CHILE

TRADE SUMMARY

U.S. goods exports in 2014 were $16.6 billion, down 5.0 percent from the previous year. Chile is currently the 22nd largest export market for U.S. goods. Corresponding U.S. imports from Chile were $9.5 billion, down 8.6 percent. The U.S. goods trade surplus with Chile was $7.1 billion in 2014, an increase of $9 million from 2013.

U.S. exports of services to Chile were $3.6 billion in 2013 (latest data available), and U.S. imports were $1.2 billion. Sales of services in Chile by majority U.S.-owned affiliates were $11.5 billion in 2012 (latest data available), while sales of services in the United States by majority Chile-owned firms were $186 million.

The stock of U.S. foreign direct investment (FDI) in Chile was $41.1 billion in 2013 (latest data available), up from $37.8 billion in 2012. U.S. FDI in Chile is led by the mining, finance/insurance, and manufacturing sectors.

TRADE AGREEMENTS

The United States-Chile Free Trade Agreement (FTA) entered into force on January 1, 2004. Pursuant to the FTA, Chile immediately eliminated tariffs on over 85 percent of bilateral trade in goods. All duties for U.S. goods entering Chile were eliminated on January 1, 2015.

Chile is a participant in the Trans-Pacific Partnership (TPP) negotiations, through which the United States and 11 other Asia-Pacific partners are working to establish a comprehensive, high-standard, next-generation regional agreement to liberalize trade and investment in the Asia-Pacific. Once concluded this agreement will advance U.S. economic interests with some of the fastest-growing economies in the world; expand U.S. exports, which are critical to the creation and retention of jobs in the United States; set high standards for regional trade and investment that promote U.S. interests and values; and serve as a potential platform for economic integration across the Asia-Pacific region. The United States is proposing to include in the TPP agreement ambitious commitments on goods, services, and other traditional trade and investment matters, and enforceable labor and environment obligations. TPP will also address a range of new and emerging issues of concern to U.S. businesses, workers and other stakeholders in the 21st century. In addition to the United States and Chile, the TPP negotiating partners currently include Australia, Brunei, Canada, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.

TECHNICAL BARRIERS TO TRADE / SANITARY AND PHYTOSANTIARY BARRIERS

Technical Barriers to Trade

Nutrition Labeling

The Chilean Congress adopted Law No. 20,606 on nutrition and composition of food and food advertising in July 2012, and the Chilean Ministry of Health (MOH) published and notified the "Proposed Amendment to the Chilean Food Health Regulations, Supreme Decree No. 977/96, provisions on the nutritional composition of food and on food advertising, in accordance with Law No. 20.606" on August 22, 2014, but it has not gone into effect, and the final rule has not yet been issued.

The 2014 draft regulation sets thresholds for saturated fat, calories, sugar, and sodium according to 100 gram or 100 ml portion sizes for prepackaged foods. If the specified thresholds are exceeded, an octagonal warning icon must be placed on the front label panel, indicating that the product has an excessive level of the nutrient(s) for which the threshold has been exceeded. One icon is required per category that is exceeded, up to four on a single package. The specified size of each icon fluctuates between 4 percent and 10.4 percent of the total surface area of the packaging depending on the size of the labeled area of the main face of the package. Further, the icons must be placed in the upper half of the main face of the package. The disclaimer used in the icon is "Excess Of" and includes a statement from Chile's Ministry of Health. Initial estimates from the USDA's Foreign Agricultural Service indicate that as much as 80 percent of the $312.4 million of U.S. prepackaged foods exported to Chile could need to bear at least one warning icon. The draft also restricts the use of positive health claims if at least one icon is used, but provides exemptions for foods that have no added saturated fat, sugar, or sodium.

The United States has discussed this issue with Chile within the framework of the WTO Committee on Technical Barriers to Trade (WTO TBT Committee), under the FTA, and on other bilateral occasions. Most recently, the United States submitted written comments to Chile on the proposed regulation on October 19, 2014. The United States, Canada, Mexico, European Union, Switzerland, Australia, Costa Rica, Brazil, and Colombia raised questions regarding and concerns with the draft regulation in the November 2014 meeting of the WTO TBT Committee. The United States has concerns about certain aspects of the proposed regulation — such as the "warning" element of the icons, and the prohibition on health claims and complementary information for products that carry icons—and will continue to discuss these issues with Chile.

Sanitary and Phytosanitary Barriers

Salmonid Products Ban

In 2010, Chile's Ministry of Fisheries, SERNAPESCA, suspended imports of salmonid species from all countries, including the United States, due to Chile's revised import regulations for aquatic animals, including salmonid eggs. Under the new regulations, U.S. producers cannot export salmonid eggs to Chile until SERNAPESCA completes a risk analysis and an on-site audit of the U.S. Department of Agriculture's (USDA) oversight of aquatic animal exports and U.S. salmonid egg production sites. An audit was conducted in 2011 on USDA's oversight of production sites in the states of Washington and Maine. The United States and Chile have had subsequent engagement on this issue, but a final risk assessment has not been completed. The United States government continues to work with Chile to resolve the issue.

Live Cattle

In 2003, Chile restricted imports of U.S. cattle because of bovine spongiform encephalopathy (BSE). The United States began requesting that Chile lift this restriction in 2007. In December 2014, Chile informed the U.S. Animal and Plant Health Inspection Service that Chile recognizes the United States' negligible risk status for BSE. The United States will work with Chile to move forward on re-opening Chile's market to U.S. live cattle on the basis of this recognition.

IMPORT POLICIES

Tariffs and Taxes

Chile has one of the most open trade regimes in the world with a uniform applied tariff rate of 6 percent for nearly all goods not covered under a free trade agreement. Additionally, many capital goods may be imported with an applied tariff rate of zero percent under specific conditions. Importers must pay a 19 percent value-added tax (VAT) calculated based on the CIF value of the import. The VAT is also applied to nearly all domestically produced goods and services. There are additional taxes applied to some products regardless of their origin, such as an 18 percent tax on sugared non-alcoholic beverages, a 20 percent tax for beers and wines, and a 31.5 percent tax for distilled alcoholic beverages. Cigarettes are subject to a 30 percent *ad valorem* tax plus approximately $0.07 per cigarette; other tobacco products have taxes between 52.6 percent and 59.7 percent. These values reflect changes recently implemented under the reformed tax regime introduced in 2014.

Import Controls

There are virtually no restrictions on the types or amounts of goods that can be imported into Chile, nor are there any requirements to use the official foreign exchange market. However, importers and exporters must report their import and export transactions to the Central Bank. Commercial banks may sell foreign currency to any importer to cover the price of imported goods and related expenses as well as to pay interest and other financing expenses that are authorized in the import report. Licensing requirements appear to be primarily used for statistical purposes; legislation requires that most import licenses be granted as a routine procedure. More rigorous licensing procedures apply for certain products such as pharmaceuticals and weapons.

Nontariff Barriers

Chile maintains a complex price band system for sugar (mixtures containing more than 65 percent sugar or sugar substitute content are subject to the sugar price band), wheat, and wheat flour. However, pursuant to the FTA, Chile phased out its application of the price band system to imports from the United States, and as of January 1, 2015, imports of U.S. goods are fully exempt from application of the system. Chile's President will evaluate in 2015 whether to continue the price band system for all other trading partners with which Chile has a free trade agreement.

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). 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, as are non-commercial shipments valued at less than $500.

EXPORT POLICIES

Other than cases where a free trade agreement makes an exception, Chile currently provides a simplified duty drawback program for nontraditional exports. The program reimburses a firm up to 3 percent of the value of the exported good if at least 50 percent of that good consists of imported raw materials. Chile publishes an annual list of products excluded from this policy. In accordance with its FTA commitments, as of January 1, 2015, Chile eliminated the use of duty drawback and duty deferral for imports that are incorporated into any goods exported to the United States.

Under Chile's separate VAT reimbursement policy, exporters have the right to recoup the VAT paid on goods and using services intended for export activities. Any company that invests in a project in which production will be for export is eligible for VAT reimbursement. Exporters of services can only benefit from the VAT reimbursement policy when the services are rendered to people or companies with no Chilean residency. Also, the service must qualify as an export through a resolution issued by the Chilean customs authority.

GOVERNMENT PROCUREMENT

The FTA requires procuring entities subject to the Agreement to use fair and transparent procurement procedures, including advance notice of purchases and timely and effective bid review procedures for procurement covered by the Agreement. The FTA also contains nondiscrimination provisions that require Chilean entities covered by the FTA to allow U.S. suppliers to participate on the same basis as Chilean suppliers in covered procurements. Most Chilean central government entities, 13 regional governments, 10 ports, state-owned airports, and 341 municipalities are covered by the FTA and must comply with the government procurement obligations.

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

INTELLECTUAL PROPERTY RIGHTS PROTECTION

Chile remained on the Priority Watch List in the 2014 Special 301 Report. The report identified weaknesses in the adequacy and effectiveness of Chile's protection of intellectual property. The report also identified obstacles to swift resolution of patent issues in connection with applications to market pharmaceutical products and inadequate protection against unfair commercial use as well as unauthorized disclosure of undisclosed test or other data generated to obtain marketing approvals for pharmaceutical products. Chile has inadequate protection against the circumvention of technological protection measures, inadequate legal basis for rights-holders to take effective action against any act of infringement of copyright and related rights, and inadequate administrative and judicial procedures for intellectual property violations. Chile has not approved legislation to implement the International Convention for the Protection of New Varieties of Plants (1991).