CHILE

TRADE SUMMARY

The U.S. goods trade surplus with Chile was $6.8 billion in 2011, an increase of $2.9 billion from 2010. U.S. goods exports in 2011 were $15.9 billion, up 45.6 percent from the previous year. Corresponding U.S. imports from Chile were $9.1 billion, up 29.4 percent. Chile is currently the 20th largest export market for U.S. goods.

U.S. exports of private commercial services (*i.e.*, excluding military and government) to Chile were $2.3 billion in 2010 (latest data available), and U.S. imports were $1.2 billion. Sales of services in Chile by majority U.S.-owned affiliates were $5.9 billion in 2009 (latest data available), while sales of services in the United States by majority Chile-owned firms were $342 million.

The stock of U.S. foreign direct investment (FDI) in Chile was $26.3 billion in 2010 (latest data available), up from $21.5 billion in 2009. U.S. FDI in Chile is reported mostly in the mining, finance/insurance, and manufacturing sectors.

In December 2009, the United States announced its intention to enter into an Asia-Pacific trade agreement called the Trans-Pacific Partnership (TPP), with the objective of shaping a high standard, broad-based regional agreement. This agreement will create a potential platform for economic integration across the Asia-Pacific region, a means to advance U.S. economic interests with the fastest-growing economies in the world, and a tool to expand U.S. exports, which are critical to U.S. economic recovery and the creation and retention of high-paying, high-quality jobs in the United States. In addition to Chile, the TPP negotiating partners currently include Australia, Brunei, Malaysia, New Zealand, Peru, Singapore, and Vietnam. Japan, Canada, and Mexico also have expressed interest in joining the negotiations.

IMPORT POLICIES

Tariffs

The United States-Chile Free Trade Agreement (FTA) entered into force on January 1, 2004. Under the FTA, the Parties immediately eliminated tariffs on 87 percent of bilateral trade. All industrial trade will be duty free by 2013. Remaining agriculture tariffs will be eliminated by 2016.

Chile has one of the most open trade regimes in the world. The uniform applied tariff rate for nearly all goods is six percent. There are several exceptions to the uniform tariff. For example, higher effective tariffs will remain for wheat, wheat flour, and sugar during the 12 year transition period under the FTA due to the application of an import price band system. Importers also must pay a 19 percent value-added tax (VAT) calculated on the customs value plus import tariff. In the case of duty-free imports, the VAT is calculated on the customs value alone.

Import Controls

There are virtually no restrictions on the types or amounts of goods that can be imported into Chile, nor any requirements to use the official foreign exchange market. However, Chilean customs authorities must approve and issue a report for all imports valued at more than $3,000. After customs authorities issue the report, the goods to be imported must generally be shipped within 30 days. Commercial banks may authorize imports of less than $3,000. Importers and exporters must also report their import and export transactions to the Central Bank. Commercial banks may sell foreign currency to any importer to cover the price of the imported goods and related expenses as well as to pay interest and other financing expenses that are authorized in the import report.

Chile prohibits the importation of used vehicles, used motorcycles, and used retreaded tires (with the exception of wheel-mounted tires). Some used items originating from a country without an FTA with Chile are subject to an additional importation charge of three percent over the CIF (cost, insurance, and freight). This additional charge can be eliminated or reduced, depending on the product, if the used item is imported from a third country that has an FTA with Chile. However, if the used item is imported from a country that does not have an FTA with Chile, even if the importing company is from a country with whom Chile has an FTA, they will be subject to the additional charge of three percent over the CIF.

Nontariff Barriers

Chile maintains a complex price band system for wheat, wheat flour, and sugar that, under the FTA, will be phased out by 2016 for imports from the United States. Mixtures containing more than 65 percent sugar (*e.g.*, high fructose corn syrup) content are subject to the sugar price band system. The price band system was created in 1985 and is intended to guarantee a minimum and maximum import price for the covered commodities. When certain CIF prices (as calculated by Chilean authorities) fall below the set minimum price, a special tax is added to the tariff rate to raise the price to the minimum price. The government sets a minimum import price that is normally higher than both international and Chilean domestic prices. Beginning in 2008, the minimum price has been adjusted downward by two percent per year on U.S. imports; in 2014 Chile's President will evaluate whether to continue the price band system or eliminate it prior to 2016 as required under the FTA.

Companies are required to contract the services of a customs agent when importing or exporting goods valued at over $1,000 free on board (FOB). The customs agent is the link between the exporter or importer and the National Customs Service and is responsible for facilitating foreign trade operations and acting as the official representative of the exporter or importer in the country.

Customs agents' fees are not standardized. Companies established in any of the Chilean duty-free zones are exempt from the obligation to use a customs agent when importing or exporting goods.

EXPORT POLICIES

Chile currently provides a simplified duty drawback program for nontraditional exports. The program reimburses a firm up to three percent of the value of the exported good, if 50 percent of that good consists of imported raw materials. Exported goods produced with imported capital equipment must have a minimum CIF value of $3,813 in order to be eligible for duty drawback. The net value of the invoice is used if the capital equipment in question is also manufactured domestically. Exported goods produced with imported capital equipment must have a minimum CIF value of $3,813 in order to be eligible for duty drawback. Another export promotion measure lets all exporters defer import duties for up to seven years on imported capital equipment or receive an equivalent government subsidy for domestically produced capital goods.

In accordance with its commitments under the FTA, Chile is eliminating, over a transition period, the use of duty drawback and duty deferral for imports that are incorporated into any goods exported to the United

States. Full drawback rights are allowed through 2012. Beginning in 2013, the amount of drawback allowed is reduced until it reaches zero in 2016.

Under Chile's separate VAT reimbursement policy, exporters have the right to recoup the VAT they have paid when purchasing goods and using services intended for export activities. Any company that invests in a project in which production will be for export is eligible for VAT reimbursement.

Exporters of services can only benefit from this policy when the services are rendered to people or companies with no Chilean residency. Also, the service must qualify as an export through a resolution issued by the Chilean customs authority. The VAT reimbursement is calculated as the percentage of FOB exported in relation to the total sale of goods and services of the same taxable period.

GOVERNMENT PROCUREMENT

The FTA requires procuring entities to use fair and transparent procurement procedures, including advance notice of purchases and timely and effective bid review procedures for procurement covered by the Agreement. It also includes nondiscrimination provisions that require Chilean entities covered by the FTA to allow U.S. suppliers to participate in their procurement on the same basis as Chilean suppliers in procurements covered by the Agreement. The FTA covers the procurement of most Chilean central government entities, 15 regional governments, 11 ports and airports, and 346 municipalities.

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

INTELLECTUAL PROPERTY RIGHTS PROTECTION

Chile was listed on the Priority Watch List in the 2011 Special 301 Report. The report notes the Piñera Administration's significant commitment to address outstanding intellectual property rights (IPR) issues under the FTA. The report also highlights Chile's implementation of new copyright legislation, ratification of the Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellites (Brussels Convention), ratification of the Trademark Law Treaty (for which implementing legislation is pending), and the launch of a ministerial-level interagency committee on IPR with a mandate to examine the outstanding FTA issues. In 2011, the Chilean Senate approved the International Convention for the Protection of New Varieties of Plants. Implementing legislation is currently under consideration.

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

In 2012, the United States will continue to work with Chile to improve IPR enforcement and to ensure that Chile is meeting its FTA commitments.