. Thus, both the Constitution and the Chilean law guarantee the equal protection of the Law to nationals and foreigners. However, in our domestic regulation there are exceptional sectoral limitations to National Treatment principle.*

**15.-In Chapter III.4.A., Treatment of Foreign Investment, it is emphasized that Central Bank of Chile, pursuant to its Basic Constitutional Act and in order to provide for stability of the currency and the normal functioning of the internal and external payment system, is entitled to issue regulations on foreign exchange transactions. Could you elaborate more on the conditions and to what extent such regulations can be issued?**

*A. The Basic Constitutional Act (BCA) of the Central Bank establishes that the legal purpose of the Bank is to provide for the stability of the currency and the normal functioning of both internal and external payments. For this purpose, the Bank has the exclusive authority for regulating the amount of currency and credit in circulation, the performance of credit transactions and foreign exchange, as well as the issuance of regulatory provisions regarding monetary, credit, financing and foreign exchange matters.*

*In this regard, it must be considered that Constitutional Provisions and the BCA prescribe that the authority of the Bank shall not be exercised in a manner which, directly or indirectly, may result in the establishment of regulations or requirements different or discriminatory to any person, institution or entity conducting business of similar nature. In simple words, when the Bank issues regulations or by-laws regarding its scope of competence they must be of general application.*

*According to this legal framework, the Central Bank is entitled to impose certain restrictions on foreign exchange transactions. Such measures include, inter alia, the establishment of restrictions or limitations on current payments and transfers (capital movements) to or from Chile, as well as transactions related to them, such as requiring that deposits, investments or credits from or to a foreign country, be subject to a reserve requirement ("encaje"). These restrictions are clearly listed in Article 49 of the Basic Constitutional Act, as well as the conditions and the circumstances required to impose them, which are set in article 50 of said legislation. Article 50 establishes that these restrictions may only be imposed by resolution adopted by the majority of all Central Bank's Council members. This resolution may be subject to veto by the Minister of Finance, in which event the respective restriction may be adopted only pursuant to a favorable vote of all the Council members.*

*All of these restrictions are related to the need of fulfilling the legal purpose of the Central Bank. It is worth noting that these measures must be temporary and applied on a non-discriminatory basis. In the past, the Central Bank did impose some restrictions on foreign exchange transactions, which were gradually removed, as the circumstances and the economic conditions that made them necessary were changing. These restrictions were completely eliminated in 2001, in accordance with the full liberalization of the capital account. Since then, and up until now, there are no foreign exchange restrictions in place, nor is their use foreseeable in the short and mid-term. Nevertheless, they are an important tool of Chile's economic policy.*

*Should the Central Bank Council decide to impose restrictions on foreign exchange transactions, such resolution must be published on the Official Gazette of the Republic of Chile, and would be available on the Central Bank's web page, [www.bcentral.cl](http://www.bcentral.cl).*

**16. Could you inform us on the current status of the Investment Promotion and Protection Agreement between Turkey and Chile Agreement which has been signed on August 21, 1998?**

*A. The policy of the Chilean Government, regarding protection and promotion of the foreign investments, has been to grant a high level of protection and legal certainty to the foreign capitals, granting, at the same time, the authority of the State to reach its economic and social legitimate objectives. In this issue, Chile has made a complete study of the disciplines contained in this kind of agreements and its importance in the economic and regulatory policies applicable to the foreign investment. In this context, the Chilean Government has decided through a technical and political agreement, adopted altogether by the Ministry of Foreign Affairs and the Ministry of Finance, the application of a moratorium in the negotiation, update, modification or renegotiation of this type of*

*instruments. Furthermore, Chile considers that it is better to regulate investment through a specific self contained Chapter in a context of a Free Trade Agreement.*

### **Econometric Analysis**

#### **17. On page 2, the moderate increase in inflation in 2000 is mentioned. What has triggered the rise in inflation?**

*A. In 2000, there was an annual increase of 19.5% in the transport group of the CPI, due to a rise in the international markets of oil prices. The transport group had an impact of 2.55 percentage points in the CPI of that year<sup>70</sup> (December to December CPI)*

#### **18. What are the major sectors attracting FDI in Chile? Which countries mostly direct their investment to the country?**

*A. As is presented in the Report, “Between 1974 and 2006, Mining accounted for 34% of foreign investment materialized via D.L. 600, followed by the Electricity, Gas and Water industries (20%); Services (19%); Manufacturing (12%); Transport and communications (11%); Construction (2%); and Agriculture, Forestry and Fishing (1%). In the Services sector, the most important segments were Financial Services (52%), Insurance (17%), and the Wholesale and Retail Trade (11%)”<sup>71</sup>. Concerning the countries of origin of foreign investment, “Between 1974 and 2006, 25% of D.L. 600 investments in Chile originated in the United States, followed by Spain (22%), Canada (16%), the United Kingdom (10%), Australia (5%), and Japan (3%). During that period, the 15 pre-enlargement European Union member states accounted for 42.1% of total FDI materialized through D.L. 600, while, as a group, the OECD countries accounted for 94.3% of the total”<sup>72</sup>*

#### **19. What is the share of Chilean copper exports in world copper export market?**

*A. In 2005, the share of Chile in copper ores and concentrates<sup>73</sup> world exports was of 35%, in refined copper and copper alloys, unwrought<sup>74</sup>, it was 37% and in copper unrefined, copper anodes for electrolytic refining it was 34%.<sup>75</sup> The share of Chile in world copper mine production in 2006 was of 36%.*

#### **20. What is the commodity composition of exports to China?**

*A. In 2006, Chilean exports to China were: copper 79.8%, cellulose and paper products 6.5%, food products 5.6%, other minerals (non copper) 4.2% and other products 4.0%*

### **Services**

#### **21. As regards Table 1.18 on page 43, we noticed that information on construction services is not given. In the Chilean report in general, information on constructing services seems limited. What are the Chilean regulations in terms of foreign contractors? Are there any**

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<sup>70</sup> [http://www.ine.cl/canales/chile\\_estadistico/home.php](http://www.ine.cl/canales/chile_estadistico/home.php)

<sup>71</sup> Page 46 of the Report

<sup>72</sup> Page 49 of the Report

<sup>73</sup> HS code 2603 Trade Map

<sup>74</sup> HS code 7403 Trade Map

<sup>75</sup> HS code 7402 Trade Map

**measures with regard to contracting services or employees working in sector related with contracting?**

*A. In general terms, in its trade agreements Chile does not include commitments on construction services. In a positive list approach Chile either doesn't offer this sector (WTO) or it doesn't adopt commitments on mode 3) (Agreement with EU). When there is a negative list approach, Chile reserves in an Annex II, the right to adopt or maintain any measure with respect to the provision of construction services. However, construction service is not a sector with many restrictions; there are many regulations in this sector – as in the majority of the countries- which could be classified as market access restrictions in a non-discriminatory basis.*

**Labor issues**

**22. With regard to Chile's implementation of the ILO Convention No.26 on the Evaluation of Minimum Wage, ILO Convention No.87 on the Freedom of Association and Protection of the Right to Organize Convention, ILO Convention No.98 on the Right to Organize and Collective Bargaining, ILO Convention No.100 on Equal Remuneration and ILO Convention No.111 on Discrimination (Employment and Occupation), the ILO Experts Committee notes a number of discrepancies. Could the Chilean side further elaborate on the ILO experts' report?**

*A. Many of the observations made by the ILO Experts Committee relates to on- going process and are actually being under study to answer them in detail to ILO. Nevertheless, Chile is devoted to the commitment of all its ILO conventions.  
As soon as possible we will give more detailed information about the specific issues mentioned in the Experts Report.*

**23. Could you please briefly explain the import procedure of agricultural products (number of checks and analyzes, required certificates and permissions to be obtained from official organizations etc.)?**

*A. The import procedure of the agricultural products is the same one of the general imports and should also comply with the health and phyto-sanitary and zoo-sanitary requirements.*

**Market Access**

**24. Could you please update the information given in the report regarding the safeguard and anti-dumping measures imposed by Chile to be in line with the WTO notifications of the Chilean government?**

*A. In enclosed file is presented the information (Annex 2.1)*

**25. Could you confirm the investigation period for anti-dumping measures that are stated in the report?**

*A. In Chile, the antidumping investigations undertaken by the Commission must, except in special circumstances, be concluded within one year and in no case more than 18 months, after their initiation.*

**26. Could you please provide the list of capital goods established by the Ministry of Economy that are exempt from value added tax?**

*A. Please find attached the decree with the list of capital goods. It is the decree N° 370, from the Ministry of Economy, published in the Official Gazette on May 9, 2007. (Annex 2.2)*

**27. Could you please provide the type of local taxes that are imposed on several products including the ones mentioned in the draft report?**

*A. Chile's tax system operates at the national level. There are no taxes on goods or services applied at the local (municipal or regional) level.*

**28. On page 63, under the heading of quantitative restrictions-import licenses, quotas, it has been stated that Chile applies a duty free quota of 60.000 tons for sugar within the framework of WTO and contingents have been listed as follows;**

- h. Sugar HS code 1701.99.00-60.000 tons
- i. Sugar HS code 1701.91.00-30.000 tons
- j. Sugar HS code 1701.91 and 1701.99- 15.000 tons

Where these aforementioned quotas come from? Do they result from Chile's WTO commitments or from the FTAs?

What kind of criteria is used in the allocation of the quotas resulting from the FTAs?

*A. The quotas assignment has been the consequence of negotiations under the WTO, which, in some cases have been reflected in the bilateral agreements.*

**29. What kind of criteria is used in the allocation of the quotas resulting from the FTAs?**

*A. It is reiterated that Chile does not have as a policy to negotiate quotas. When negotiated in an agreement, the traded bilateral quantities and the country productive capacity are considered, besides obviously of the demands by the counterparts.*

**30. Are the quota amounts total or separate for every tariff line defined on the report?**

*A. Quotas are usually assigned to a group of tariff lines, corresponding to a family of products (e.g. red meats, dairy products)*

**31. What is the actual amount of duty drawbacks that Chile grants to its exporters? And what is the dollar correspondence of the duty drawback level referred to in your Report?**

*A. For the general duty drawback system, the total amount in year 2006, was US\$ 59.6 million. In the case of the Simplified duty drawback, for the same year was approximately US\$ 2.3 million. Regarding the second question, could you please clarify the information needed?*

**32. Is there a preferential interest rate for exporters, if yes, what is the actual amount?**

*A. No. Export activities do not have any access to preferential rates.*

**33. What are the local taxes and duties for motor vehicles?**

*A. No taxes or duties on motor vehicles are applied at the local level.*

**34. Are there any mandatory standards being implemented for imports into Chile? If yes, how many and in which sectors?**

*A. Is the question referred to TBT and SPS matters? Could you please clarify the question? Chilean standards (voluntary) and technical regulations (mandatory) do not distinguish between foreign and domestic goods*

**35. On page 64 of your report, it is stated that imports of used motor vehicles are prohibited due to environmental and health protection. What are the specifications defined by Chilean authorities in terms of the legislation on sanitary and environmental standards? On the occasion that these standards are complied with, is it possible to import used motor vehicles?**

*A. Pursuant to article 21 of Law N° 18.483 of December 1985, Chile prohibits the importation of used vehicles, with the exception of those that the referred article indicates (attached). This decision was taken due to environmental reasons, which still remain. This measure was notified to the Gatt Secretary in 1985 and later ratified to the WTO in 1996. The notification was made under the article XX General Exceptions of the GATT, letter b). In summary, it is not possible to import used motor vehicles.*

**36. As for the import of any other product, are there any other restrictions than those defined in the Chilean Report (such as licenses, etc.)?**

*A. There are not any other restrictions than those defined in the Chilean Report*

**37. Are the “Other local taxes” that are defined under the heading III.2.B.1. applicable for both imports and domestic products? Could you provide us with the lists mentioning the level of these taxes?**

*A. There are no local taxes applied on either imported or domestic goods or services.*

**38. Could you explain how the price band system will work?**

*A. The PBS currently operates as it is described in the document of Chile (page 65). At the beginning of September a bill was sent to the Chilean Congress, which, nevertheless, has not been yet approved. The bill replaces the mechanism of calculation of the specific duties and tariff reductions for wheat and wheat flour respectively for a specific duty of 30 US\$/ton and 47 US\$/ton.*

#### **Technical Regulations and Conformity Assessment**

**39. What are the technical regulations that are not aligned with international standards that are stated on page 73 in your report? What do domestic regulations relate to, which are the old regulations that are not updated?**

*A. Technical regulations that are not aligned, refer to those regulations that are not based on international standards. Domestic regulations relate to regulation and/or conformity assessment procedures that products have to comply with in the Chilean market. This applies for instance to electrical and fuel products, sanitary artifacts, toys, vehicles, etc. There is not a record of which would be the regulations that have not been updated.*

**40. At which stage do Chilean authorities make conformity assessment in terms of standards, during importation or at the market?**

*A. In most cases products have to comply with technical regulations at the market (in some cases a certification is required). In few cases such as pharmaceuticals and cosmetics, control is during importation.*

**41. Which authorities are responsible for conformity assessments?**

*A. The authorities that issue the technical regulations are responsible for conformity assessment. Where there is a certification requirement, this is generally performed by Conformity Assessment Bodies authorized by the competent authority.*

**42. Could you provide a general idea about products where the conformity assessments are based on voluntary standards?**

*A. In the voluntary area, some cases are related to plastics, packaging materials and storage tanks for corrosive substances.*

*In the regulated area, most of the regulation establishes the conformity assessment procedures, which are mandatory. In some cases, like in the emission regulation for vehicles, it is allowed the use of EPA 94 Federal or Euro III (gasoline vehicles). They are voluntary in the sense that there is an option between the two standards.*

**43. What is the current requirement applied for broadcasting Chilean content on TVs?**

*A. According to law 18.838 of 1989, the Consejo Nacional de Televisión may establish, as a general requirement, that programs broadcast through public (open) television channels include up to 40 percent of national production. This percentage is not applied to cable television. The Consejo monitors the percentage of national content by calculating at the end of the year the content level based on a two months sample of that year. As the level of national content has never been less than that required by law, the Consejo has never imposed the requirement. Chile, in its FTA, has a reservation of this measure (Annex I, existing non conforming measures).*

**Agriculture**

**44. Are agricultural investments realized on a planned manner in Chile, if yes, what are the planned agricultural investments in Chile for the next 10 years?**

*A. There is no a public long-term investment plan for the agricultural sector.*

*Public investment to the agricultural sector are made mainly in irrigation facilities, research and development, education and technical assistance, on an annual basis taking into account the sector needs and the budgetary constraints.*

**45. Is there any market intervention as regards the agricultural sector in Chile?**

*Chile is a free market oriented economy, thus there are no market intervention tools or mechanisms.*

**46. Are there any market regulatory authorities in terms of agricultural products? If yes, at which products do these authorities regulate the market and how do these authorities function?**

*No, in Chile there are no market regulatory authorities for agricultural products.*

**Competition and State Aids**

**47. What kind of state aids is granted for investments, production, exports and overseas commercial activities? Which authorities are responsible for the granting of these state aids? Are they compatible with the internationally accepted competition standards? Is there any authority responsible for the coordination, control and inspection of the compatibility of the state aids?**

*Chile has focused its efforts in providing sound grounds for the country development, allowing those who want to produce, invest, export or import to do it under clear rules, with across the board measures and without discrimination. The key elements that have allowed this to happen, have been the macroeconomic stability of the country with a solvent fiscal sector; robust and sound financial sector; strong and stable institutional setting; competitive open-market economy and a comprehensive social network.*

*Then, Chile has not a state policy towards State Aids and there is not a central institution that governs the provision of assistance that Ministries or public institution administer under their competence. These instruments are compatible with the country's international obligations, including those of the WTO and its Agreements and are all related to capture positive externalities benefits, reduce negative externalities impacts, and prevent specific market failures.*

*Chile provides public assistance for R&D and environmental initiatives; support for small and medium enterprises, through programs on quality and productivity, innovation and financing through the banking system at a competitive market interest rate; it provides domestic support for agricultural research as well as training, inspection, infrastructure and other related services; assistance to disadvantaged regions.*

*Finally, the Competition Authorities have been given the mandate to apply the Competition Law in order to safeguard free competition in the market and their decisions affect both state and private owned enterprises acting in the market place.*

**Annex 2.1**

**24. Could you please update the information given in the report regarding the safeguard and anti-dumping measures imposed by Chile to be in line with the WTO notifications of the Chilean government?**

**SEMI-ANNUAL REPORT OF ANTI-DUMPING ACTIONS  
(For the period 1 January-30 June 2007)**

Country/ customs territory	Product	Initiation Date	Provisional measures/ determinations Date, dumping margin <sup>1</sup>	FINAL MEASURES		NO FINAL MEASURES				Dumped imports as % of domestic consumption	% of trade volume investigated (of the exporting country)	Basis for determi- nation	
				Definitive duty Date, dumping margin <sup>1</sup>	Price undertaking Date, dumping margin <sup>1</sup>	No dumping Date	No injury Date	Case withdrawn Date	Other Date				Trade volume* tonnes <sup>76</sup>
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Argentina	Wheat flour	11.10.06	11.12.06, 16,2%	28.05.07, 31,1%	-	-	-	-	-	2.848 tonnes <sup>76</sup>	0,22%	100%	HM
Argentina	Poultry meat	21.04.07	-----	-----	-----	-----	-----	-----	-----	20,070 tonnes <sup>77</sup>	4,2%	100%	----

\* Total trade volume declared as dumped.

<sup>76</sup> Total volume of trade 2006.

<sup>77</sup> Total volume of trade 2006.

**ANTI-DUMPING MEASURES IN FORCE  
PROVISIONAL ANTI-DUMPING MEASURES  
(as at 30 June 2007)**

Country/customs territory	Product	Date imposed
Argentina	Wheat flour	11.12.06
-	-	-

**DEFINITIVE ANTI-DUMPING MEASURES  
(as at 30 June 2007)**

Country/customs territory	Product	Date imposed
Argentina	Wheat Flour	28.05.07
-	-	-

**UNDERTAKINGS IN FORCE  
(as at 30 June 2007)**

Country/customs territory	Product	Date of undertaking
-	-	-
-	-	-

**REVOCAION OF DEFINITIVE ANTI-DUMPING DUTIES  
(1 January-30 June 2007)**

Country/customs territory	Product	Date revoked
-	-	-
-	-	-

**Semi-annual report of countervailing duty actions**  
**(For the Period 1 January to 30 June 2007)**

Country/ Customs territory	Product	Initiation Date	Provisional measures / determinations Date, amount of subsidy	FINAL MEASURES		NO FINAL MEASURES				Trade volume	Subsidized imports as % of domestic consumption	% of trade volume investigated (of the exporting country)	Basis for determination
				Definitive duty	Price undertaking	No subsidy	No injury	Case withdrawn	Other				
				Date, amount of subsidy	Date, amount of subsidy	Date	Date	Date	Date				
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Argentina	Wheat flour	13.10.06							14.06.07 <sup>78</sup>	3,246 tonnes <sup>79</sup>	0.25%	100%	
Argentina	Poultry meat	06.06.07								20,070 tonnes <sup>80</sup>	4,2	100%	

<sup>78</sup> Investigation terminated according to paragraph 5, art. VI GATT 1947

<sup>79</sup> Total volume of trade 2006

<sup>80</sup> Total volume of trade 2006

**Annex 2.2**

**A N E X O**

<b>ITEM ARANCELARIO</b>	<b>DESCRIPCION DE LAS MERCANCIAS</b>	<b>OBSERVACIONES</b>
3917.2900	Tubos rígidos de los demás plásticos.	Solamente tubos y sus accesorios necesarios para la construcción de ductos para el transporte de fluidos a larga distancia, tales como hidroductos, mineroductos y análogos, que tengan un diámetro de 90 o más centímetros y un largo de 16 o más metros.
4016.9400	Defensas, incluso inflables, para el atraque de los barcos, de caucho vulcanizado sin endurecer.	Sólo defensas de muelles de caucho sin endurecer con sus respectivas cadenas y elementos de anclaje, para uso en todo tipo de muelles.
5608.1110	Redes confeccionadas para la pesca de materia textil sintética.	Incluidos sus paños cuando se presentan aisladamente.
5608.1120	Redes confeccionadas para la pesca de materia textil artificial.	Incluidos sus paños cuando se presentan aisladamente.
5608.9000	Las demás redes de mallas anudadas, en paños o en piezas; fabricadas con cordeles, cuerdas o cordajes; redes confeccionadas para la pesca y demás redes confeccionadas, de materia textil.	Solamente redes confeccionadas para la pesca, incluidos sus paños cuando se presenten aisladamente.
7302.1000	Carriles (rieles), de fundición, hierro o acero, para vías férreas.	Sólo aquellos necesarios para la construcción de una vía férrea que se presente conjuntamente con las piezas destinadas a su colocación, unión y fijación.
7302.4000	Bridas y placas de asiento, de fundición, hierro o acero, para vías férreas.	Solamente aquellas que se presenten conjuntamente con los carriles (rieles) necesarios para la construcción de una vía férrea y las piezas destinadas a la colocación, unión y fijación de los carriles (rieles).
7302.9000	Los demás elementos para vías férreas, de fundición, hierro o acero: contracarriles (contrarrieles).	Solamente las piezas destinadas a la colocación, unión y fijación de los carriles (rieles), que se presenten conjuntamente con los carriles (rieles) necesarios para la construcción de una

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
7304.1100	Tubos de los tipos utilizados en oleoductos o gasoductos, sin soldadura (sin costura)*, oleoductos o gasoductos, de acero inoxidable.	<p>vía férrea.</p> <p>Solamente los necesarios para la construcción de ductos para el transporte de fluidos a larga distancia, tales como oleoductos, gasoductos, mineroductos, hidroductos y análogos, que tengan alta presión de servicio superior a 200 libras por pulgada cuadrada y de diámetro de 5 o más pulgadas y, además, los utilizados en pozos petroleros.</p>
7304.1900	Tubos de los tipos utilizados en oleoductos o gasoductos, sin soldadura (sin costura)*, de hierro o de acero.	<p>Solamente los necesarios para la construcción de ductos para el transporte de fluidos a larga distancia, tales como oleoductos, gasoductos, mineroductos, hidroductos y análogos, que tengan alta presión de servicio superior a 200 libras por pulgada cuadrada y de diámetro de 5 o más pulgadas y, además, los utilizados en pozos petroleros.</p>
7304.2200	Tubos de perforación, de los tipos utilizados para la extracción de petróleo o gas, sin soldadura (sin costura)*, de acero inoxidable.	<p>Solamente los necesarios para la construcción de ductos para el transporte de fluidos a larga distancia, tales como oleoductos, gasoductos, mineroductos, hidroductos y análogos, que tengan alta presión de servicio superior a 200 libras por pulgada cuadrada y de diámetro de 5 o más pulgadas y, además, los utilizados en pozos petroleros.</p>
7304.2300	Tubos de perforación, de los tipos utilizados para la extracción de petróleo o gas, sin soldadura (sin costura)*, de hierro o de acero.	<p>Solamente los necesarios para la construcción de ductos para el transporte de fluidos a larga distancia, tales como oleoductos, gasoductos, mineroductos, hidroductos y análogos, que tengan alta presión de servicio superior a 200 libras por pulgada cuadrada y de diámetro de 5 o más pulgadas y, además, los utilizados en pozos petroleros.</p>
7304.2400	Tubos de entubación («casing») o de producción («tubing»), sin soldadura (sin costura)*, de acero inoxidable, de los tipos utilizados para la extracción	<p>Solamente los necesarios para la construcción de ductos para el transporte de fluidos a larga distancia, tales como oleoductos, gasoductos,</p>

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
	de petróleo o gas.	mineroductos, hidroductos y análogos, que tengan alta presión de servicio superior a 200 libras por pulgada cuadrada y de diámetro de 5 o más pulgadas y, además, los utilizados en pozos petroleros.
7304.2900	Tubos de entubación («casing») o de producción («tubing»), sin soldadura (sin costura)*, de hierro o de acero, de los tipos utilizados para la extracción de petróleo o gas.	Solamente los necesarios para la construcción de ductos para el transporte de fluidos a larga distancia, tales como oleoductos, gasoductos, mineroductos, hidroductos y análogos, que tengan alta presión de servicio superior a 200 libras por pulgada cuadrada y de diámetro de 5 o más pulgadas y, además, los utilizados en pozos petroleros.
7304.3100	Los demás tubos y perfiles huecos, sin soldadura (sin costura)*, de sección circular, de hierro o acero sin alear, estirados o laminados en frío.	Solamente los necesarios para la construcción de ductos para el transporte de fluidos a larga distancia, tales como oleoductos, gasoductos, mineroductos, hidroductos y análogos, que tengan alta presión de servicio superior a 200 libras por pulgada cuadrada y de diámetro de 5 o más pulgadas y, además, los utilizados en pozos petroleros.
7304.3900	Los demás tubos y perfiles huecos, sin soldadura (sin costura)*, de sección circular, de hierro o acero sin alear.	Solamente los necesarios para la construcción de ductos para el transporte de fluidos a larga distancia, tales como oleoductos, gasoductos, mineroductos, hidroductos y análogos, que tengan alta presión de servicio superior a 200 libras por pulgada cuadrada y de diámetro de 5 o más pulgadas y, además, los utilizados en pozos petroleros.
7304.4190	Los demás tubos y perfiles huecos, sin soldadura (sin costura)*, de sección circular, de acero inoxidable, estirados o laminados en frío.	Solamente los necesarios para la construcción de ductos para el transporte de fluidos a larga distancia, tales como oleoductos, gasoductos, mineroductos, hidroductos y análogos,

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
7304.4900	Los demás tubos y perfiles huecos, sin soldadura (sin costura)*, de sección circular, de acero inoxidable.	que tengan alta presión de servicio superior a 200 libras por pulgada cuadrada y de diámetro de 5 o más pulgadas y, además, los utilizados en pozos petroleros.  Solamente los necesarios para la construcción de ductos para el transporte de fluidos a larga distancia, tales como oleoductos, gasoductos, mineroductos, hidrodutos y análogos, que tengan alta presión de servicio superior a 200 libras por pulgada cuadrada y de diámetro de 5 o más pulgadas y, además, los utilizados en pozos petroleros.
7304.5100	Los demás tubos y perfiles huecos, sin soldadura (sin costura)*, de sección circular, de los demás aceros aleados, sin soldadura (sin costura)*, de hierro o acero, estirados o laminados en frío.	Solamente los necesarios para la construcción de ductos para el transporte de fluidos a larga distancia, tales como oleoductos, gasoductos, mineroductos, hidrodutos y análogos, que tengan alta presión de servicio superior a 200 libras por pulgada cuadrada y de diámetro de 5 o más pulgadas y, además, los utilizados en pozos petroleros.
7304.5900	Los demás tubos y perfiles huecos, sin soldadura (sin costura)*, de sección circular, de los demás aceros aleados.	Solamente los necesarios para la construcción de ductos para el transporte de fluidos a larga distancia, tales como oleoductos, gasoductos, mineroductos, hidrodutos y análogos, que tengan alta presión de servicio superior a 200 libras por pulgada cuadrada y de diámetro de 5 o más pulgadas y, además, los utilizados en pozos petroleros.
7304.9000	Los demás tubos y perfiles huecos, sin soldadura (sin costura)*, de hierro o acero.	Solamente los necesarios para la construcción de ductos para el transporte de fluidos a larga distancia,

		tales como oleoductos, gasoductos, mineroductos, hidroductos y análogos, que tengan alta presión de servicio superior a 200 libras por pulgada cuadrada y de diámetro de 5 o más pulgadas y, además, los utilizados en pozos petroleros.
7305.1100	Tubos de sección circular con diámetro exterior superior a 406,4 mm, de hierro o acero, de los tipos utilizados en oleoductos o gasoductos, soldados longitudinalmente con arco sumergido.	Solamente los necesarios para la construcción de ductos para el transporte de fluidos a larga distancia, tales como oleoductos, gasoductos, mineroductos, hidroductos y análogos, que tengan alta presión de servicio superior a 200 libras por pulgada cuadrada y de diámetro de 5 o más pulgadas y, además, los utilizados en pozos petroleros.
7305.1200	Los demás tubos de sección circular con diámetro exterior superior a 406,4 mm, de hierro o acero, de los tipos utilizados en oleoductos o gasoductos, soldados longitudinalmente.	Solamente los necesarios para la construcción de ductos para el transporte de fluidos a larga distancia, tales como oleoductos, gasoductos, mineroductos, hidroductos y análogos, que tengan alta presión de servicio superior a 200 libras por pulgada cuadrada y de diámetro de 5 o más pulgadas y, además, los utilizados en pozos petroleros.
7305.1900	Los demás tubos de sección circular con diámetro exterior superior a 406,4 mm, de hierro o acero, de los tipos utilizados en oleoductos o gasoductos.	Solamente los necesarios para la construcción de ductos para el transporte de fluidos a larga distancia, tales como oleoductos, gasoductos, mineroductos, hidroductos y análogos, que tengan alta presión de servicio superior a 200 libras por pulgada cuadrada y de diámetro de 5 o más pulgadas y, además, los utilizados en pozos petroleros.
7305.2000	Tubos de entubación («casing») de los tipos utilizados para la extracción de petróleo o gas, de sección circular con diámetro exterior superior a 406,4 mm, de hierro o acero.	Solamente los necesarios para la construcción de ductos para el transporte de fluidos a larga distancia, tales como oleoductos, gasoductos, mineroductos, hidroductos y análogos, que tengan alta presión de servicio superior a 200 libras por pulgada cuadrada y de diámetro de 5 o más pulgadas y, además, los utilizados

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
		en pozos petroleros.
7305.3100	Los demás tubos de sección circular con diámetro exterior superior a 406,4 mm, de hierro o acero, soldados longitudinalmente.	Solamente los necesarios para la construcción de ductos para el transporte de fluidos a larga distancia, tales como oleoductos, gasoductos, mineroductos, hidroductos y análogos, que tengan alta presión de servicio superior a 200 libras por pulgada cuadrada y de diámetro de 5 o más pulgadas y, además, los utilizados en pozos petroleros, como también conducciones forzadas de acero, incluso con zunchos, del tipo utilizado en instalaciones hidroeléctricas.
7305.3900	Los demás tubos de sección circular con diámetro exterior superior a 406,4 mm, de hierro o acero, soldados.	Solamente los necesarios para la construcción de ductos para el transporte de fluidos a larga distancia, tales como oleoductos, gasoductos, mineroductos, hidroductos y análogos, que tengan alta presión de servicio superior a 200 libras por pulgada cuadrada y de diámetro de 5 o más pulgadas y, además, los utilizados en pozos petroleros, como también conducciones forzadas de acero, incluso con zunchos, del tipo utilizado en instalaciones hidroeléctricas.
7305.9000	Los demás tubos (por ejemplo: soldados o remachados) de sección circular con diámetro exterior superior a 406,4 mm, de hierro o acero.	Solamente los necesarios para la construcción de ductos para el transporte de fluidos a larga distancia, tales como oleoductos, gasoductos, mineroductos, hidroductos y análogos, que tengan alta presión de servicio superior a 200 libras por pulgada cuadrada y de diámetro de 5 o más pulgadas y, además, los utilizados en pozos petroleros, como también conducciones forzadas de acero, incluso con zunchos, del tipo utilizado

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
7306.1100	Tubos de acero inoxidable, soldados, de los tipos utilizados en oleoductos o gasoductos.	<p>en instalaciones hidroeléctricas.</p> <p>Solamente los necesarios para la construcción de ductos para el transporte de fluidos a larga distancia, tales como oleoductos, gasoductos, mineroductos, hidroductos y análogos, que tengan alta presión de servicio superior a 200 libras por pulgada cuadrada y de diámetro de 5 o más pulgadas y, además, los utilizados en pozos petroleros.</p>
7306.1900	Tubos de hierro o acero, de los tipos utilizados en oleoductos o gasoductos.	<p>Solamente los necesarios para la construcción de ductos para el transporte de fluidos a larga distancia, tales como oleoductos, gasoductos, mineroductos, hidroductos y análogos, que tengan alta presión de servicio superior a 200 libras por pulgada cuadrada y de diámetro de 5 o más pulgadas y, además, los utilizados en pozos petroleros.</p>
7306.2100	Tubos de entubación («casing») o de producción («tubing»), soldados, de acero inoxidable, de los tipos utilizados para la extracción de petróleo o gas.	<p>Solamente los necesarios para la construcción de ductos para el transporte de fluidos a larga distancia, tales como oleoductos, gasoductos, mineroductos, hidroductos y análogos, que tengan alta presión de servicio superior a 200 libras por pulgada cuadrada y de diámetro de 5 o más pulgadas y, además, los utilizados en pozos petroleros.</p>
7306.2900	Tubos de entubación («casing») o de producción («tubing»), de hierro o acero, de los tipos utilizados para la extracción de petróleo o gas.	<p>Solamente los necesarios para la construcción de ductos para el transporte de fluidos a larga distancia, tales como oleoductos, gasoductos, mineroductos, hidroductos y análogos,</p>

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
7306.3000	Los demás tubos y perfiles huecos, soldados, de sección circular, de hierro o acero sin alear.	que tengan alta presión de servicio superior a 200 libras por pulgada cuadrada y de diámetro de 5 o más pulgadas y, además, los utilizados en pozos petroleros.  Solamente los necesarios para la construcción de ductos para el transporte de fluidos a larga distancia, tales como oleoductos, gasoductos, mineroductos, hidrodutos y análogos, que tengan alta presión de servicio superior a 200 libras por pulgada cuadrada y de diámetro de 5 o más pulgadas y, además, los utilizados en pozos petroleros.
7306.4000	Los demás tubos y perfiles huecos, soldados, de sección circular, de acero inoxidable.	Solamente los necesarios para la construcción de ductos para el transporte de fluidos a larga distancia, tales como oleoductos, gasoductos, mineroductos, hidrodutos y análogos, que tengan alta presión de servicio superior a 200 libras por pulgada cuadrada y de diámetro de 5 o más pulgadas y, además, los utilizados en pozos petroleros.
7306.5000	Los demás tubos y perfiles huecos, soldados, de sección circular, de los demás aceros aleados.	Solamente los necesarios para la construcción de ductos para el transporte de fluidos a larga distancia, tales como oleoductos, gasoductos, mineroductos, hidrodutos y análogos, que tengan alta presión de servicio superior a 200 libras por pulgada cuadrada y de diámetro de 5 o más pulgadas y, además, los utilizados en pozos petroleros.
7306.6100	Los demás tubos y perfiles huecos, de hierro o de acero, soldados, de sección cuadrada o rectangular.	Solamente los necesarios para la construcción de ductos para el transporte de fluidos a larga distancia, tales como oleoductos, gasoductos, mineroductos, hidrodutos y análogos, que tengan alta presión de servicio superior a 200 libras por pulgada cuadrada y de diámetro de 5 o más pulgadas y, además, los utilizados en pozos petroleros.

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
7306.6900	Los demás tubos y perfiles huecos, de hierro o de acero, soldados, excepto los de sección circular.	Solamente los necesarios para la construcción de ductos para el transporte de fluidos a larga distancia, tales como oleoductos, gasoductos, mineroductos, hidroductos y análogos, que tengan alta presión de servicio superior a 200 libras por pulgada cuadrada y de diámetro de 5 o más pulgadas y, además, los utilizados en pozos petroleros.
7306.9000	Los demás tubos y perfiles huecos (por ejemplo: soldados, remachados, grapados o con los bordes simplemente aproximados), de hierro o acero.	Solamente los necesarios para la construcción de ductos para el transporte de fluidos a larga distancia, tales como oleoductos, gasoductos, mineroductos, hidroductos y análogos, que tengan alta presión de servicio superior a 200 libras por pulgada cuadrada y de diámetro de 5 o más pulgadas y, además, los utilizados en pozos petroleros.
7308.9000	Las demás construcciones y sus partes, de fundición, hierro o acero; chapas, barras, perfiles, tubos y similares, de fundición, hierro o acero, preparados para la construcción.	Solamente compuertas de exclusas accionadas por mecanismos oleo-hidráulicos y muelles modulares prefabricados.
7309.0090	Los demás depósitos, cisternas, cubas y recipientes similares para cualquier materia (excepto gas comprimido o licuado), de fundición, hierro o acero, de capacidad superior a 300 l, sin dispositivos mecánicos ni térmicos, incluso con revestimiento interior o calorífugo.	Solamente recipientes, depósitos o estanques fijos, fabricados exclusivamente en acero inoxidable, dotados de válvulas de descarga de accionamiento neumático y con una capacidad mínima de 20 metros cúbicos, para la recepción y el almacenamiento de recursos pesqueros en tierra.
7311.0020	Recipientes para gas comprimido o licuado, de fundición, hierro o acero de capacidad superior a 100 litros pero inferior o igual a 500 litros.	Sólo evaporadores fríos (tanques criogénicos) de 160 litros o más.

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
7311.0030	Recipientes para gas comprimido o licuado, de fundición, hierro o acero de capacidad superior a 500 litros pero inferior o igual a 1.000 litros.	Sólo evaporadores fríos (tanques criogénicos) de 160 litros o más.
7311.0090	Los demás recipientes para gas comprimido o licuado, de fundición, hierro o acero.	Sólo evaporadores fríos (tanques criogénicos) de 160 litros o más.
7322.9000	Generadores y distribuidores de aire caliente (incluidos los distribuidores de aire fresco o acondicionado), de calentamiento no eléctrico, que lleven un ventilador o un soplador con motor, y sus partes, de fundición, hierro o acero.	Solamente generadores de aire y gases calientes de uso industrial.
7325.1000	Las demás manufacturas moldeadas de fundición no maleable.	Solamente para cabezales de pozos petroleros.
7325.9900	Las demás manufacturas moldeadas de fundición, hierro o acero.	Solamente para cabezales de pozos petroleros.
7326.1900	Las demás manufacturas de hierro o acero, forjadas o estampadas pero sin trabajar de otro modo.	Solamente para cabezales de pozos petroleros.
7326.9000	Las demás manufacturas de hierro o de acero.	Solamente para cabezales de pozos petroleros.
8205.5900	Las demás herramientas de mano (incluidos los diamantes para vidriero).	Solamente cepillos para metales.
8402.1110	Calderas acuotubulares de vapor, con una producción de vapor superior a 45 t por hora pero inferior o igual a 100 t por hora.	
8402.1120	Calderas acuotubulares de vapor con una producción de vapor superior a 100 t pero inferior o igual a 200 t por hora.	
8402.1190	Las demás calderas acuotubulares de vapor, con una producción de vapor superior a 200 t por hora.	
8402.1200	Calderas acuotubulares de vapor, con	

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
	una producción de vapor inferior o igual a 45 t. por hora.	
8402.1900	Las demás calderas de vapor, incluidas las calderas mixtas.	
8402.2000	Calderas denominadas "de agua sobrecalentada".	
8404.1000	Aparatos auxiliares para las calderas de las partidas 84.02 u 84.03 (por ejemplo: economizadores, recalentadores, deshollinadores o recuperadores de gas).	Sólo para calderas de la Partida 84.02.
8404.2000	Condensadores para máquinas de vapor.	
8405.1000	Generadores de gas pobre (gas de aire) o de gas de agua, incluso con sus depuradores; generadores de acetileno y generadores similares de gases, por vía húmeda, incluso con sus depuradores.	
8406.1000	Turbinas de vapor para la propulsión de barcos.	
8406.8100	Turbinas de vapor de potencia superior a 40 MW.	
8406.8200	Turbinas de vapor de potencia inferior o igual a 40 MW.	
8407.1000	Motores de aviación, de émbolo (pistón) alternativo y motores rotativos, de encendido por chispa (motores de explosión).	
8407.2100	Motores para la propulsión de barcos, del tipo fueraborda, de émbolo (pistón) alternativo y motores rotativos, de encendido por chispa (motores de explosión).	
8407.2900	Los demás motores para la propulsión de barcos, de émbolo (pistón) alternativo y motores rotativos, de encendido por chispa (motores de explosión).	

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
8407.9010	Motores estacionarios, de émbolo (pistón) alternativo y motores rotativos, de encendido por chispa (motores de explosión).	
8407.9090	Los demás motores de émbolo (pistón) alternativo y motores rotativos, de encendido por chispa (motores de explosión).	
8408.1010	Motores para la propulsión de barcos, del tipo fuera borda, de émbolo (pistón) de encendido por compresión (motores Diesel o semi-Diesel).	
8408.1090	Los demás motores para la propulsión de barcos, de émbolo (pistón) de encendido por compresión (motores Diesel o semi-Diesel).	
8408.2010	Motores de émbolo(pistón de encendido por compresión (motores Diesel o semi-Diesel), de los tipos utilizados para la propulsión de vehículos de la partida 87.01.	Solamente de 120 HP o superiores.
8408.2020	Motores de émbolo(pistón)de encendido por compresión (motores Diesel o semi-Diesel), de los tipos utilizados para la propulsión de vehículos de la partida 87.02.	Solamente de 120 HP o superiores.
8408.2030	Motores de émbolo(pistón)de encendido por compresión (motores Diesel o semi-Diesel), de los tipos utilizados para la propulsión de vehículos de la partida 87.03.	Solamente de 120 HP o superiores.
8408.2040	Motores de émbolo(pistón)de encendido por compresión (motores Diesel o semi-Diesel), de los tipos utilizados para la propulsión de vehículos de la partida 87.04.	Solamente de 120 HP o superiores.
8408.2090	Los demás motores de émbolo (pistón) de encendido por compresión (motores Diesel o semi-Diesel), de los tipos utilizados para la propulsión de vehículos del Capítulo 87.	Solamente de 120 HP o superiores.

8408.9010	Motores estacionarios, de émbolo (pistón) de encendido por compresión (motores Diesel o semi-Diesel).
8408.9090	Los demás motores de émbolo (pistón) de encendido por compresión (motores Diesel o semi-Diesel).
8410.1110	Turbinas hidráulicas de potencia inferior o igual a 1.000 kW.
8410.1120	Ruedas hidráulicas de potencia inferior o igual a 1.000 kW.
8410.1210	Turbinas hidráulicas de potencia superior a 1.000 kW pero inferior o igual a 10.000 kW.
8410.1220	Ruedas hidráulicas de potencia superior a 1.000 kW pero inferior o igual a 10.000 kW.
8410.1310	Turbinas de potencia superior a 10.000 kW.
8410.1320	Ruedas hidráulicas de potencia superior a 10.000 kW.
8411.1100	Turborreactores de empuje inferior o igual a 25 kN.
8411.1200	Turborreactores de empuje superior a 25 kN.
8411.2100	Turbopropulsores de potencia inferior o igual a 1.100 kW.
8411.2200	Turbopropulsores de potencia superior a 1.100 kW.
8411.8100	Las demás turbinas de gas de potencia inferior o igual a 5.000 kW.
8411.8200	Las demás turbinas de gas de potencia superior a 5.000 kW.
8412.1000	Motores y máquinas motrices, propulsores a reacción, excepto los

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	turborreactores.	
8412.2100	Motores hidráulicos con movimiento rectilíneo (cilindros).	
8412.2900	Los demás motores hidráulicos sin movimiento rectilíneo (cilindro).	
8412.3100	Motores neumáticos con movimiento rectilíneo (cilindro).	
8412.3900	Los demás motores neumáticos sin movimiento rectilíneo (cilindro).	
8412.8000	Los demás motores y máquinas motrices.	
8413.1100	Bombas, con dispositivo medidor incorporado o concebidas para llevarlo, para la distribución de carburantes o lubricantes, de los tipos utilizados en gasolineras, estaciones de servicio o en garajes.	
8413.1900	Las demás bombas para líquidos, con dispositivo medidor incorporado o concebidas para llevarlo.	
8413.4000	Bombas para hormigón.	
8413.5000	Las demás bombas volumétricas alternativas.	
8413.6000	Las demás bombas volumétricas rotativas.	
8413.7000	Las demás bombas centrífugas.	
8413.8100	Las demás bombas para líquidos.	
8413.8200	Elevadores de líquidos.	
8414.1000	Bombas de vacío.	Excepto manuales o a pedal.
8414.3090	Los demás compresores de los tipos utilizados en los equipos frigoríficos, de potencia superior a 0,4 kW.	Excepto de hasta 1 Hp.
8414.4010	Compresores de aire montados en chasis remolcable.	

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8414.4090	Los demás compresores de aire montados en chasis remolcable con ruedas.	
8414.5900	Los demás ventiladores.	Excepto de hasta 3 Hp.
8414.6000	Campanas aspirantes en las que el mayor lado horizontal sea inferior o igual a 120 cm.	Excepto de hasta 3 Hp.
8414.8010	Turbocargadores y supercargadores para vehículos automotores.	Excepto manuales o a pedales. Excepto de hasta 1 Hp.
8414.8090	Los demás bombas de aire, compresores de aire u otros gases, campanas aspirantes para extracción o reciclado, con ventilador incorporado, incluso con filtro.	Excepto manuales o a pedales. Excepto de hasta 1 Hp.
8415.1000	Máquinas y aparatos para acondicionamiento de aire, de pared o para ventanas, formando un solo cuerpo o del tipo sistema de elementos separados («split-system»).	Excepto aquellos con compresor hasta 10 Hp.
8415.8100	Los demás máquinas y aparatos para acondicionamiento de aire, con equipo de enfriamiento y válvula de inversión del ciclotérmico (bombas de calor reversibles).	Excepto aquellos con compresor hasta 10 Hp.
8415.8200	Los demás, máquinas y aparatos para acondicionamiento de aire, con equipo de enfriamiento.	Excepto aquellos con compresor hasta 10 Hp.
8415.8300	Los demás máquinas y aparatos para acondicionamiento de aire, sin equipo de enfriamiento.	Excepto aquellos con compresor hasta 10 Hp.
8416.1000	Quemadores de combustibles líquidos.	
8416.2000	Los demás quemadores, incluidos los mixtos.	
8416.3000	Alimentadores mecánicos de hogares, parrillas mecánicas, descargadores mecánicos de cenizas y demás dispositivos mecánicos auxiliares	

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	empleados en hogares.	
8417.1000	Hornos para tostación, fusión u otros tratamientos térmicos de los minerales metalíferos (incluidas las piritas) o de los metales.	
8417.2000	Hornos de panadería, pastelería o galletería.	
8417.8000	Los demás hornos industriales o de laboratorio, incluidos los incineradores, que no sean eléctricos.	
8418.5000	Los demás muebles (armarios, arcones (cofres), vitrinas, mostradores y similares) para la conservación y exposición de los productos, que incorporen un equipo para refrigerar o congelar.	Sólo vitrinas comerciales con compresor de más de 1 Hp.
8418.6910	Instalaciones frigoríficas.	Incluidas las paredes de aislantes que constituyan cámara de frío aunque se presenten aisladamente.
8418.6920	Unidades de refrigeración.	Sólo de más de 1 Hp.
8418.6990	Los demás materiales, máquinas y aparatos para producción de frío.	
8418.9990	Las demás partes para refrigeradores, congeladores y demás material, para máquinas y aparatos para producción de frío, aunque no sean eléctricos; de bombas de calor.	Solamente evaporadores y condensadores para instalaciones frigoríficas.
8419.1100	Calentadores de agua, de calentamiento instantáneo, de gas.	Excepto de uso doméstico.
8419.1900	Los demás calentadores de agua de calentamiento instantáneo o de acumulación, excepto los eléctricos.	Excepto de uso doméstico.
8419.2000	Esterilizadores médicos, quirúrgicos o de laboratorio	
8419.3100	Secadores para productos agrícolas.	
8419.3210	Secadores para madera.	

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8419.3220	Secadores para pasta para papel, papel o cartón.	
8419.3900	Los demás secadores.	
8419.4000	Aparatos de destilación o rectificación.	
8419.5000	Intercambiadores de calor.	
8419.6000	Aparatos y dispositivos para licuefacción de aire u otros gases.	
8419.8910	Autoclaves.	
8419.8920	Evaporadores.	
8419.8990	Los demás aparatos y dispositivos, aunque se calienten eléctricamente, para el tratamiento de materias mediante operaciones que impliquen un cambio de temperatura.	
8420.1000	Calandrias y laminadores.	
8421.1100	Desnatadoras (descremadoras).	
8421.1200	Secadoras de ropa.	Excepto de uso doméstico.
8421.1900	Las demás centrifugadoras, incluidas las secadoras centrífugas.	Excepto de uso doméstico.
8421.2110	Filtros prensa para filtrar o depurar agua.	
8421.2192	Filtros depuradores de agua para calderas.	
8421.2193	Depuradores de agua de acción química.	
8421.2199	Los demás aparatos para filtrar o depurar agua.	
8421.2210	Filtros prensa para filtrar o depurar las demás bebidas .	
8421.2290	Los demás aparatos para filtrar o depurar las demás bebidas.	

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8421.2910	Aparatos filtrantes de membrana.	
8421.2920	Filtros de vacío rotativos.	
8421.2990	Los demás aparatos de filtrar o depurar líquidos.	
8421.3910	Convertidores catalíticos.	
8421.3990	Los demás aparatos de filtrar o depurar gases.	
8422.1900	Las demás máquinas de lavar vajilla.	
8422.2000	Máquinas y aparatos de limpiar o secar botellas o demás recipientes.	
8422.3010	Máquinas y aparatos de llenar, cerrar, tapar, taponar o etiquetar botellas, botes o latas.	
8422.3020	Máquinas y aparatos, de capsular botellas o tarros.	
8422.3030	Máquinas y aparatos, de gasear bebidas	
8422.3090	Los demás máquinas y aparatos de llenar, cerrar, tapar, taponar o etiquetar cajas, sacos (bolsas) o demás continentes; máquinas y aparatos de capsular tubos y continentes análogos.	
8422.4000	Las demás máquinas y aparatos de empaquetar o envolver mercancías (incluidas las de envolver con película termorretráctil).	
8423.2000	Básculas y balanzas para pesada continua sobre transportador.	
8423.3000	Básculas y balanzas para pesada constante, incluidas las de descargar pesos determinados en sacos (bolsas) u otros recipientes, así como las dosificadoras de tolva.	
8423.8100	Los demás aparatos e instrumentos para pesar, con capacidad inferior o igual a 30 kg.	Sólo las de funciones múltiples o usos especiales.

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8423.8200	Los demás aparatos e instrumentos para pesar, con capacidad superior a 30 kg pero inferior o igual a 5000 kg.	Sólo las de funciones múltiples o usos especiales.
8423.8900	Los demás aparatos e instrumentos de pesar.	Sólo las de funciones múltiples o usos especiales.
8424.1000	Extintores, incluso cargados.	
8424.3000	Máquinas y aparatos de chorro de arena o de vapor y aparatos de chorro similares.	
8424.8110	Sistemas de riego para agricultura u horticultura.	
8424.8190	Los demás aparatos para agricultura u horticultura.	
8424.8900	Los demás aparatos mecánicos (incluso manuales) para proyectar, dispersar o pulverizar materias líquidas o en polvo.	
8425.1100	Polipastos con motor eléctrico.	
8425.1900	Los demás polipastos.	Excepto los manuales.
8425.3100	Tornos; cabrestantes, con motor eléctrico.	
8425.3990	Los demás tornos; cabrestantes.	Excepto los manuales.
8425.4200	Los demás gatos hidráulicos.	Excepto de uso automotriz mecánico e hidráulico.
8425.4900	Los demás gatos.	Excepto de uso automotriz mecánico e hidráulico.
8426.1100	Puentes (incluidas las vigas) rodantes, sobre soporte fijo.	
8426.1200	Pórticos móviles sobre neumáticos y carretillas puente.	
8426.1900	Los demás puentes (incluidas las vigas) rodantes, pórticos, puentes grúa.	
8426.2000	Grúas de torre.	

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8426.3000	Grúas de pórtico.	
8426.4100	Las demás máquinas y aparatos, autopropulsados, sobre neumáticos.	
8426.4900	Los demás máquinas y aparatos, autopropulsados.	
8426.9100	Las demás máquinas y aparatos, concebidos para montarlos sobre vehículos de carretera.	
8426.9900	Los demás grúas y aparatos de elevación sobre cable aéreo, carretillas grúa.	
8427.1011	Montacargas de carga frontal y unidad motriz trasera (denominado counterbalance), con capacidad de levante inferior o igual a 2.000 kilos.	
8427.1012	Montacargas de carga frontal y unidad motriz trasera (denominado counterbalance), con capacidad de levante superior a 2.000 kilos.	
8427.1090	Las demás carretillas autopropulsadas con motor eléctrico.	
8427.2011	Montacargas de carga frontal y unidad motriz trasera (denominado counterbalance), con motor a gas, con capacidad de levante inferior o igual a 2.000 kilos.	
8427.2012	Montacargas de carga frontal y unidad motriz trasera (denominado counterbalance), con motor a gas, con capacidad de levante superior a 2.000 kilos.	
8427.2013	Montacargas de carga frontal y unidad motriz trasera (denominado counterbalance), con motor a gasolina, con capacidad de levante inferior o igual a 2.000 kilos.	

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
8427.2014	Montacargas de carga frontal y unidad motriz trasera (denominado counterbalance), con motor a gasolina, con capacidad de levante superior a 2.000 kilos.	
8427.2015	Montacargas de carga frontal y unidad motriz trasera (denominado counterbalance), con motor diesel, con capacidad de levante inferior o igual a 2.000 kilos.	
8427.2016	Montacargas de carga frontal y unidad motriz trasera (denominado counterbalance), con motor diesel, con capacidad de levante superior a 2.000 kilos.	
8427.2090	Las demás carretillas autopropulsadas.	
8428.1010	Ascensores sin cabina ni contrapeso.	
8428.1091	Ascensores con cabina y contrapeso.	
8428.1092	Montacargas.	
8428.1099	Los demás ascensores y montacargas.	
8428.2000	Aparatos elevadores o transportadores, neumáticos.	
8428.3100	Aparatos elevadores o transportadores, de acción continua, para mercancías, especialmente concebidos para el interior de minas u otros trabajos subterráneos.	
8428.3200	Los demás aparatos elevadores o transportadores, de acción continua, para mercancías, de cangilones.	
8428.3310	Los demás aparatos elevadores o transportadores, de acción continua, para mercancías, de banda o correa, para minería.	
8428.3390	Los demás aparatos elevadores o transportadores, de acción continua, para mercancías, de banda o correa.	

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8428.3900	Los demás aparatos elevadores o transportadores, de acción continua, para mercancías.	
8428.4010	Escaleras mecánicas.	
8428.4020	Pasillos móviles.	
8428.6000	Teleféricos (incluidos las telesillas y los telesquís); mecanismos de tracción para funiculares.	
8428.9000	Las demás máquinas y aparatos de elevación, carga, descarga o manipulación.	
8429.1110	Topadoras frontales («bulldozers»), de orugas.	
8429.1190	Topadoras angulares ("angledozers"), de orugas.	
8429.1910	Topadoras frontales («bulldozers») y topadoras angulares ("angledozers"), de ruedas.	
8429.1990	Las demás topadoras frontales («bulldozers») y topadoras angulares ("angledozers"), autopropulsadas.	
8429.2010	Motoniveladoras autopropulsadas.	
8429.2090	Las demás niveladoras autopropulsadas.	
8429.3000	Traíllas («scrapers») autopropulsadas.	
8429.4010	Rodillos compactadores autopropulsados.	
8429.4090	Las demás compactadoras y apisonadoras (aplanadoras), autopropulsadas.	
8429.5110	Cargadores frontales autopropulsados.	
8429.5190	Las demás cargadoras y palas cargadoras de carga frontal, autopropulsadas.	

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8429.5210	Excavadoras autopropulsadas, cuya superestructura pueda girar 360°:	
8429.5290	Las demás máquinas autopropulsadas, cuya superestructura pueda girar 360°:	
8429.5910	Palas mecánicas autopropulsadas.	
8429.5920	Excavadoras de cangilones suspendidos (dragalinas), autopropulsados.	
8429.5930	Excavadoras continuas de cuchara, garras o cangilones excavadores, autopropulsadas.	
8429.5990	Las demás palas mecánicas, excavadoras, cargadoras y palas cargadoras, autopropulsadas .	
8430.1000	Martinetes y máquinas de arrancar pilotes, estacas o similares.	
8430.2000	Quitanieves.	
8430.3100	Cortadoras y arrancadoras, de carbón o rocas, y máquinas de hacer túneles o galerías, autopropulsadas.	
8430.3900	Las demás cortadoras y arrancadoras, de carbón o rocas, y máquinas para hacer túneles o galerías.	
8430.4110	Las demás máquinas de sondeo o perforación, autopropulsadas, de orugas.	
8430.4190	Los demás máquinas de sondeo o perforación, autopropulsadas.	
8430.4910	Las demás máquinas de sondeo o perforación, estacionarias.	
8430.4990	Las demás máquinas de sondeo o perforación.	
8430.5000	Las demás máquinas y aparatos para explanar, nivelar, traillar («scraping»),	

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
	excavar, compactar, apisonar, (aplanar), extraer o perforar tierra o minerales, autopropulsados.	
8430.6100	Máquinas y aparatos de compactar o apisonar (aplanar), sin propulsión.	
8430.6900	Los demás máquinas y aparatos para explanar, nivelar, traillar («scraping»), excavar, extraer o perforar tierra o minerales, sin propulsión.	
8432.1000	Arados.	Excepto a tracción animal.
8432.2100	Gradas (rastras) de discos.	Excepto a tracción animal.
8432.2900	Las demás gradas (rastras), escarificadores, cultivadores, extirpadores, azadas rotativas (rotocultores), escardadoras y binadoras.	Excepto a tracción animal.
8432.3000	Sembradoras, plantadoras y trasplantadoras.	
8432.4000	Eparcadores de estiércol y distribuidores de abonos.	
8432.8000	Las demás máquinas, aparatos y artefactos agrícolas, hortícolas o silvícolas, para la preparación o el trabajo del suelo o para el cultivo; rodillos para césped o terrenos de deporte.	
8433.2000	Guadañadoras, incluidas las barras de corte para montar sobre un tractor.	
8433.3000	Las demás máquinas y aparatos de henificar.	
8433.4000	Prensas para paja o forraje, incluidas las prensas recogedoras.	
8433.5100	Cosechadoras-trilladoras.	
8433.5200	Las demás máquinas y aparatos de trillar.	
8433.5300	Máquinas de cosechar raíces o	

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	tubérculos	
8433.5910	Máquinas sacudidoras y vibradoras de árboles.	
8433.5920	Máquinas para la recolección de oleaginosas.	
8433.5930	Máquinas para vendimiar.	
8433.5990	Los demás máquinas y aparatos de cosechar.	
8433.6010	Máquinas para limpieza o clasificación de frutas.	
8433.6090	Las demás máquinas para limpieza o clasificación de huevos, frutos o demás productos agrícolas.	
8434.1000	Máquinas de ordeñar.	
8434.2000	Máquinas y aparatos para la industria lechera.	
8435.1010	Máquinas y aparatos empleados en la vinicultura.	
8435.1090	Los demás prensas, estrujadoras y máquinas y aparatos análogos para la producción de vino, sidra, jugos de frutos o bebidas similares.	
8436.1000	Máquinas y aparatos para preparar alimentos o piensos para animales.	
8436.2100	Incubadoras y criadoras.	
8436.2900	Las demás máquinas y aparatos para la avicultura.	
8436.8000	Las demás máquinas y aparatos para la agricultura, horticultura, silvicultura, apicultura, incluidos los germinadores con dispositivos mecánicos o térmicos incorporados y las incubadoras y criadoras avícolas.	
8437.1000	Máquinas para limpieza, clasificación o cribado de semillas, granos u	

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	hortalizas de vaina secas.	
8437.8000	Las demás máquinas y aparatos para la molienda o tratamiento de cereales u hortalizas de vaina secas, excepto las de tipo rural.	
8438.1010	Máquinas y aparatos, para panadería, pastelería, galletería.	
8438.1020	Máquinas y aparatos, para la fabricación de pastas alimenticias.	
8438.2000	Máquinas y aparatos para confitería, elaboración de cacao o la fabricación de chocolate.	
8438.3000	Máquinas y aparatos para la industria azucarera.	
8438.4000	Máquinas y aparatos para la industria cervecera.	
8438.5000	Máquinas y aparatos para la preparación de carne.	
8438.6000	Máquinas y aparatos para la preparación de frutos u hortalizas.	
8438.8010	Las demás máquinas y aparatos, para la preparación de pescados, crustáceos y moluscos.	
8438.8090	Las demás máquinas y aparatos, no expresados ni comprendidos en otra parte de este Capítulo, para la preparación o fabricación industrial de alimentos o bebidas, excepto las máquinas y aparatos para extracción o preparación de aceites o grasas, animales o vegetales fijos.	
8439.1000	Máquinas y aparatos para la fabricación de pasta de materias fibrosas celulósicas.	
8439.2000	Máquinas y aparatos para la fabricación de papel o cartón.	
8439.3000	Máquinas y aparatos para el	

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
	acabado de papel o cartón.	
8440.1000	Máquinas y aparatos para encuadernación, incluidas las máquinas para coser pliegos.	
8441.1010	Cortadoras-bobinadoras, para el trabajo de la pasta de papel, del papel o cartón.	
8441.1020	Guillotinas de una sola hoja, para el trabajo de la pasta de papel, del papel o cartón.	
8441.1090	Las demás cortadoras, para el trabajo de la pasta de papel, del papel o cartón.	
8441.2000	Máquinas para la fabricación de sacos (bolsas), bolsitas o sobres, para el trabajo de la pasta de papel, del papel o cartón.	
8441.3000	Máquinas para la fabricación de cajas, tubos, tambores o continentes similares, excepto por moldeado, para el trabajo de la pasta de papel, del papel o cartón.	
8441.4000	Máquinas de moldear artículos de pasta de papel, de papel o cartón.	
8441.8000	Las demás máquinas y aparatos para el trabajo de la pasta de papel, del papel o cartón.	
8442.3000	Máquinas, aparatos y material para preparar o fabricar clisés, planchas, cilindros o demás elementos impresores.	
8443.1100	Máquinas y aparatos para imprimir, offset, alimentados con bobinas.	Excepto las de oficina.
8443.1310	Máquinas y aparatos para imprimir, offset, alimentados con hojas de formato superior a 22 cm x 36 cm, pero inferior o igual a 52 cm x 74 cm.	Excepto las de oficina.
8443.1390	Las demás máquinas y aparatos para imprimir, offset.	Excepto las de oficina.
8443.1400	Máquinas y aparatos para imprimir,	Excepto las de oficina.

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
	tipográficos, alimentados con bobinas, excepto las máquinas y aparatos, flexográficos.	
8443.1500	Máquinas y aparatos para imprimir, tipográficos, distintos de los alimentados con bobinas,excepto las máquinas y aparatos flexográficos.	Excepto las de oficina.
8443.1600	Máquinas y aparatos para imprimir, flexográficos.	Excepto las de oficina.
8443.1700	Máquinas y aparatos para imprimir, heliográficos (huecograbado).	Excepto las de oficina.
8443.1900	Los demás máquinas y aparatos para imprimir mediante planchas, cilindros y demás elementos impresores de la partida 84.42.	Excepto las de oficina.
8443.3110	Máquinas láser que efectúen dos o más de las siguientes funciones: impresión, copia o fax, aptas para ser conectadas a una máquina automática para tratamiento o procesamiento de datos o a una red.	
8443.3120	Máquinas por chorro de tinta que efectúen dos o más de las siguientes funciones: impresión, copia o fax, aptas para ser conectadas a una máquina automática para tratamiento o procesamiento de datos o a una red.	
8443.3190	Las demás máquinas que efectúen dos o más de las siguientes funciones: impresión, copia o fax, aptas para ser conectadas a una máquina automática para tratamiento o procesamiento de datos o a una red.	
8443.3211	Impresoras láser, aptas para ser conectadas a una máquina automática para tratamiento o procesamiento de datos o a una red.	
8443.3212	Impresoras por chorro de tinta, aptas para ser conectadas a una máquina automática para tratamiento o procesamiento de datos o a una red.	

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
8443.3213	Impresoras por transferencia térmica, aptas para ser conectadas a una máquina automática para tratamiento o procesamiento de datos o a una red.	
8443.3219	Las demás impresoras aptas para ser conectadas a una máquina automática para tratamiento o procesamiento de datos o a una red.	
8443.3290	Las demás máquinas copiadoras y de fax, aptas para ser conectadas a una máquina automática para tratamiento o procesamiento de datos o a una red.	
8443.3900	Las demás máquinas impresoras, copiadoras y de fax, incluso combinadas entre sí.	
8443.9100	Partes y accesorios de máquinas y aparatos para imprimir por medio de planchas, cilindros y demás elementos impresores de la partida 84.42.	Máquinas auxiliares.
8443.9990	Los demás partes y accesorios de las demás máquinas impresoras, copiadoras y de fax, incluso combinadas entre sí.	Máquinas auxiliares.
8444.0000	Máquinas para extrudir, estirar, texturar o cortar materia textil sintética o artificial.	
8445.1100	Cardas para la preparación de materia textil.	
8445.1200	Peinadoras para la preparación de materia textil.	
8445.1300	Mecheras para la preparación de materia textil.	
8445.1900	Las demás máquinas para la preparación de materia textil.	
8445.2000	Máquinas de hilar materia textil.	
8445.3000	Máquinas de doblar o retorcer	

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
	materia textil.	
8445.4000	Máquinas de bobinar (incluidas las canilleras) o devanar materia textil.	
8445.9000	Los demás máquinas y aparatos para la fabricación y preparación de hilados textiles para su utilización en las máquinas de las partidas 84.46 u 84.47.	
8446.1000	Para tejidos de anchura inferior o igual a 30 cm.	
8446.2100	Telares de motor para tejidos de anchura superior a 30 cm, de lanzadera.	
8446.2900	Los demás telares para tejidos de anchura superior a 30 cm, de lanzadera.	
8446.3000	Telares para tejidos de anchura superior a 30 cm, sin lanzadera.	
8447.1100	Maquinas circulares de tricotar, con cilindro de diámetro inferior o igual a 165 mm.	
8447.1200	Maquinas circulares de tricotar, con cilindro de diámetro superior a 165 mm.	
8447.2090	Las demás máquinas rectilíneas de tricotar; máquinas de coser por cadeneta.	
8447.9000	Las demás máquinas de tricotar, de entorchar, de fabricar tul, encaje, bordados, pasamanería, trenzas, redes o de insertar mechones.	
8448.1100	Maquinitas para lizos y mecanismos Jacquard; reductoras, perforadoras y copiadoras de cartones; máquinas para unir cartones después de perforados.	
8448.1900	Los demás máquinas y aparatos auxiliares para las máquinas de las partidas 84.44, 84.45, 84.46 u 84.47.	
8449.0000	Máquinas y aparatos para la fabricación o acabado del fieltro o	

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
	tela sin tejer, en pieza o con forma, incluidas las máquinas y aparatos para la fabricación de sombreros de fieltro; hormas de sombrerería.	
8450.2000	Máquinas para lavar ropa, incluso con dispositivo de secado, de capacidad unitaria, expresada en peso de ropa seca, superior a 10 kg.	
8451.1000	Máquinas para limpieza en seco.	
8451.2900	Las demás máquinas de secar.	
8451.3000	Máquinas y prensas de planchar, incluidas las prensas para fijar.	Uso industrial.
8451.4010	Máquinas para lavar.	
8451.4020	Máquinas para blanquear o teñir.	
8451.5000	Máquinas para enrollar, desenrollar, plegar, cortar o dentar telas.	
8451.8010	Máquinas y aparatos para el apresto y el acabado de hilados, telas o manufacturas textiles.	
8451.8090	Las demás máquinas y aparatos para limpiar, escurrir, aprestar, acabar, recubrir o impregnar hilados, telas o manufacturas textiles y máquinas para el revestimiento de telas u otros soportes utilizados en la fabricación de cubresuelos, tales como linóleo.	
8452.2100	Las demás máquinas de coser, unidades automáticas.	Incluidas las cabezas cuando se presenten aisladamente.
8452.2900	Las demás máquinas de coser.	Incluidas las cabezas cuando se presenten aisladamente.
8452.4000	Muebles, basamentos y tapas o cubiertas para máquinas de coser, y sus partes.	Sólo para máquinas de coser industriales.
8453.1000	Máquinas y aparatos para la preparación, curtido o trabajo de cuero o piel.	

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
8453.2000	Máquinas y aparatos para la fabricación o reparación de calzado.	
8453.8000	Las demás máquinas y aparatos para la fabricación o reparación de otras manufacturas de cuero o piel.	
8454.1000	Convertidores para metalurgia, acerías o fundiciones.	
8454.2000	Lingoteras y cucharas de colada, para metalurgia, acerías o fundiciones.	
8454.3010	Máquinas de moldear a presión, para metalurgia, acerías o fundiciones.	
8454.3090	Las demás máquinas de colar (moldear), para metalurgia, acerías o fundiciones.	
8455.1000	Laminadores de tubos.	
8455.2100	Laminadores para laminar en caliente o combinados para laminar en caliente y en frío.	
8455.2200	Laminadores para laminar en frío.	
8456.1000	Máquinas herramienta que operen mediante láser u otros haces de luz o de fotones.	
8456.2000	Máquinas herramienta que operen por ultrasonido.	
8456.3000	Máquinas herramienta que operen por electroerosión.	
8456.9000	Las demás máquinas herramienta que trabajen por arranque de cualquier materia mediante procesos electroquímicos, haces de electrones, haces iónicos o chorro de plasma.	
8457.1000	Centros de mecanizado para trabajar metal.	

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
8457.2000	Máquinas de puesto fijo para trabajar metal.	
8457.3000	Máquinas de puestos múltiples para trabajar metal.	
8458.1110	Tornos horizontales de control numérico, paralelos universales, que trabajen por arranque de metal.	
8458.1190	Los demás tornos horizontales de control numérico, que trabajen por arranque de metal.	
8458.1910	Los demás tornos horizontales, paralelos universales, que trabajen por arranque de metal.	
8458.1990	Los demás tornos horizontales, que trabajen por arranque de metal.	
8458.9100	Los demás tornos de control numérico, que trabajen por arranque de metal.	
8458.9900	Los demás tornos (incluidos los centros de tornado), que trabajen por arranque de metal.	
8459.1000	Unidades de mecanizado de correderas.	
8459.2100	Máquinas de taladrar de control numérico.	
8459.2900	Las demás máquinas de taladrar.	
8459.3100	Máquinas escariadoras-fresadoras, de control numérico.	
8459.3900	Las demás máquinas escariadoras-fresadoras.	
8459.4000	Las demás máquinas escariadoras.	
8459.5100	Máquinas de fresar de consola, de control numérico.	
8459.5900	Las demás máquinas de fresar de consola.	

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
8459.6100	Las demás máquinas de fresar, de control numérico.	
8459.6900	Las demás máquinas de fresar.	
8459.7010	Las demás máquinas de roscar (incluso aterrajear), de control numérico.	
8459.7090	Las demás máquinas de roscar (incluso aterrajear).	
8460.1100	Máquinas de rectificar superficies planas en las que la posición de la pieza pueda regularse en uno de los ejes con una precisión superior o igual a 0,01 mm, de control numérico.	
8460.1900	Las demás máquinas de rectificar superficies planas en las que la posición de la pieza pueda regularse en uno de los ejes con una precisión superior o igual a 0,01 mm.	
8460.2100	Las demás máquinas de rectificar, en las que la posición de la pieza pueda regularse en uno de los ejes con una precisión superior o igual a 0,01 mm, de control numérico.	
8460.2900	Las demás máquinas de rectificar, en las que la posición de la pieza pueda regularse en uno de los ejes con una precisión superior o igual a 0,01 mm.	
8460.3100	Máquinas de afilar, de control numérico.	
8460.3900	Las demás máquinas de afilar.	
8460.4010	Máquinas de lapear (bruñir) de control numérico.	
8460.4090	Las demás máquinas de lapear (bruñir).	
8460.9011	Máquinas amoladoras, esmeriladoras y similares, de control numérico.	

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
8460.9019	Las demás máquinas amoladoras, esmeriladoras y similares.	
8460.9091	Máquinas de desbarbar, rectificar, pulir o hacer otras operaciones de acabado, para metal o cermet, mediante muelas, abrasivos o productos para pulir, de control numérico.	
8460.9099	Las demás máquinas de desbarbar, rectificar, pulir o hacer otras operaciones de acabado, para metal o cermet, mediante muelas, abrasivos o productos para pulir.	
8461.2010	Máquinas de limar o mortajar, de control numérico.	
8461.2090	Las demás máquinas de limar o mortajar.	
8461.3010	Máquinas de brochar de control numérico.	
8461.3090	Las demás máquinas de brochar.	
8461.4000	Máquinas de tallar o acabar engranajes.	
8461.5010	Máquinas de aserrar o trocear, de control numérico.	
8461.5090	Las demás máquinas de aserrar o trocear.	
8461.9010	Las demás máquinas de cepillar y demás de metal o cermet, no expresadas ni comprendidas en otra parte, de control numérico.	
8461.9090	Las demás máquinas de cepillar y demás máquinas herramienta que trabajen por arranque de metal o cermet, no expresadas ni comprendidas en otra parte.	
8462.1010	Prensas de forjar o estampar.	
8462.1090	Las demás máquinas de forjar o estampar, martillos pilón y otras máquinas de martillar.	

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8462.2110	Prensas de enrollar, curvar, plegar, enderezar o aplanar, de control numérico.	
8462.2120	Plegadoras de enrollar, curvar, plegar, enderezar o aplanar, de control numérico.	
8462.2190	Las demás máquinas de enrollar, curvar, enderezar o aplanar, de control numérico.	
8462.2910	Las demás prensas, de enrollar, curvar, plegar, enderezar o aplanar.	
8462.2920	Las demás plegadoras de enrollar, curvar, plegar, enderezar o aplanar.	
8462.2990	Las demás máquinas de enrollar, curvar, enderezar o aplanar.	
8462.3110	Prensas de cizallar, excepto las combinadas de cizallar y punzonar, de control numérico.	
8462.3120	Guillotinas de cizallar, excepto las combinadas de cizallar y punzonar, de control numérico.	
8462.3190	Las demás máquinas de cizallar, combinadas de cizallar y punzonar, de control numérico.	
8462.3910	Las demás prensas de cizallar, excepto las combinadas de cizallar y punzonar.	
8462.3920	Las demás guillotinas de cizallar, excepto las combinadas de cizallar y punzonar.	
8462.3990	Las demás máquinas de cizallar, excepto las combinadas de cizallar y punzonar.	
8462.4100	Máquinas(incluidas las prensas) de punzonar o entallar, incluso las combinadas de cizallar y punzonar, de control numérico.	
8462.4900	Las demás máquinas (incluidas las prensas) de punzonar o entallar, incluso las combinadas de cizallar y punzonar.	
8462.9110	Prensas hidráulicas de control numérico.	

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
8462.9190	Las demás prensas hidráulicas.	
8462.9910	Los demás martillo pilón y otras máquinas de martillar, para trabajar metal; prensas de trabajar metal o carburos metálicos, de control numérico.	
8462.9990	Las demás martillo pilón y otras máquinas de martillar, para trabajar metal; prensas de trabajar metal o carburos metálicos.	
8463.1000	Bancos de estirar barras, tubos, perfiles, alambres o similares, que no trabajen por arranque de materia.	
8463.2000	Máquinas laminadoras de hacer roscas, que no trabajen por arranque de materia.	
8463.3000	Máquinas de trabajar alambre, que no trabajen por arranque de materia.	
8463.9010	Máquinas para la fabricación de envases, que no trabajen por arranque de materia.	
8463.9090	Las demás máquinas herramienta para trabajar metal o cermet, que no trabajen por arranque de materia.	
8464.1000	Máquinas de aserrar para trabajar piedra, cerámica, hormigón, amiantocemento o materias minerales similares, o de trabajar el vidrio en frío.	
8464.2000	Máquinas de amolar o pulir, para trabajar piedra, cerámica, hormigón, amiantocemento o materias minerales similares, o de trabajar el vidrio en frío.	
8464.9000	Las demás máquinas herramienta para trabajar piedra, cerámica, hormigón, amiantocemento o materias minerales similares, o de trabajar el vidrio en frío.	
8465.1000	Máquinas que efectúen distintas operaciones de mecanizado sin	

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
	cambio de útil entre dichas operaciones	
8465.9110	Sierras de cinta, para trabajar madera, corcho, hueso, caucho endurecido, plástico rígido o materias duras similares.	
8465.9120	Sierras circulares, para trabajar madera, corcho, hueso, caucho endurecido, plástico rígido o materias duras similares.	
8465.9190	Las demás máquinas de aserrar, para trabajar madera, corcho, hueso, caucho endurecido, plástico rígido o materias duras similares.	
8465.9200	Máquinas de cepillar; máquinas de fresar o moldurar, para trabajar madera, corcho, hueso, caucho endurecido, plástico rígido o materias duras similares.	
8465.9300	Máquinas de amolar, lijar o pulir, para trabajar madera, corcho, hueso, caucho endurecido, plástico rígido o materias duras similares.	
8465.9400	Máquinas de curvar o ensamblar, para trabajar madera, corcho, hueso, caucho endurecido, plástico rígido o materias duras similares.	
8465.9500	Máquinas de taladrar o mortajar, para trabajar madera, corcho, hueso, caucho endurecido, plástico rígido o materias duras similares.	
8465.9600	Máquinas de hendir, rebanar o desenrollar, para trabajar madera, corcho, hueso, caucho endurecido, plástico rígido o materias duras similares.	
8465.9910	Tornos para trabajar madera, corcho, endurecido, plástico rígido o materias duras similares.	
8465.9990	Las demás máquinas herramienta para trabajar madera, corcho, hueso, caucho endurecido, plástico rígido o materias	

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
	duras similares.	
8466.1000	Portaútiles y dispositivos de roscar de apertura automática, identificables como destinados, exclusiva o principalmente, a las máquinas de las partidas 84.56 a 84.65.	Excepto piezas sueltas.
8466.2000	Portapiezas, identificables como destinados, exclusiva o principalmente, a las máquinas de las partidas 84.56 a 84.65.	Excepto piezas sueltas.
8466.3000	Divisores y demás dispositivos especiales para montar en máquinas herramienta, identificables como destinados, exclusiva o principalmente, a las máquinas de las partidas 84.56 a 84.65.	Excepto piezas sueltas.
8466.9100	Las demás partes y accesorios identificables como destinados, exclusiva o principalmente, para máquinas de la partida 84.64.	Excepto piezas sueltas.
8466.9200	Las demás partes y accesorios identificables como destinados, exclusiva o principalmente, para máquinas de la partida 84.65.	Excepto piezas sueltas.
8466.9300	Las demás partes y accesorios identificables como destinados, exclusiva o principalmente, para máquinas de las partidas 84.56 a 84.61.	Excepto piezas sueltas.
8466.9400	Las demás partes y accesorios identificables como destinados, exclusiva o principalmente, para máquinas de las partidas 84.62 u 84.63.	Excepto piezas sueltas.
8467.1110	Taladradoras, perforadoras y similares, neumáticas, rotativas (incluso de percusión), de uso manual.	
8467.1190	Las demás herramientas neumáticas, rotativas (incluso de percusión), de uso manual.	
8467.1900	Las demás herramientas neumáticas, de uso manual.	

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
8467.8100	Sierras o tronzadoras, de cadena, hidráulicas, de uso manual.	
8467.8900	Las demás herramientas hidráulicas, de uso manual.	
8468.1000	Sopletes manuales para soldar, aunque puedan cortar.	
8468.2000	Las demás máquinas y aparatos de gas para soldar .	
8468.8000	Las demás máquinas y aparatos de soldar, aunque puedan cortar.	
8470.9000	Las demás máquinas de calcular; máquinas de contabilidad, de franquear, expedir boletos (tiques) y máquinas similares.	Solamente sistemas de registro y facturación de tráfico telefónico. Solamente sistemas de procesamiento de pagos, validación de apuestas y realización de transacciones comerciales en línea. Solamente terminales inteligentes para operar como sistemas al servicio de loterías.
8471.3000	Máquinas automáticas para tratamiento o procesamiento de datos, portátiles, de peso inferior o igual a 10 kg, que estén constituidas, al menos, por una unidad central de proceso, un teclado y un visualizador.	
8471.4110	Máquinas automáticas para tratamiento o procesamiento de datos, que incluyan en la misma envoltura, al menos, una unidad central de proceso y, aunque estén combinadas, una unidad de entrada y una de salida, que puedan recibir y tratar señales de televisión, telecomunicación, audio y video.	
8471.4190	Las demás máquinas automáticas para tratamiento o procesamiento de datos, que incluyan en la misma envoltura, al menos, una unidad central de proceso y, aunque estén combinadas, una unidad de entrada y una de salida.	

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
8471.4910	Las demás máquinas automáticas para tratamiento o procesamiento de datos, presentadas en forma de sistemas, que puedan recibir y tratar señales de televisión, telecomunicación, audio y video.	
8471.4990	Las demás máquinas automáticas para tratamiento o procesamiento de datos, presentadas en forma de sistema.	
8471.5000	Unidades de proceso digitales, excepto las de las subpartidas 8471.41 u 8471.49, aunque incluyan en la misma envoltura uno o dos de los tipos siguientes de unidades: unidad de memoria, unidad de entrada y unidad de salida.	
8471.6010	Unidades combinadas de entrada o de salida.	
8471.6040	Teclados.	
8471.6090	Las demás unidades de entrada o salida, aunque incluyan unidades de memoria en la misma envoltura.	
8471.7011	Grabador y grabador-reproductor de discos compactos (CD).	
8471.7012	Grabador y grabador-reproductor de discos de vídeos digitales (discos digitales versátiles) (DVD).	
8471.7019	Las demás unidades de memoria de disco.	
8471.7020	Unidades de memoria de cinta.	
8471.7090	Las demás unidades de memoria.	
8471.8010	Unidades de control o adaptadores, de máquinas automáticas para tratamiento o procesamiento de datos.	
8471.8020	Las demás unidades de adaptación para su incorporación física en máquinas automáticas para el tratamiento de la información o unidades de las mismas.	

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
8471.8090	Las demás unidades de máquinas automáticas para tratamiento o procesamiento de datos.	
8471.9010	Lectores magnéticos.	
8471.9020	Lectores ópticos.	
8471.9090	Las demás máquinas para el tratamiento o procesamiento de datos, no expresadas ni comprendidas en otra parte.	
8472.9010	Distribuidores automáticos de billetes de banco y demás dispositivos para tratar monedas o billetes.	Solamente cajeros automáticos.
8474.1010	Máquinas y aparatos clasificadores de rodillos acanalados, para tierra, piedra u otra materia mineral sólida (incluidos el polvo y la pasta).	
8474.1020	Cribas y clasificadores de rastrillos, para tierra, piedra u otra materia mineral sólida (incluidos el polvo y la pasta).	
8474.1030	Máquinas y aparatos separadores de flotación, para tierra, piedra u otra materia mineral sólida (incluidos el polvo y la pasta).	
8474.1090	Las demás máquinas y aparatos de clasificar, cribar, separar o lavar tierra, piedra u otra materia mineral sólida (incluidos el polvo y la pasta).	
8474.2000	Máquinas y aparatos de quebrantar, triturar o pulverizar tierra, piedra u otra materia mineral sólida (incluidos el polvo y la pasta).	
8474.3100	Máquinas y aparatos hormigoneras y aparatos de amasar mortero.	
8474.3200	Máquinas de mezclar materia mineral con asfalto.	
8474.3900	Las demás máquinas y aparatos de mezclar, amasar o sobar.	

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8474.8000	Las demás máquinas y aparatos de aglomerar, formar o moldear combustibles minerales sólidos, pastas cerámicas, cemento, yeso o demás materias minerales en polvo o pasta; máquinas de hacer moldes de arena para fundición.	
8475.1000	Máquinas para montar lámparas, tubos o válvulas eléctricos o electrónicos o lámparas de destello, que tengan envoltura de vidrio.	
8475.2100	Máquinas de fabricar fibras ópticas y sus esbozos.	
8475.2900	Las demás máquinas para fabricar o trabajar en caliente el vidrio o sus manufacturas.	
8476.2100	Máquinas automáticas para venta de bebidas, con dispositivo de calentamiento o refrigeración, incorporado.	
8476.2900	Las demás máquinas automáticas para venta de bebidas.	
8476.8100	Las demás máquinas automáticas para la venta de productos, con dispositivo de calentamiento o refrigeración, incorporado.	
8476.8900	Las demás máquinas automáticas para la venta de productos, incluidas las máquinas para cambiar moneda.	Excepto las máquinas para cambiar moneda.
8477.1000	Máquinas de moldear por inyección, para trabajar caucho o plástico o para fabricar productos de estas materias.	
8477.2000	Máquinas y aparatos extrusores, para trabajar caucho o plástico o para fabricar productos de estas materias.	
8477.3000	Máquinas de moldear por soplado, para trabajar caucho o plástico o para fabricar productos de estas materias.	

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
8477.4000	Máquinas de moldear en vacío y demás máquinas para termoformado, para trabajar caucho o plástico o para fabricar productos de estas materias.	
8477.5100	Las demás máquinas de moldear o recauchutar neumáticos (llantas neumáticas) o moldear o formar cámaras para neumáticos.	
8477.5900	Los demás máquinas y aparatos de moldear o formar, para trabajar caucho o plástico o para fabricar productos de estas materias .	
8477.8000	Las demás máquinas y aparatos, para trabajar caucho o plástico o para fabricar productos de estas materias, no expresados ni comprendidos en otra parte de este Capítulo.	
8478.1000	Máquinas y aparatos para preparar o elaborar tabaco, no expresados ni comprendidos en otra parte de este Capítulo.	
8479.1000	Máquinas y aparatos para obras públicas, la construcción o trabajos análogos.	
8479.2000	Máquinas y aparatos para extracción o preparación de grasas o aceites vegetales fijos o animales.	
8479.3010	Prensas para fabricar tableros de partículas, fibra de madera u otras materias leñosas.	
8479.3020	Máquinas y aparatos descortezadoras de troncos.	
8479.3090	Las demás máquinas y aparatos de trabajar madera o corcho.	
8479.4000	Máquinas de cordelería o cablería.	
8479.5000	Robotes industriales, no expresados ni comprendidos en otra parte.	
8479.6000	Aparatos de evaporación para	

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	refrigerar el aire.	
8479.8100	Máquinas y aparatos para el tratamiento del metal, incluidas las bobinadoras de hilos eléctricos.	
8479.8200	Máquinas y aparatos para mezclar, amasar o sobar, quebrantar, triturar, pulverizar, cribar, tamizar, homogeneizar, emulsionar o agitar.	
8479.8910	Las demás máquinas y aparatos mecánicos, para la industria química y farmacéutica.	
8479.8920	Las demás máquinas y aparatos mecánicos, para la industria del jabón.	
8479.8930	Compactadores de basura.	
8479.8990	Las demás máquinas y aparatos mecánicos con una función propia, no expresados ni comprendidos en otra parte del Capítulo 84.	
8480.1000	Cajas de fundición.	
8480.2000	Placas de fondo para moldes.	
8480.4100	Moldes para el moldeo por inyección o compresión de metales o carburos metálicos.	
8480.4900	Los demás moldes para metales o carburos metálicos.	
8480.5000	Moldes para vidrio.	
8480.6000	Moldes para materia mineral.	
8480.7100	Moldes para moldeo por inyección o compresión del caucho o del plástico.	
8480.7900	Los demás moldes para caucho o plástico.	
8481.1000	Válvulas reductoras de presión, para tuberías, calderas, depósitos, cubas o continentes similares.	Solamente con cuerpo de acero, de alta resistencia y alta presión de servicio superior a 200 libras por pulgada cuadrada y de diámetro de

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
		5 o más pulgadas, con servomecanis- mo y sistema de control y comando eléctrico.
8481.2010	Válvulas para transmisiones oleohidráulicas, para tuberías, calderas, depósitos, cubas o continentes similares.	Solamente con cuerpo de acero, de alta resistencia y alta presión de servicio superior a 200 libras por pulgada cuadrada y de diámetro de 5 o más pulgadas, con servomecanis- mo y sistema de control y comando eléctrico.
8481.2020	Válvulas para transmisiones neumáticas, para tuberías, calderas, depósitos, cubas o continentes similares.	Solamente con cuerpo de acero, de alta resistencia y alta presión de servicio superior a 200 libras por pulgada cuadrada y de diámetro de 5 o más pulgadas, con servomecanis- mo y sistema de control y comando eléctrico.
8481.3010	Válvulas de retención para uso automotriz.	Solamente con cuerpo de acero, de alta resistencia y alta presión de servicio superior a 200 libras por pulgada cuadrada y de diámetro de 5 o más pulgadas, con servomecanis- mo y sistema de control y comando eléctrico.
8481.3090	Las demás válvulas de retención, para tuberías, calderas, depósitos, cubas o continentes similares.	Solamente con cuerpo de acero, de alta resistencia y alta presión de servicio superior a 200 libras por pulgada cuadrada y de diámetro de 5 o más pulgadas, con servomecanis- mo y sistema de control y comando eléctrico.
8481.4000	Válvulas de alivio o seguridad, para tuberías, calderas, depósitos, cubas o continentes similares.	Solamente con cuerpo de acero, de alta resistencia y alta presión de servicio superior a 200 libras por pulgada cuadrada y de diámetro de 5 o más pulgadas, con servomecanis- mo y sistema de control y comando eléctrico.
8481.8091	Los demás artículos de grifería y órganos similares, para uso automotriz.	Solamente con cuerpo de acero, de alta resistencia y alta presión de

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		servicio superior a 200 libras por pulgada cuadrada y de diámetro de 5 o más pulgadas, con servomecanismo y sistema de control y comando eléctrico.
8481.8099	Los demás artículos de grifería y órganos similares.	Solamente válvulas con cuerpo de acero, de alta resistencia y alta presión de servicio superior a 200 libras por pulgada cuadrada y de diámetro de 5 o más pulgadas, con servomecanismo y sistema de control y comando eléctrico.
8483.4021	Variadores de velocidad presentados aisladamente.	
8483.4022	Reductores de velocidad presentados aisladamente.	
8483.4029	Los demás multiplicadores de velocidad, incluidos los convertidores de par, presentados aisladamente.	
8486.1000	Máquinas y aparatos utilizados, exclusiva o principalmente, para la fabricación de semiconductores en forma de monocristales periformes u obleas («wafers»).	
8486.2000	Máquinas y aparatos utilizados, exclusiva o principalmente, para la fabricación de dispositivos semiconductores o circuitos electrónicos integrados.	
8486.3000	Máquinas y aparatos utilizados, exclusiva o principalmente, para la fabricación de dispositivos de visualización (display) de pantalla plana.	
8486.4000	Máquinas y aparatos descritos en la Nota 9 C) de este Capítulo 84.	
8501.2000	Motores eléctricos universales de potencia superior a 37,5 W.	Excepto de menos de 3 HP.
8501.3100	Motores de corriente continua; generadores de corriente continua,	

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	de potencia inferior o igual a 750 W.	
8501.3210	Motores de corriente continua; generadores de corriente continua, de potencia superior a 750 W pero inferior o igual a 7,5 kW.	
8501.3220	Motores de corriente continua; generadores de corriente continua, de potencia superior a 7,5 kW pero inferior o igual a 37 kW.	
8501.3290	Los demás motores de corriente continua; generadores de corriente continua, de potencia superior a 750 W pero inferior o igual a 75 kW.	
8501.3300	Los demás motores de corriente continua; generadores de corriente continua, de potencia superior a 75 kW pero inferior o igual a 375 kW.	
8501.3400	Los demás motores de corriente continua; generadores de corriente continua, de potencia superior a 375 kW .	
8501.4000	Los demás motores de corriente alterna, monofásicos.	Excepto de menos de 3 Hp.
8501.5210	Los demás motores de corriente alterna, polifásicos, de potencia superior a 750 W pero inferior o igual a 7,5 kW.	Excepto de menos de 3 Hp.
8501.5220	Los demás motores de corriente alterna, polifásicos, de potencia superior a 7,5 kW pero inferior o igual a 37 kW.	Excepto de menos de 3 Hp.
8501.5290	Los demás motores de corriente alterna, polifásicos, de potencia superior a 750 W pero inferior o igual a 75 kW.	Excepto de menos de 3 Hp.
8501.5310	Motores de tracción, de corriente alterna, polifásicos, de potencia superior a 75 k W.	
8501.5391	Los demás motores de corriente alterna, polifásicos, de potencia superior a 75 kW pero inferior o igual a 150 kW.	
8501.5392	Los demás motores de corriente alterna,	

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	polifásicos, de potencia superior a 150 kW pero inferior o igual a 375 kW.	
8501.5393	Los demás motores de corriente alterna, polifásicos, de potencia superior a 375 kW pero inferior o igual a 750 kW.	
8501.5399	Los demás motores de corriente alterna, polifásicos, de potencia superior a 75kW.	
8501.6100	Generadores de corriente alterna (alternadores), de potencia inferior o igual a 75 kVA.	
8501.6200	Generadores de corriente alterna (alternadores), de potencia superior a 75 kVA pero inferior o igual a 375 kVA.	
8501.6300	Generadores de corriente alterna (alternadores), de potencia superior a 375 kVA pero inferior o igual a 750 kVA.	
8501.6410	Generadores de corriente alterna (alternadores), de potencia superior a 750 kVA pero inferior o igual a 1.500 kVA.	
8501.6420	Generadores de corriente alterna (alternadores), de potencia superior a 1.500 kVA pero inferior o igual a 7.500 kVA.	
8501.6430	Generadores de corriente alterna (alternadores), de potencia superior a 7.500 kVA pero inferior o igual a 37.500 kVA.	
8501.6440	Generadores de corriente alterna (alternadores), de potencia superior a 37.500 kVA pero inferior o igual a 122.500 kVA.	
8501.6490	Los demás generadores de corriente alterna (alternadores), de potencia superior a 750 kVA .	
8502.1110	Grupos electrógenos con motor de émbolo (pistón) de encendido por	Excepto de menos de 3 Hp.

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
	compresión (motores Diesel o semi-Diesel), de potencia inferior o igual a 15 kVA.	
8502.1120	Grupos electrógenos con motor de émbolo (pistón) de encendido por compresión(motores Diesel o semi-Diesel), de potencia superior a 15 kVA pero inferior o igual a 37,5 kVA.	Excepto de menos de 3 Hp.
8502.1190	Los demás grupos electrógenos con motor de émbolo (pistón) de encendido por compresión (motores Diesel o semi-Diesel), de potencia inferior o igual a 75 kVA.	Excepto de menos de 3 Hp.
8502.1210	Grupos electrógenos con motor de émbolo (pistón) de encendido por compresión (motores Diesel o semi-Diesel), de potencia superior a 75 kVA pero inferior o igual a 150 kVA.	
8502.1220	Grupos electrógenos con motor de émbolo (pistón) de encendido por compresión (motores Diesel o semi-Diesel), de potencia superior a 150 kVA pero inferior o igual a 225 kVA.	
8502.1290	Los demás grupos electrógenos con motor de émbolo (pistón) de encendido por compresión (motores Diesel o semi-Diesel), de potencia superior a 75 kVA pero inferior o igual a 375 kVA.	
8502.1310	Grupos electrógenos con motor de émbolo (pistón) de encendido por compresión (motores Diesel o semi-Diesel), de potencia superior a 375 kVA pero inferior o igual a 750 kVA.	
8502.1320	Grupos electrógenos con motor de émbolo (pistón) de encendido por compresión (motores Diesel o semi-Diesel), de potencia superior a 750 kVA pero inferior o igual a 1.500 kVA.	
8502.1390	Los demás grupos electrógenos con compresión (motores Diesel o semi-	

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
	Diesel), de potencia superior a 375 kVA.	
8502.2000	Grupos electrógenos con motor de émbolo (pistón) de encendido por chispa (motor de explosión).	Excepto de menos de 3 Hp.
8502.3100	Los demás grupos electrógenos de energía eólica.	Excepto de menos de 3 Hp.
8502.3910	Los demás grupos electrógenos accionados por turbinas de gas.	Excepto de menos de 3 Hp.
8502.3920	Los demás grupos electrógenos accionados por turbinas hidráulicas.	Excepto de menos de 3 Hp.
8502.3930	Los demás grupos electrógenos accionados por turbinas de vapor.	Excepto de menos de 3 Hp.
8502.3990	Los demás grupos electrógenos.	Excepto de menos de 3 Hp.
8502.4000	Convertidores rotativos eléctricos.	Superiores a 2.2 KW c.c.
8504.2110	Transformadores de dieléctrico líquido, de potencia inferior o igual a 15 kVA.	Superiores a 10 kVA.
8504.2120	Transformadores de dieléctrico líquido, de potencia superior a 15 kVA pero inferior o igual a 75 kVA.	
8504.2130	Transformadores de dieléctrico líquido, de potencia superior a 75 kVA pero inferior o igual a 150 kVA.	
8504.2140	Transformadores de dieléctrico líquido, de potencia superior a 150 kVA pero inferior o igual a 300 kVA.	
8504.2190	Los demás transformadores de dieléctrico líquido, de potencia inferior o igual a 650 kVA.	
8504.2210	Transformadores de dieléctrico líquido, de potencia superior a 650 kVA pero inferior o igual a 1.500 kVA.	
8504.2220	Transformadores de dieléctrico líquido, de potencia superior a 1.500 kVA pero inferior o igual a 3.700 kVA.	
8504.2230	Transformadores de dieléctrico líquido,	

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
	de potencia superior a 3.700 kVA pero inferior o igual a 7.500 kVA.	
8504.2290	Los demás transformadores de dieléctrico líquido, de potencia superior a 650 kVA pero inferior o igual a 10.000 kVA.	
8504.2310	Transformadores de dieléctrico líquido, de potencia superior a 10.000 kVA pero inferior o igual a 37.500 kVA.	
8504.2320	Transformadores de dieléctrico líquido, de potencia superior a 37.500 kVA pero inferior o igual a 75.000 kVA.	
8504.2330	Transformadores de dieléctrico líquido, de potencia superior a 75.000 kVA pero inferior o igual a 150.000 kVA.	
8504.2390	Los demás transformadores de dieléctrico líquido, de potencia superior a 10.000 kVA.	
8504.3100	Los demás transformadores de potencia inferior o igual a 1 kVA.	Sólo transformadores (transformadores de corriente y/o potencial).
8504.3200	Los demás transformadores de potencia superior a 1 kVA pero inferior o igual a 16 kVA.	Superiores a 10 kVA .
8504.3300	Los demás transformadores de potencia superior a 16 kVA pero inferior o igual a 500 kVA.	
8504.3400	Los demás transformadores de potencia superior a 500 kVA .	
8504.4000	Convertidores eléctricos estáticos.	Superiores a 2.2 Kw. c.c.
8504.5000	Las demás bobinas de reactancia (autoinducción).	
8505.1100	Imanes permanentes y artículos destinados a ser imantados permanentemente, de metal.	
8505.1900	Los demás imanes permanentes y artículos destinados a ser imantados	

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
	permanentemente.	
8505.2000	Acoplamientos, embragues, variadores de velocidad y frenos, electromagnéticos.	
8505.9010	Electroimanes.	
8505.9090	Platos, mandriles y dispositivos magnéticos o electromagnéticos similares, de sujeción; cabezas elevadoras electromagnéticas, incluidas las partes.	Excepto partes.
8507.1010	Acumuladores eléctricos de plomo, incluidos sus separadores, aunque sean cuadrados o rectangulares, de los tipos utilizados para arranque de motores de émbolo (pistón), que funcionen con electrólito líquido.	Excepto los de capacidad inferior a 225 amperes hora y/o hasta 12 voltios.
8507.1090	Los demás acumuladores eléctricos de plomo, incluidos sus separadores, aunque sean cuadrados o rectangulares, de plomo, de los tipos utilizados para arranque de motores de émbolo (pistón).	Excepto los de capacidad inferior a 225 amperes hora y/o hasta 12 voltios.
8507.2000	Los demás acumuladores eléctricos de plomo, incluidos sus separadores, aunque sean cuadrados o rectangulares.	Excepto los de capacidad inferior a 225 amperes hora y/o hasta 12 voltios.
8507.3000	Acumuladores eléctricos de níquel-cadmio, incluidos sus separadores, aunque sean cuadrados o rectangulares.	
8507.4000	De níquel-hierro.	
8507.8000	Los demás acumuladores eléctricos, incluidos sus separadores, aunque sean cuadrados o rectangulares.	
8514.1000	Hornos de resistencia (de calentamiento indirecto).	
8514.2000	Hornos que funcionen por inducción o pérdidas dieléctricas.	
8514.3000	Los demás hornos eléctricos industriales o de laboratorio.	

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
8514.4000	Los demás aparatos para tratamiento térmico de materias por inducción o pérdidas dieléctricas.	
8515.1100	Soldadores y pistolas, eléctricos (incluidos los de gas calentado eléctricamente), de láser u otros haces de luz o de fotones, ultrasonido, haces de electrones, impulsos magnéticos o chorro de plasma, para soldadura fuerte o soldadura blanda.	
8515.1900	Los demás máquinas y aparatos, eléctricos (incluidos los de gas calentado eléctricamente), de láser u otros haces de luz o de fotones, ultrasonido, haces de electrones, impulsos magnéticos o chorro de plasma, para soldadura fuerte o soldadura blanda.	
8515.2100	Máquinas y aparatos para soldar metal por resistencia, total o parcialmente automáticos.	
8515.2900	Los demás máquinas y aparatos para soldar metal por resistencia.	
8515.3100	Máquinas y aparatos para soldar metal, de arco o chorro de plasma, total o parcialmente automáticos.	
8515.3910	Máquinas y aparatos de soldar metal, de arco o chorro de plasma, manuales, con electrodos recubiertos, constituidos por los dispositivos de soldadura y un transformador.	
8515.3920	Máquinas y aparatos de soldar metal, de arco o chorro de plasma, manuales, con electrodos recubiertos, constituidos por los dispositivos de soldadura y un generador o un convertidor rotativo o un convertidor estático.	
8515.3990	Los demás máquinas y aparatos de soldar metal, de arco o chorro de plasma.	

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
8515.8000	Las demás máquinas y aparatos de soldar(aunque puedan cortar),eléctricos (incluidos los de gas calentado eléctricamente), de láser u otros haces de luz o de fotones, ultrasonido, haces de electrones, impulsos magnéticos o chorro de plasma; máquinas y aparatos eléctricos para proyectar en caliente metal o cermet.	
8517.6100	Estaciones base.	
8517.6210	Aparatos de conmutación y encaminamiento («switching and routing apparatus»).	
8517.6220	Modems, de los tipos utilizados en las máquinas procesadoras de datos de la partida 84.71.	
8517.6290	Los demás aparatos para la recepción, conversión y transmisión o regeneración de voz, imagen u otros datos.	
8517.6900	Los demás aparatos de transmisión o recepción de voz, imagen u otros datos, incluidos los de comunicación en red con o sin cable (tales como redes locales (LAN) o extendidas (WAN)).	
8519.2000	Aparatos de grabación de sonido; aparatos de reproducción de sonido; aparatos de grabación y reproducción de sonido, activados con monedas, billetes, tarjetas, fichas o cualquier otro medio de pago.	Solamente los que constituyan componentes del sistema de cine IMAX.
8519.8110	Lectores de discos compactos (CD).	Solamente los que constituyan componentes del sistema de cine IMAX.
8519.8120	Grabadores de discos compactos (CD).	Solamente los que constituyan componentes del sistema de cine IMAX.
8519.8190	Los demás aparatos que utilizan un soporte magnético, óptico o semiconductor.	Solamente los que constituyan componentes del sistema de cine IMAX.

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
8519.8900	Los demás aparatos de grabación de sonido; aparatos de reproducción de sonido; aparatos de grabación y reproducción de sonido.	Solamente los que constituyan componentes del sistema de cine IMAX.
8521.1010	Aparatos de grabación o reproducción de imagen y sonido (videos), incluso con receptor de señales de imagen y sonido incorporado, de cinta magnética, en color, del tipo de cartucho o de casete que no permitan la grabación.	Excepto de uso doméstico.
8521.1020	Los demás aparatos de grabación o reproducción de imagen y sonido (videos), incluso con receptor de señales de imagen y sonido incorporado, de cinta magnética, en color, del tipo de cartucho o de casete.	Excepto de uso doméstico.
8521.1090	Los demás aparatos de grabación o reproducción de imagen y sonido (videos), incluso con receptor de señales de imagen y sonido incorporado, de cinta magnética.	Excepto de uso doméstico.
8521.9020	Grabador de discos de vídeo digitales (discos digitales versátiles) (DVD).	Excepto de uso doméstico.
8521.9090	Los demás aparatos de grabación o reproducción de imagen y sonido (videos), incluso con receptor de señales de imagen y sonido incorporado.	Excepto de uso doméstico.
8523.5200	Tarjetas inteligentes («smart cards»).	
8523.5900	Los demás soportes semiconductores.	
8525.5090	Los demás aparatos emisores.	
8525.6010	Aparatos emisores con aparato receptor incorporado, para radiodifusión.	

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
8525.6090	Los demás aparatos emisores con aparato receptor incorporado.	
8525.8010	Cámaras de televisión.	Solo para uso en monitoreo interior de hogar de caldera de poder.
8526.1000	Aparatos de radar.	
8526.9100	Aparatos de radionavegación.	
8526.9200	Aparatos de radiotelemando.	
8527.9990	Los demás aparatos receptores de radiodifusión, incluso combinados en la misma envoltura con grabador o reproductor de sonido o con reloj.	
8528.4110	Monitores con tubo de rayos catódicos, en color, que no incorporen aparato receptor de televisión, de los tipos utilizados exclusiva o principalmente con máquinas automáticas para tratamiento o procesamiento de datos de la partida 84.71.	
8528.4120	Monitores con tubo de rayos catódicos, en blanco y negro o demás monocromos, que no incorporen aparato receptor de televisión, de los tipos utilizados exclusiva o principalmente con máquinas automáticas para tratamiento o procesamiento de datos de la partida 84.71.	
8528.4910	Los demás monitores con tubo de rayos catódicos, en color, que no incorporen aparato receptor de televisión.	Excepto los de uso doméstico.
8528.4920	Los demás monitores con tubo de rayos catódicos, en blanco y negro o demás monocromos, que no incorporen aparato receptor de televisión .	Excepto los de uso doméstico.
8528.5111	Monitores de cristal líquido, en color, que no incorporen aparato receptor de televisión, de los tipos utilizados exclusiva o principalmente con máquinas automáticas para tratamiento o procesamiento de datos de la partida 84.71.	

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
8528.5112	Monitores de plasma, en color, que no incorporen aparato receptor de televisión, de los tipos utilizados exclusiva o principalmente con máquinas automáticas para tratamiento o procesamiento de datos de la partida 84.71.	
8528.5119	Los demás monitores, en color, que no incorporen aparato receptor de televisión de los tipos utilizados exclusiva o principalmente con máquinas automáticas para tratamiento o procesamiento de datos de la partida 84.71.	
8528.5120	Monitores en blanco y negro o demás monocromos, que no incorporen aparato receptor de televisión, de los tipos utilizados exclusiva o principalmente con máquinas automáticas para tratamiento o procesamiento de datos de la partida 84.71.	
8528.5910	Los demás monitores en color, que no incorporen aparato receptor de televisión .	Excepto los de uso doméstico.
8528.5920	Los demás monitores en blanco y negro o demás monocromos, que no incorporen aparato receptor de televisión .	Excepto los de uso doméstico.
8528.6100	Proyectores que no incorporen aparato receptor de televisión, de los tipos utilizados exclusiva o principalmente con máquinas automáticas para tratamiento o procesamiento de datos de la partida 84.71.	
8528.6900	Los demás proyectores que no incorporen aparato receptor de televisión.	Excepto los de uso doméstico.
8528.7100	Aparatos receptores de televisión, no concebidos para incorporar un dispositivo de visualización(display) o pantalla de vídeo.	Excepto los de uso doméstico.
8528.7210	Aparatos receptores de televisión en colores, de tubos de rayos catódicos, incluso con aparato receptor de radiodifusión o grabación o reproducción	Excepto los de uso doméstico.

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
	de sonido o imagen incorporado.	
8528.7220	Aparatos receptores de televisión en colores, de cristal líquido, incluso con aparato receptor de radiodifusión o grabación o reproducción de sonido o imagen incorporado.	Excepto los de uso doméstico.
8528.7230	Aparatos receptores de televisión en colores, de plasma, incluso con aparato receptor de radiodifusión o grabación o reproducción de sonido o imagen incorporado.	Excepto los de uso doméstico.
8528.7290	Los demás aparatos receptores de televisión en colores, incluso con aparato receptor de radiodifusión o grabación o reproducción de sonido o imagen incorporado.	Excepto los de uso doméstico.
8528.7300	Los demás aparatos receptores de televisión en blanco y negro o demás monocromos, incluso con aparato receptor de radiodifusión o grabación o reproducción de sonido o imagen incorporado.	Excepto los de uso doméstico.
8530.1000	Aparatos eléctricos de señalización (excepto los de transmisión de mensajes), seguridad, control o mando, para vías férreas o similares.	
8530.8000	Aparatos eléctricos de señalización (excepto los de transmisión de mensajes), seguridad, control o mando, para carreteras, vías fluviales, áreas o parques de estacionamiento, instalaciones portuarias o aeropuertos (excepto los de la partida 86.08).	
8532.1000	Condensadores fijos concebidos para redes eléctricas de 50/60 Hz, para una potencia reactiva superior o igual a 0,5 kvar (condensadores de potencia).	

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
8532.2100	Condensadores fijos de tantalio.	
8532.2200	Condensadores fijos electrolíticos de aluminio.	
8532.2300	Condensadores fijos, con dieléctrico de cerámica de una sola capa.	
8532.2400	Condensadores fijos, con dieléctrico de cerámica, multicapas.	
8532.2500	Condensadores fijos, con dieléctrico de papel o plástico.	
8532.2900	Los demás condensadores fijos.	
8532.3000	Condensadores variables o ajustables.	
8535.3021	Interruptores para una tensión inferior a 72,5 kV.	
8535.3029	Los demás interruptores para una tensión superior a 1.000 voltios.	
8535.4000	Pararrayos, limitadores de tensión y supresores de sobretensión transitoria, para una tensión superior a 1.000 voltios.	Sólo pararrayos para centrales y subestaciones eléctricas.
8535.9010	Aparatos de empalme y conexión, para una tensión superior a 1.000 voltios.	
8535.9090	Los demás aparatos para corte, seccionamiento, protección, derivación, empalme o conexión de circuitos eléctricos, para una tensión superior a 1.000 voltios.	Sólo relés.
8537.1040	Aparatos de mando con memoria programable, para una tensión inferior o igual a 1.000 V.	Sólo en circuitos de fuerza.
8537.1090	Los demás cuadros, paneles, consolas,	Sólo en circuitos de fuerza.

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
	armarios y demás soportes equipados con varios aparatos de las partidas 85.35 u 85.36, para control o distribución de electricidad, incluidos los que incorporen instrumentos o aparatos del Capítulo 90, así como los aparatos de control numérico, para una tensión inferior o igual a 1.000 V.	
8537.2010	Cuadros, paneles, consolas, armarios y demás soportes equipados con varios aparatos de las partidas 85.35 u 85.36, para control o distribución de electricidad, incluidos los que incorporen instrumentos o aparatos del Capítulo 90, así como los aparatos de control numérico, para una tensión superior a 1.000 V pero inferior o igual a 72,5 kV.	Sólo en circuitos de fuerza.
8537.2090	Los demás cuadros, paneles, consolas, armarios y demás soportes equipados con varios aparatos de las partidas 85.35 u 85.36, para control o distribución de electricidad, incluidos los que incorporen instrumentos o aparatos del Capítulo 90, así como los aparatos de control numérico, para una tensión superior a 1.000 V.	Sólo en circuitos de fuerza.
8543.1010	Aceleradores de partículas nucleares.	
8543.1090	Los demás aceleradores de partículas.	
8543.2000	Generadores de señales.	
8543.3000	Máquinas y aparatos de galvanoplastia, electrólisis o electroforesis.	
8543.7010	Amplificadores de microondas.	
8543.7090	Las demás máquinas y aparatos eléctricos con función propia, no expresados ni comprendidos en otra parte de este Capítulo 85.	
8601.1000	Locomotoras y locotractores, de fuente externa de electricidad.	
8601.2000	Locomotoras y locotractores, de acumuladores eléctricos.	

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
8602.1000	Locomotoras Diesel-eléctricas.	
8602.9000	Las demás locomotoras y locotractores; ténderes.	
8603.1010	Automotores para vías férreas, de fuente externa de electricidad.	
8603.1090	Tranvías autopropulsados, excepto los de la partida 86.04, de fuente externa de electricidad.	
8603.9000	Los demás automotores para vías férreas y tranvías autopropulsados, excepto los de la partida 86.04.	
8604.0000	Vehículos para mantenimiento o servicio de vías férreas o similares, incluso autopropulsados (por ejemplo: vagones taller, vagones grúa, vagones equipados para apisonar balasto, alinear vías, coches para ensayos y vagonetas de inspección de vías).	
8605.0000	Coches de viajeros, furgones de equipajes, coches correo y demás coches especiales, para vías férreas o similares (excepto los coches de la partida 86.04).	
8606.1000	Vagones cisterna y similares, para transporte de mercancías sobre carriles (rieles).	
8606.3000	Vagones de descarga automática, excepto los de las subpartida 8606.10, para transporte de mercancías sobre carriles (rieles).	
8606.9100	Los demás vagones para transporte de mercancías sobre carriles (rieles), cubiertos y cerrados.	

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
8606.9200	Los demás vagones para transporte de mercancías sobre carriles (rieles), abiertos, con pared fija de altura superior a 60 cm.	
8606.9910	Los demás vagones para transporte de mercancías sobre carriles (rieles), de plataforma baja.	
8606.9990	Los demás vagones para transporte de mercancías sobre carriles (rieles).	
8608.0000	Material fijo de vías férreas o similares; aparatos mecánicos (incluso electromecánicos) de señalización, seguridad, control o mando para vías férreas o similares, carreteras o vías fluviales, áreas o parques de estacionamientos, instalaciones portuarias o aeropuertos; sus partes.	Excepto partes.
8609.0000	Contenedores (incluidos los contenedores cisterna y los contenedores depósito) especialmente concebidos y equipados para uno o varios medios de transporte.	
8701.3000	Tractores de orugas.	
8701.9011	Tractores de ruedas, agrícolas.	
8701.9012	Tractores de ruedas, forestales.	
8701.9019	Los demás tractores de ruedas.	
8703.2130	Coches ambulancia, celulares y mortuorios, con motor de émbolo (pistón) alternativo, de encendido por chispa, de cilindrada inferior o igual a 1.000 cm <sup>3</sup> :	Sólo ambulancias.
8703.2230	Coches ambulancia, celulares y mortuorios, con motor de émbolo (pistón) alternativo, de encendido	Sólo ambulancias.

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
	por chispa,de cilindrada superior a 1.000 cm <sup>3</sup> pero inferior o igual a 1.500 cm <sup>3</sup> :	
8703.2330	Coches ambulancia, celulares y mortuorios, con motor de émbolo (pistón) alternativo, de encendido por chispa, de cilindrada superior a 1.500 cm <sup>3</sup> pero inferior o igual a 3.000 cm <sup>3</sup>	Sólo ambulancias.
8703.2430	Coches ambulancia, celulares y mortuorios, con motor de émbolo (pistón) alternativo, de encendido por chispa, de cilindrada superior a 3.000 cm <sup>3</sup> :	Sólo ambulancias.
8703.3130	Coches ambulancia, celulares y mortuorios, con motor de émbolo (pistón), de encendido por compresión (Diesel o semi-Diesel), de cilindrada inferior o igual a 1.500 cm <sup>3</sup> .	Sólo ambulancias.
8703.3230	Coches ambulancia, celulares y mortuorios, con motor de émbolo (pistón), de encendido por compresión (Diesel o semi-Diesel), de cilindrada superior a 1.500 cm <sup>3</sup> pero inferior o igual a 2.500 cm <sup>3</sup> .	Sólo ambulancias.
8703.3330	Coches ambulancia, celulares y mortuorios, con motor de émbolo (pistón), de encendido por compresión (Diesel o semi-Diesel), de cilindrada superior a 2.500 cm <sup>3</sup> :	Sólo ambulancias.
8703.9030	Los demás coches ambulancia, celulares y mortuorios, concebidos principalmente para transporte de personas.	Sólo ambulancias.
8704.1010	Volquetes automotores concebidos para utilizarlos fuera de la red de carreteras, con capacidad de carga útil inferior o igual a 30 t.	Sólo con capacidad de carga útil superior a 2,5 toneladas.
8704.1090	Los demás volquetes automotores concebidos para utilizarlos fuera de la red de carreteras.	

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
8704.2140	Vehículos automotores para el transporte fuera de carretera, con motor de émbolo (pistón), de encendido por compresión (Diesel o semi-Diesel), de peso total con carga máxima inferior o igual a 5 t.	Sólo con capacidad de carga útil superior a 2,5 toneladas.
8704.2240	Vehículos automotores para el transporte fuera de carretera, con motor de émbolo (pistón), de encendido por compresión (Diesel o semi-Diesel), de peso total con carga máxima superior a 5 t pero inferior o igual a 20 t.	Sólo con capacidad de carga útil superior a 2,5 toneladas.
8704.2321	Vehículos camiones para el transporte fuera de carretera, para minería, con motor de émbolo (pistón), de encendido por compresión (Diesel o semi-Diesel), de peso total con carga máxima superior a 20 t.	
8704.2329	Los demás vehículos para el transporte fuera de carretera, con motor de émbolo (pistón), de encendido por compresión (Diesel o semi-Diesel), de peso total con carga máxima superior a 20 t.	
8704.3140	Vehículos automotores para el transporte fuera de carretera, con motor de émbolo (pistón), de encendido por chispa, de peso total con carga máxima inferior o igual a 5 t.	Sólo con capacidad de carga útil superior a 2,5 toneladas.
8704.3240	Vehículos automotores para el transporte fuera de carretera, con motor de émbolo (pistón), de encendido por chispa, de peso total con carga máxima superior a 5 t.	Sólo con capacidad de carga útil superior a 2,5 toneladas.
8704.9040	Los demás vehículos automóviles para el transporte fuera de carretera.	Sólo con capacidad de carga útil superior a 2,5 toneladas.
8705.1090	Los demás camiones grúa.	Sólo con capacidad de levante superior a 2,5 toneladas y no manual.
8705.2010	Camiones automóviles para sondeo o perforación, con capacidad de perforar inferior o igual a 100 metros.	
8705.2090	Los demás camiones automóviles para	

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
	sondeo o perforación.	
8705.4010	Camiones hormigonera con capacidad máxima inferior o igual a 6 m <sup>3</sup> de hormigón.	
8705.4090	Los demás camiones hormigonera.	
8705.9010	Camiones limpia fosas.	
8705.9090	Los demás vehículos automóviles para usos especiales, concebidos principalmente para transporte de personas o mercancías.	
8709.1100	Carretillas eléctricas automóvil, sin dispositivo de elevación del tipo de las utilizadas en fábricas, almacenes, puertos o aeropuertos, para transporte de mercancías a corta distancia; carretillas tractor, eléctricas, del tipo de los utilizados en estaciones ferroviarias.	
8709.1900	Las demás carretillas automóvil sin dispositivo de elevación del tipo de las utilizadas en fábricas, almacenes, puertos o aeropuertos, para transporte de mercancías a corta distancia; carretillas tractor del tipo de los utilizados en estaciones ferroviarias.	
8801.0000	Globos y dirigibles; planeadores, alas planeadoras y demás aeronaves, no propulsados con motor.	Sólo aeróstatos.
8805.2100	Simuladores de combate aéreo y sus partes.	Solamente los accionados electrónicamente. Las condiciones de vuelo se simulan con aparatos electrónicos. Estos calculan y reproducen en los mandos e instrumentos de a bordo de la cabina, las indicaciones que resultan de las maniobras del piloto para unas condiciones dadas de vuelo.
8805.2900	Los demás.	Solamente los accionados electrónicamente. Las condiciones de vuelo se simulan con aparatos electrónicos. Estos calculan y reproducen en los mandos e instrumentos de a bordo de la cabina, las indicaciones que resultan de las maniobras

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
		del piloto para unas condiciones dadas de vuelo.
8901.1010	Transatlánticos, barcos para excursiones (de cruceros) y barcos similares concebidos principalmente para transporte de personas; transbordadores, de tonelaje bruto superior a 3.500 toneladas y/o 120 metros o más de eslora.	
8901.1090	Los demás transatlánticos, barcos para excursiones (de cruceros) y barcos similares concebidos principalmente para transporte de personas; transbordadores.	
8901.2011	Barcos cisterna para transporte de productos químicos, de tonelaje bruto superior a 3.500 toneladas y/o 120 metros o más de eslora.	
8901.2019	Los demás barcos cisterna, de tonelaje bruto superior a 3.500 toneladas y/o 120 metros o más de eslora.	
8901.2090	Los demás barcos cisterna.	
8901.3010	Barcos frigorífico, excepto los de la subpartida 8901.20, de tonelaje bruto superior a 3.500 toneladas y/o 120 metros o más de eslora.	
8901.3090	Los demás barcos frigorífico, excepto los de la subpartida 8901.20.	
8901.9011	Barcos portacontenedores, de tonelaje bruto superior a 3.500 toneladas y/o 120 metros o más de eslora.	
8901.9012	Barcos graneleros, de tonelaje bruto superior a 3.500 toneladas y/o 120 metros o más de eslora.	
8901.9019	Los demás barcos para transporte de mercancías y demás barcos concebidos para transporte mixto de personas y mercancías, de tonelaje bruto superior a 3.500 toneladas y/o 120 metros o más de eslora.	
8901.9091	Los demás barcos portacontenedores, concebidos para transporte mixto de	

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
	personas y mercancías.	
8901.9092	Los demás barcos graneleros, concebidos para transporte mixto de personas y mercancías.	
8901.9099	Los demás barcos para transporte de mercancías y demás barcos concebidos para transporte mixto de personas y mercancías.	
8902.0011	Barcos de pesca, con capacidad de bodega inferior o igual a 500 t.	
8902.0012	Barcos de pesca, con capacidad de bodega superior a 500 t pero inferior o igual a 1.000 t.	
8902.0019	Los demás barcos de pesca.	
8902.0091	Barcos factoría, de tonelaje bruto superior a 3.500 toneladas y/o 120 metros o más de eslora.	
8902.0092	Los demás barcos, de tonelaje bruto superior a 3.500 toneladas y/o 120 metros o más de eslora.	
8902.0099	Los demás barcos factoría y demás barcos para la preparación o la conservación de los productos de la pesca.	
8904.0010	Remolcadores de alta mar.	
8904.0090	Los demás remolcadores y barcos empujadores.	
8905.1000	Dragas en las que la navegación sea accesoria en relación con la función principal.	
8905.2000	Plataformas de perforación o explotación, flotantes o sumergibles.	
8905.9000	Los demás barcos faro, barcos bomba, pontones grúa y demás barcos en los que la navegación sea accesoria en relación con la función principal; diques	

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
	flotantes.	
8906.9010	Los demás barcos, incluidos los barcos de salvamento excepto los de remo, de tonelaje bruto superior a 3.500 toneladas y/o 120 metros o más de eslora.	
8906.9090	Los demás barcos, incluidos los barcos de salvamento excepto los de remo.	
8907.1000	Balsas inflables flotantes.	
8907.9000	Los demás artefactos flotantes (por ejemplo: balsas, depósitos, cajones, incluso de amarre, boyas y balizas).	
9005.8000	Los demás catalejos, anteojos astronómicos, telescopios ópticos y sus armazones; los demás instrumentos de astronomía, excepto los aparatos de radioastronomía.	
9006.1000	Cámaras fotográficas de los tipos utilizados para preparar clisés o cilindros de imprenta.	
9006.3000	Cámaras especiales para fotografía submarina o aérea, examen médico de órganos internos o para laboratorios de medicina legal o identificación judicial.	
9006.4000	Cámaras fotográficas de autorrevelado.	Sólo para usos industriales o de construcción especial para usos profesionales.
9006.5100	Las demás cámaras fotográficas, con visor de reflexión a través del objetivo, para películas en rollo de anchura inferior o igual a 35 mm.	Sólo para usos industriales o de construcción especial para usos profesionales.
9006.5200	Las demás cámaras fotográficas, para películas en rollo de anchura inferior a 35 mm.	Sólo para usos industriales o de construcción especial para usos profesionales.
9006.5310	Aparatos fotográficos desechables, para películas en rollo de anchura igual a 35 mm.	Sólo para usos industriales o de construcción especial para usos profesionales.

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
9006.5390	Las demás cámaras fotográficas, para películas en rollo de anchura igual a 35 mm.	Sólo para usos industriales o de construcción especial para usos profesionales.
9006.5900	Las demás cámaras fotográficas.	Sólo para usos industriales o de construcción especial para usos profesionales.
9007.1910	Cámaras cinematográficas giroestabilizadas, incluso con grabador o reproductor de sonido incorporados.	Excepto para películas de hasta 20 mm., inclusive.
9007.1990	Las demás cámaras cinematográficas, incluso con grabador o reproductor de sonido incorporados.	Excepto para películas de hasta 20 mm., inclusive.
9007.2000	Proyectores cinematográficos, incluso con grabador o reproductor de sonido incorporados.	Solamente los que constituyan componentes del sistema de cine IMAX. Para filmes de anchura igual o superior a 16mm.
9008.4000	Amplificadoras o reductoras, fotográficas.	Sólo las que pesen por unidad más de 100 Kn.
9010.1000	Aparatos y material para revelado automático de películas fotográfica, películas cinematográfica (filme) o papel fotográfico en rollo o para impresión automática de películas reveladas en rollos de papel fotográfico.	Sólo las que pesen por unidad más de 100 Kn.
9010.5000	Los demás aparatos y material para laboratorios fotográfico o cinematográfico; negatoscopios.	Sólo las que pesen por unidad más de 100 Kn.
9010.6000	Pantallas de proyección.	Solamente pantallas de proyección que constituyan componentes del sistema de cine IMAX.
9011.1000	Microscopios estereoscópicos.	
9011.2000	Los demás microscopios para fotomicrografía, cinefotomicrografía o microproyección.	
9011.8000	Los demás microscopios.	
9012.1000	Microscopios, excepto los ópticos;	

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
	difractógrafos.	
9013.1000	Miras telescópicas para armas; periscopios; visores para máquinas, aparatos o instrumentos de este Capítulo o la Sección XVI.	
9013.2000	Láseres, excepto los diodos láser.	
9013.8000	Los demás dispositivos, aparatos e instrumentos de óptica.	
9014.2000	Instrumentos y aparatos para navegación aérea o espacial (excepto las brújulas).	
9014.8000	Los demás instrumentos y aparatos de navegación.	
9015.2000	Teodolitos y taquímetros.	
9015.3000	Niveles.	
9015.4000	Instrumentos y aparatos de fotogrametría.	
9015.8000	Instrumentos y aparatos de geodesia, topografía, agrimensura, nivelación, hidrografía, oceanografía, hidrología, meteorología o geofísica, excepto las brújulas.	
9016.0000	Balanzas sensibles a un peso inferior o igual a 5 cg, incluso con pesas	
9018.1110	Electrocardiógrafos.	
9018.1200	Aparatos de diagnóstico por exploración ultrasónica.	
9018.1300	Aparatos de diagnóstico de visualización por resonancia magnética.	
9018.1400	Aparatos de centellografía.	
9018.1910	Sistema de monitoreo de pacientes.	
9018.1990	Los demás aparatos de electrodiagnóstico (incluidos los aparatos de exploración	

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
	funcional o de vigilancia de parámetros fisiológicos).	
9018.2000	Aparatos de rayos ultravioletas o infrarrojos.	
9018.3110	Jeringas, incluso con aguja, de plástico, desechables.	
9018.3120	Las demás jeringas, incluso con aguja, de plástico.	
9018.3190	Las demás jeringas, incluso con aguja.	
9018.3200	Agujas tubulares de metal y agujas de sutura.	
9018.3910	Catéteres.	
9018.3920	Bolsas recolectoras de sangre.	
9018.3930	Sondas.	
9018.3990	Los demás agujas, cánulas e instrumentos similares.	
9018.4100	Tornos dentales, incluso combinados con otros equipos dentales sobre basamento común.	
9018.4900	Los demás instrumentos y aparatos de odontología.	
9018.5000	Los demás instrumentos y aparatos de oftalmología.	
9018.9010	Desfibriladores.	
9018.9020	Incubadoras.	
9018.9030	Monitores cardíacos.	
9018.9040	Aparatos para diálisis.	
9018.9050	Aparatos para anestesia.	
9018.9080	Los demás instrumentos y aparatos de medicina, cirugía o veterinaria, incluidos los de centellografía y demás aparatos	

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
	electromédicos, así como los aparatos para pruebas visuales.	
9019.1000	Aparatos de mecanoterapia; aparatos para masajes; aparatos de sicotecnia.	
9019.2010	Nebulizadores.	
9019.2090	Los demás aparatos de ozonoterapia, oxigenoterapia o aerosolterapia, aparatos respiratorios de reanimación y demás aparatos de terapia respiratoria.	
9020.0011	Aparatos respiratorios autónomos.	
9020.0012	Aparatos respiratorios con fuente de aire comprimido exterior.	
9020.0019	Los demás aparatos respiratorios.	
9022.1200	Aparatos de tomografía regidos por una máquina automática de tratamiento o procesamiento de datos.	
9022.1300	Los demás aparatos de rayos X, incluidos los aparatos de radiografía o radioterapia, para uso odontológico.	
9022.1410	Aparatos de rayos X, incluidos los aparatos de radiografía o radioterapia, para uso médico o quirúrgico.	
9022.1490	Los demás aparatos de rayos X, incluidos los aparatos de radiografía o radioterapia, para uso veterinario.	
9022.1900	Aparatos de rayos X, incluidos los aparatos de radiografía o radioterapia, para otros usos.	
9022.2100	Aparatos que utilicen radiaciones alfa, beta o gamma, incluidos los aparatos de radiografía o radioterapia, para uso médico, quirúrgico, odontológico o veterinario.	
9022.2900	Aparatos que utilicen radiaciones alfa, beta o gamma, incluidos los aparatos de radiografía o radioterapia, para otros usos.	
9022.3000	Tubos de rayos X.	

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
9022.9010	Unidades generadoras de radiación.	Excepto partes y accesorios.
9022.9020	Cañones para emisión de radiación.	Excepto partes y accesorios.
9022.9090	Los demás dispositivos generadores de rayos X, generadores de tensión, consolas de mando, pantallas, mesas, sillones y soportes similares para examen o tratamiento, incluidas las partes y accesorios.	Excepto partes y accesorios.
9024.1000	Máquinas y aparatos para ensayos de metal.	
9024.8000	Las demás máquinas y aparatos, para ensayos de dureza, tracción, compresión, elasticidad u otras propiedades mecánicas de materiales.	
9025.1100	Termómetros y pirómetros, sin combinar con otros instrumentos, de líquido, con lectura directa.	
9025.1900	Los demás termómetros y pirómetros, sin combinar con otros instrumentos.	
9025.8000	Los demás densímetros, areómetros, pesalíquidos e instrumentos flotantes similares, termómetros, pirómetros, barómetros, higrómetros y sicrómetros, aunque sean registradores, incluso combinados entre sí.	
9026.1010	Caudalímetros electrónicos, para medida o control del caudal o nivel de líquidos.	
9026.1090	Los demás instrumentos y aparatos, para medida o control del caudal o nivel de líquidos.	
9026.2010	Manómetros para medida o control de presión.	
9026.2090	Los demás instrumentos y aparatos para medida o control de presión.	

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
9026.8000	Los demás instrumentos y aparatos para medida o control del caudal, nivel, presión u otras características variables de líquidos o gases.	
9027.1010	Analizadores electrónicos, de gases o humos.	
9027.1090	Los demás analizadores de gases o humos.	
9027.2000	Cromatógrafos e instrumentos de electroforesis.	
9027.3000	Espectrómetros, espectrofotómetros y espectrógrafos que utilicen radiaciones ópticas (UV, visibles, IR).	
9027.5000	Los demás instrumentos y aparatos que utilicen radiaciones ópticas (UV, visibles, IR).	
9027.8010	Instrumentos nucleares de resonancia magnética.	
9027.8090	Los demás instrumentos y aparatos para análisis físicos o químicos; instrumentos y aparatos para ensayos de viscosidad, porosidad, dilatación, tensión superficial o similares o para medidas calorimétricas, acústicas o fotométricas (incluidos los exposímetros).	
9027.9000	Micrótomos; partes y accesorios.	Sólo micrótomos.
9028.1010	Contadores de gas licuado.	Solamente medidores de turbinas y orificios.
9028.1020	Contadores de gas natural.	Solamente medidores de turbinas y orificios.
9028.1090	Los demás contadores de gas.	Solamente medidores de turbinas y orificios.
9028.2010	Contadores de agua.	Solamente medidores de turbinas y desplazamiento positivo.
9028.2090	Los demás contadores de líquido.	Solamente medidores de petróleo de turbinas y desplazamiento positivo.

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
9028.3090	Los demás contadores de electricidad.	Solamente para medir necesidades de potencia a bombas y generadores.
9030.1000	Instrumentos y aparatos para medida o detección de radiaciones ionizantes.	
9030.2000	Osciloscopios y oscilógrafos.	
9030.3100	Multímetros sin dispositivo registrador.	
9030.3200	Multímetros con dispositivo registrador.	
9030.3300	Los demás instrumentos y aparatos para medida o control de tensión, intensidad, resistencia o potencia, sin dispositivo registrador.	
9030.3900	Los demás instrumentos y aparatos para medida o control de tensión, intensidad, resistencia o potencia, con dispositivo registrador.	
9030.4000	Los demás instrumentos y aparatos especialmente concebidos para técnicas de telecomunicación (por ejemplo: hipsómetros, kerdómetros, distorsiómetros, sofómetros).	
9030.8200	Los demás instrumentos y aparatos, para medida o control de obleas («wafers») o dispositivos, semiconductores.	
9030.8400	Los demás instrumentos y aparatos, con dispositivo registrador.	
9030.8900	Los demás instrumentos y aparatos.	
9031.1000	Máquinas para equilibrar piezas mecánicas.	
9031.2000	Bancos de pruebas.	
9031.4100	Instrumentos y aparatos, ópticos, para control de obleas («wafers») o dispositivos, semiconductores, o para control de máscaras o retículas utilizadas en la fabricación de dispositivos semiconductores.	

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
9031.4910	Instrumentos de medición de coordenadas.	
9031.4990	Los demás instrumentos y aparatos ópticos, para medida o control.	
9031.8000	Los demás instrumentos, aparatos y máquinas para medida o control, no expresados ni comprendidos en otra parte de este Capítulo; proyectores de perfiles.	Excepto relojes comparadores, transportadores en ángulos con reloj; soportes para comparadores; palpadores con reloj comparador; profundímetros con reloj comparador y escuadra y reglas de precisión.
9032.1000	Termostatos para regulación o control automáticos.	
9032.2000	Manostatos (presostatos) para regulación o control automáticos.	
9032.8100	Los demás instrumentos y aparatos para regulación o control automáticos, hidráulicos o neumáticos.	
9032.8900	Los demás instrumentos y aparatos para regulación o control automáticos.	
9402.1010	Sillones de dentista, con dispositivos de orientación y elevación.	
9402.9010	Mobiliario médico-quirúrgico (por ejemplo: mesas de operaciones o de reconocimiento, camas con mecanismo para uso clínico).	
9406.0090	Las demás construcciones prefabricadas.	Solo invernaderos tipo capilla automatizados. Las instalaciones complementarias de este tipo de invernaderos, como las pantallas térmicas, banquetas fijas y móviles, calefacción del ambiente y suelo radiante, riego, fertilización y humidificación, iluminación y cooling

ITEM ARANCELARIO	DESCRIPCION DE LAS MERCANCIAS	OBSERVACIONES
		system, tienen una función propia, por ende no están comprendidos dentro del conjunto modular prefabricado.

**JOINT STUDY GROUP ON THE  
PROSPECTIVE FREE TRADE  
AGREEMENT BETWEEN  
CHILE AND TURKEY**

**APPENDIX 3**

**Chilean Answers to supplementary questions by Turkey  
and supplementary questions by Chile  
Santiago, November 7, 2007**

**A. Chilean Answers to Turkey's supplementary questions regarding the JSG Report:**

**1- Regarding your answer to question no. 11, it is stated that there are exceptional sectoral limitations to National Treatment Principle in Chilean domestic regulations. Please provide a list of these sectors and elaborate on the limitations.**

*A. In this regard, overall the FTAs Chile has signed, we provided our counterparts with a detailed list of the exceptional limitations to National Treatment Principle in the specific sectors, through the respective Annex on existing non conforming measures affecting Investment (available at [www.direcon.cl](http://www.direcon.cl))*

**2- The following websites had been given as the addresses which the answer of the 9<sup>th</sup> question could be found related to the current procurement legislation:**

[http://www.chilecompra.cl/Portal/Portalproveedor/centro\\_informacion/centro\\_informacion\\_home.asp](http://www.chilecompra.cl/Portal/Portalproveedor/centro_informacion/centro_informacion_home.asp) and [www.mop.cl](http://www.mop.cl). Although we linked to the concerned websites, we couldn't find detailed English documents and information thereof. Please provide information and documentations about Chile's procurement system in English.

*A. Chilecompra website has a section in English (see at the end of the main page) containing information about our procurement system. Besides, you can accede directly to that section thru: [https://www.chilecompra.cl/portal/information/information\\_chilecompra.asp](https://www.chilecompra.cl/portal/information/information_chilecompra.asp)*

*Also, you will find an English version of our Procurement law (unfortunately it does not include recent modifications) at:*

*[https://www.chilecompra.cl/portal/files/centro\\_informacion/Leycompras/Ley\\_19886\\_ingles.pdf](https://www.chilecompra.cl/portal/files/centro_informacion/Leycompras/Ley_19886_ingles.pdf)*

**3- It is considered that it would be necessary to make clarifications whether there are regulations and practices on electronic procurement process in Chile.**

*A. According to article 54 of the Procurement Law, all government entities (including the Ministry of Public Works) must publish their tenders in a single electronic portal ([www.chilecompra.cl](http://www.chilecompra.cl))*

**4- We would like to have brief information on the rights and obligations stemming from the agreements of Chile in particular with the EU regarding government procurement. We also kindly request the list of bilateral and regional agreements on government procurement, to which Chile is a party.**

*A. Broadly speaking, with the European Union we agree on National Treatment on goods, services and suppliers of the other party, on Transparency measures and on independent review of bid challenges.*

*Chile is not a member of the WTO Government Procurement Agreement (GPA). Chile has a number of FTAs which include Government Procurement Chapters:*

- *Association Agreement between the European Union and Chile*
- *Association Agreement between the European Free Trade Association (Efta) and Chile*
- *Free Trade Agreement between the United States of America and Chile*
- *Free Trade Agreement between Korea and Chile*
- *Trans Pacific Strategic Economic Partnership Agreement between Singapore, New Zealand, Brunei-Darussalam and Chile*
- *Central America*
- *Strategic Economic Partnership Agreement between Japan and Chile*

*In addition, an FTA with Colombia –which includes a GP chapter-, is currently waiting for parliamentary approval. Chile has recently signed GP Chapters with Mexico and Canada and both of them –once ratified by the congress- will be incorporated to the Chile-Mexico FTA and Chile-Canada FTA, respectively.*

**B. Chilean supplementary questions to Turkey’s Final Report**

**1.- Could Turkey further elaborate on the reasons of not having any WTO commitments in the distribution services, recreational, cultural and sporting services and in the other services not included elsewhere sectors?**

**2.- On the paragraph III.4.B of the report, regarding telecommunications services, there is more information about telecommunications equipment rather than the regulation of the sector. Could Turkey give further explanations about the telecommunications regime and regulations?**