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EFTA - CHILE FREE TRADE AGREEMENT

Opportunities for Swiss Business



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Foreword

After concluding a large number of free trade agreements (FTAs) in the early 90s in Europe mainly, Switzerland and its EFTA partners have moved to other continents namely the Americas, Africa and Asia.

FTAs aim at a faster market opening between like-minded countries than at the multilateral level, the WTO in particular. In many instances, they are absolutely necessary for Swiss business in order to keep a level playing field with its major competitor, the European Union.

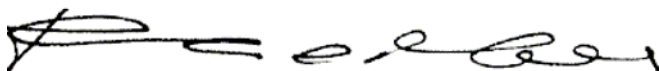
FTAs are complex legal documents not easily accessible for small and medium-sized firms. Negotiated over years, highly technical, they are approved by Parliaments and then put into force. FTAs are not to be left into drawers or as pdf documents on websites but to be fully used by business to stimulate trade, increase industrial cooperation, foster investment around the world and bring nations closer.

This publication has two purposes: present in simple terms the implications of the EFTA-Chile FTA for Swiss business and develop awareness for the Chilean market; it aims at opening the Chilean door for Swiss firms. It is worthwhile to go through the next pages and insert their content in your strategy. This second edition updates all the information and adds new business opportunities.

Today's key expressions for an internationally-oriented firm are globalization and market diversification. FTAs address both: globalization with a better allocation of resources for inputs and intermediate goods and market diversification by taking into account growth rates differences across continents and between countries. Business needs to balance off risks: the Chilean market may contribute exactly to that.

It is very encouraging to note that since the entry into force of the FTA in December 2004, Swiss exports to Chile have increased by 43 % and Swiss imports by 42 % reaching all-time highs. Swiss direct investments in Chile have paralleled this dynamism with a 45% growth. Swiss and Chilean firms have already benefited significantly from the FTA and the solid growth performances of both economies. This is however only the beginning: economic ties should be further strengthened with the signing this year of a double taxation agreement and with new perspectives in several sectors.

The Swiss Embassy in Santiago, OSEC Business Network Switzerland, the Latin American Chamber of Commerce and SECO Americas Unit are your partners for a first approach to the Chilean market. They will be very pleased to ease your way toward a country with a great potential located in a fascinating region of the world !



Jean-Daniel Gerber
State Secretary



*Noche, nieve y arena hacen la forma
de mi delgada patria,
todo el silencio está en su larga línea,
toda la espuma sale de su barba marina,
todo el carbón la llena de misteriosos besos.*

Pablo Neruda

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Philippe G. Nell
State Secretariat for Economic Affairs
Minister, Head, Americas Unit
Editor

INTRODUCTION

The aim of this publication is to increase Swiss business awareness for the potential of the Chilean market. The free trade agreement (FTA) brings significant advantages to Swiss firms in a competitive Latin American economy. Political stability, economic efficiency and good potential for future growth in key sectors provide a unique mix in this part of the world.

Chile's broad network of FTAs improves trade and investment opportunities. Worldwide diversification, specialization and globalization already translate in some Swiss exports being forwarded to Chile from Swiss multinational corporations subsidiaries established around the world.

With firms considering more and more Latin America as a single region, Chile fulfills key conditions to become a hub hosting regional headquarters. The high quality of life, the excellent infrastructure and the beautiful natural sceneries contribute to Chile's attractiveness for foreign firms. During the coming decade, Chile will continue to grow, improving the living standards of an ambitious population. Swiss technology and know-how can contribute to reach important national objectives referring for instance to pollution control, railroad development and energy production. Swiss investment goods may also strengthen the industrial and agro-business sectors. Regarding financial services, an opening of the Chilean market is yet to be negotiated.

At the multilateral level, in the WTO in particular, and in world economic associations representing industry, Chile and Switzerland cooperate in a new spirit characterized by the very special links resulting from their comprehensive FTA. At the plurilateral level, Chile is presently negotiating its accession to the OECD with the view to further strengthen economic relations with key partners.

This publication was written for Swiss companies. It intends to bring together a significant amount of information based on 2007 data with many website addresses. Chapter 1 presents an overview of Chile's political system, geography and economy. Chapter 2 highlights the advantages of the FTA for Swiss business in all the key areas. Chapter 3 provides information on how to access to the Chilean market: emphasis is put on entry strategies, customs regime, investment, labor issues, financial services and taxes. Chapter 4 assesses opportunities for business based on today's Swiss major exports to Chile and Chile's fast growth sectors.



Juan Fernandez Island

CHAPTER I

GENERAL COUNTRY INFORMATION

Objective: Provide an introduction to Chile

Content: Overview of the political system, geography, population, economy, international agreements and bilateral economic relations with Switzerland

1. Government and political system

Chile is a multiparty Republic with a presidential system based on the Constitution of 1980, which was amended and approved by referendum in 1989.¹ The Chilean population elects the President who is Head of State and Head of the government. Immediate re-election is not allowed. In 2004, the presidential term was reduced from six to four years. Unless a candidate obtains more than 50% of the vote in the first ballot, a second round is contested between the two leading candidates from the first round. The President appoints his cabinet.

The bicameral National Congress is located in Valparaiso. The Senate has thirty-eight members who serve for an eight-year term. Until 2005, former Presidents could become senators for life; tenure of designated members of parliament has not been extended in 2006. The Chamber of Deputies has 120 members elected for a four-year term. The proportional electoral system in binominal districts makes it difficult for small parties to win seats if they are not part of a major coalition and for a coalition to win a large congressional majority. This encourages consensus solutions and political co-operation between the government and the opposition.

The Constitution provides for an independent Constitutional Tribunal, an independent Supreme Court, regional courts of appeal and local tribunals. The Executive nominates replacements for the Supreme Court judges. The new appointments must be approved by a two-third majority of the Senate. The number of judges is limited to 21. The judges serve until retirement, which is compulsory at the age of 75. The Supreme Court appoints the members of the 16 regional courts of appeal and lower courts.

Mrs Michelle Bachelet was elected President on January 15, 2006 for a four-year term. Since her election, she had to rebuild the cabinet several times due to inter alia insufficient cohesion in the governmental party *Concertación* and the loss of the majority in Parliament by the governing coalition. Mrs Bachelet has set important objectives including the reform of the educational system, the fight against crime and the improvement of social justice. In January 2008, the Parliament approved a new retirement scheme.

Today, Chile is probably the most prosperous and stable economy in South America. Although poverty has markedly declined over the last 20 years, further progress remains to be achieved in reducing the social gap between rich and poor. Chile's democratic system is lively and well established. All sectors of society are proud of their country's democratic and economic achievements. There is a clear consensus that these have to be maintained and developed further.

¹ This section is based on:

- Ministry of the Interior: [Hwww.interior.cl](http://www.interior.cl)
- Senate: www.senado.cl
- Chamber of Deputies: www.camara.cl

2. Geography

Chile has a land area of 756.628 square km, including Easter Island, Archipelago Juan Fernandez and Islands San Felix, San Ambrosio and Sala y Gomez.² The coastline is about 6.435 km. Chile claims sovereignty over the ocean up to 200 nautical miles from its coast and over the area of Antarctica between the 53-degree W and 90-degree W meridians (1.249.675 square km). Chile's territorial claim in Antarctica partially overlaps Argentina's.

Chile is one of the narrowest countries in the world, averaging 177 km wide, and is a land with topographical contrasts. The width of the narrowest point in the south and of the largest point in the north is respectively 90 and 380 km. The Andean mountain range (6.900 meters of elevation in the central region) dominates Chile's topography from north to south, together with the coastal mountain range (Cordillera de la Costa), and the longitudinal valley in between. Many mountain ridges divide the valley, which disappears beneath the sea close to Puerto Montt.

Differences between day and night temperature can be greater than 30° Celsius (C) in the northern interior and up to 20° C in Santiago in spring and summer. The climate in the most populated area is in general mild. During summer (December to March), the temperature in Santiago fluctuates between 10° and 30° C, the average being 20° C. In winter (July to September), average temperature ranges around 12° C in Santiago.



Annual rainfalls increase from north to south, reaching about 360 mm in Santiago. The rainy season lasts four months in the central region and takes place during the winter months.

Chile is divided into fifteen Regions numbered I to XV from North to South including the Metropolitan Region of Santiago (XIII Region). The headquarters of almost all the major firms are in the capital city; Santiago is home to almost half of Chile's population.

Beyond Santiago the major production and export centers are:

- The North of Chile (Regions XV, I, II, III), hot and dry, where almost all extractive mining business (particularly Chile's key product copper) is concentrated.
- The Central Zone (Regions IV, V, VI and VII, immediately North and South of Santiago) with a Mediterranean climate and warm dry summers; this is the main area for fruit production and vineyards as well as for services and most of the manufacturing industry.
- The South, from Region VIII to Region XII, with a temperate climate and high rainfall especially further South; the major industries are timber, paper pulp, and salmon farming.
- In the extreme South (Patagonia or Region XII), with a relatively cold climate, there is very little industry except a major methanol production plant near Punta Arenas.

² This section is based on:

- Chile contact: www.chilecontact.com
- Library of the National Congress of Chile: www.bcn.cl/siit/regiones
- Map: Library of the National Congress of Chile: www.bcn.cl/siit/regiones

International tourism tends to focus on the far Northern desert (Region II), the South around lakes and volcanoes (Regions IX and X) and the mountains, rivers and glaciers for adventure tourism (Regions XI and XII). There is also some tourism from neighboring countries to beaches along the Pacific in the Center and North of Chile, as well as some winter tourism to ski resorts close to Santiago.

3. Population and social patterns

Chile has a population of 16 mn; 85% live in urban areas.³ Population growth has slowed from 1.6% per year in 1990-1999 to 1.1% per year in 2000-2006. Compared to European countries, Chile has a much younger age structure. In 2006, 33.3% of the population was under 20, 63.8% under 40, 88.2% under 50 and 94.6% under 60. In 2005, life expectancy was estimated at 78.3 years. Women account for 50.5% of the population and 37% of the working force.

In 2006, employment was distributed as follows: social services (27.4%), commerce (19.5%), industry (13.3%), agriculture (12.6%), financial services (8.6%), construction (8.4%), and, transport and communication (8.3%). Although copper is an important export sector, it only employs 1.4% of the labor force. In 2007, unemployment reached 6.5%.

The proportion of the population living in poverty fell from 45% in 1987 to 18.8% in 2003 and in extreme poverty from 17.4% (1987) to 4.7% (2003).⁴ Income distribution remains very unequal. In 2003, the poorest 20% of the population earned 4.4% of national income and the richest quintile 55.9%.

76% of the Chilean population is Mestizos (mixed Spanish and Amerindian ancestry). European descents make up 20% and the Mapuches (indigenous) 4%. Mapuches and former Huilliche islanders live on the mainland. Some of them still claim their right for land.

Since the 19th century, a small and steady flow of Europeans i.a. from Croatia, France, Germany, Italy, UK and Switzerland has come to Chile. Additional immigration from Italy and Spain, but also Eastern Europe and the Middle East arrived before World War II. Social integration was fairly rapid, as second-generation residents considered themselves primarily Chileans. Ethnic identities had little impact on national society. Many immigrants became prominent entrepreneurs or professionals. Chile's recent economic success has attracted increasing immigration from neighboring countries, mainly Peru.

Roman Catholicism is an integral part of Chile's history and culture. According to the 2002 census, 70% of the population is Catholic, 15% either Evangelical or Protestant, and the rest of other religious groups.

Corruption and crime rates in Chile are slowly growing but on a low level compared to other Latin American countries. The laws that combat corruption are found in various articles of the penal code and the administrative statute of 1986⁵. In 2007, Chile ranked 22nd in the

³ This section is based on:

- National Institute of Statistics: [Hwww.ine.cl](http://www.ine.cl)
- Ministry of Health: [Hwww.minsal.cl](http://www.minsal.cl)
- Central Bank of Chile: www.bcentral.cl
- UN Human Development Report: <http://hdr.undp.org/en>, 2007
- Transparency International – Corruption Perceptions Index 2007

⁴ Poor households are defined as those with regular monetary incomes insufficient to buy two basic food baskets per head per week. Households that are unable to buy one basket per head per week are described as living in extreme poverty. Source: Caracterización Socio-Económica Nacional of Encuesta Casen (National population survey).

⁵ The application of the administrative statute is the responsibility of the office of the Comptroller General of the Republic and of the Comptroller General of Congress. Chile has ratified the Convention against Corruption of the

Corruption Perceptions Index of Transparency International, by far the best classification among the Latin American countries.

4. Economic situation

Over the past two decades, the Chilean economy has benefited from sound macroeconomic management.⁶ The focus has been on prudent fiscal and monetary policies with a structural surplus at the central government's level and inflation targeting.

Chile has enjoyed GDP⁷ growth rates well above those of the rest of Latin America, avoiding the acute financial or political crises and instability of its neighbors. In the mid-1990s, Chile's annual growth averaged 6-7%, and then decreased to 2.6% (1999-2002). In 2004, growth caught up again reaching 6.1% and kept a high level throughout 2007 benefiting from high world prices for copper.

Key country data: 2005- 2007⁸

	2005	2006	2007
GDP (USD bn)	118.9	145.8	160.8
GDP/inhabitant (USD)	7'350.0	8'903.0	9'697.0
Real GDP growth (%)	5.7	4.0	5.2
Inflation	3.1	3.4	3.9
Current account (% of GDP)	1.1	3.6	3.7
Public debt (% of GDP)	8.0	7.4	6.5
Service of debt (% of exports)	15.2	18.5	8.7
Reserves (imports in months)	4.6	4.8	3.9

Chile has maintained low inflation during recent years. At the end of 2007, however, inflation peaked to 7.8%, mostly as a result of the rise of oil and electricity prices (+23%) and of higher food prices (+15%).⁹ The Central Bank targets inflation at 2-4% and has gradually tightened interest rates since September 2004 (from 1.75% to 6.25%). Since the end of 2001, the authorities have allowed the exchange rate to float freely (End of 2007 : CLP 497 for 1 USD).

In 2007, exports reached USD 65 bn (+15%), owing to high commodity prices. Exports consist mainly of primary goods, including copper (57.9% of total exports) and agricultural products¹⁰.

Organization of American States (OAS). Chile is also a signatory to the Convention on Combating Bribery of the Organization for Economic Cooperation and Development (OECD), which was ratified in March 2001. However, Chilean law has not yet been modified to implement the act and makes bribing a foreign official a crime. A wide range of subornation is punishable as a crime under the penal code, and penalties applied are relative to the crime.

⁶ This section is based on:

- National Customs Service: www.aduana.cl
- Central Bank of Chile: www.bcentral.cl
- Chile Foreign Investment Committee: www.cinver.cl
- Economist Intelligence Unit - Country Profile 2007; Country Report, January 2008
- IMF – World Economic Outlook Database October 2007: www.imf.org

⁷ Gross Domestic Product

⁸ Source: IMF – World Economic Outlook Database October 2007; Central Bank of Chile: [Hwww.bcentral.cl](http://www.bcentral.cl)

⁹ Central Bank of Chile, *Monetary Policy Report*, January 2008: www.bcentral.cl

¹⁰ Such as fruit, salmon, cellulose, wood products, wine, meat and dairy products.

Chile's export markets are well diversified and evenly balanced between Asia, Europe and the Americas, with each taking around a 30% share. In 2007, the main destinations were: the European Union (24.5%), China (15.2%), the U.S.A. (12.7%), Japan (10.8%) and Mercosur (6.6%).

Imports consist mainly of a wide range of manufactured goods and crude petroleum. They are less diversified by source than exports. In 2007, Latin America accounted for almost 35% (of which 21.4% from Mercosur) of imports, which mainly came from the U.S.A. (17%), the European Union (14%), China (11.4%), Brazil (10.5%) and Argentina (10%).

Foreign direct investment (FDI) has played a key role in underpinning Chile's growth. Between 1974 and 2006, multinational companies have invested about USD 63.5 bn in greenfield projects, mergers and acquisitions. More than 3,000 firms from 60 countries have operations in Chile. Multinational companies increasingly view Chile as a springboard to do business throughout the region and other continents.

The main foreign investors in Chile are the U.S.A. (25.3%), Spain (21.7%), Canada (16.4%) and the United Kingdom (8.9%).

During the 1974-2006 period, FDI went mainly to mining (33.2%), electricity, gas and water (20.1%), communication (10.3%), financial services (10%) and chemicals (4.6%). Around 30% of all FDI went to Santiago.

In 2006, FDI stock in Chile amounted to USD 86 bn. Chile had the highest FDI stock per capita in Latin America.

Chilean FDI abroad is also substantial with flows of USD 23.5 bn during the 1974-2006 period. In 2006, Chilean FDI (USD 2.8 bn) went mainly to Latin America (Argentina (42%), Peru (18%), Colombia (10%)) and the U.S.A. (6%).

5. International trade, investment and double taxation agreements

In 1980, Chile was one of the founding members of the Latin American Integration Association (LAIA) established by the Treaty of Montevideo.¹¹ It seeks economic cooperation among its 12 members.¹² LAIA approved in 1984 a Regional Tariff Preference scheme and expanded upon it in 1987 and 1990.

In 1994, Chile joined the Asia Pacific Economic Cooperation (APEC) organization. APEC was established in 1989 to further enhance economic growth and prosperity for the region and to strengthen the Asia-Pacific community.¹³

¹¹ This section is based on:

- Asia Pacific Economic Cooperation (APEC): www.apec.org
- Chile Foreign Investment Committee: www.cinver.cl
- Economist Intelligence Unit - Country Profile 2007; Country Report, January 2008
- Latin American Integration Association (LAIA): www.aladi.org
- Mercosur: www.mercosur.org.uy
- Ministry of Foreign Relations: www.direcon.cl

¹² LAIA members are: Argentina, Bolivia, Brazil, Chile, Cuba, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, Venezuela.

¹³ APEC members are: Australia, Brunei Darussalam, Canada, Chile, People's Republic of China, Hong Kong, Indonesia, Japan, South Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Philippines, Russian Federation, Singapore, Chinese Taipei, Thailand, U.S.A. and Vietnam.

In 1995, Chile joined the World Trade Organization (WTO) as a founding member. Chile had been member of GATT since 1949.

Since 1996, Chile has been an associate member of Mercosur¹⁴ and of the Andean Community.

Chile has concluded FTAs with various countries and regions: Canada (1997), Mexico (1999), the Central American Common Market¹⁵ (1999), EFTA (2004), South Korea (2004), U.S.A. (2004), European Union (2005), Peru (2006), Panama (2006), the group New Zealand, Singapore, Brunei (2006), China (2007) and Japan (2007).

Additionally, Chile has signed Complementary Agreements¹⁶ with Bolivia (1993), Venezuela (1993), Colombia (1994), Ecuador (1995), Mercosur (1996) and a Partial Preferential Agreement with India (2007).

With Cuba, an agreement eliminating customs duties for 878 goods originating in Cuba and 281 goods in Chile, has not yet been ratified.

Chile has also participated in the negotiations on the Free Trade Area of the Americas, which aims to create a single free trade area across the Americas; no progress has been registered during the last years.

Chile is a founding member of the Cairns Group.¹⁷ However, it is not member of any international commodity agreement or association.

Chile has Agreements on the Promotion and Protection of Investments with the following countries:

- In force: Argentina, Australia, Austria, Belgium, Bolivia, China, Costa Rica, Croatia, Cuba, Czech Republic, Denmark, Ecuador, El Salvador, Finland, France, Germany, Greece, Guatemala, Honduras, Iceland, Italy, Malaysia, Nicaragua, Norway, Panama, Paraguay, Peru, Philippines, Poland, Portugal, Rumania, South Korea, Spain, Sweden, Switzerland, Ukraine, United Kingdom, Uruguay and Venezuela.
- Signed: Brazil, Colombia, Dominican Republic, Egypt, Hungary, Indonesia, Lebanon, Netherlands, New Zealand, South Africa, Tunisia, Turkey and Vietnam.
- Under Negotiation: Barbados, Bulgaria, Haiti, India, Israel, Jamaica, Kazakhstan, Latvia, Mauritius, Morocco, Russian Federation, Singapore, Slovenia, Thailand and Trinidad and Tobago.

¹⁴ Mercosur was established in 1991 by Brazil, Argentina, Uruguay and Paraguay.

¹⁵ The members of the Central American Common Market (CACM) are: Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua.

¹⁶ These agreements include provisions regarding rules of origin, safeguard measures, unfair trade practices, taxation, investment, government procurement, maritime and air transport as well as dispute settlement.

¹⁷ The members of the Cairns Group are: Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, Philippines, South Africa, Thailand and Uruguay.

Chile has Double Taxation Agreements¹⁸ with the following countries:

- In force: Argentina, Brazil, Canada, Croatia, Denmark, Ecuador, France, Mexico, New Zealand, Norway, Peru, Poland, South Korea, Spain, Sweden and United Kingdom.
- Signed¹⁹: Belgium, Colombia, Ireland, Malaysia, Paraguay, Portugal, Russian Federation and Thailand.
- Negotiations concluded: South Africa and Switzerland.
- Under Negotiation: Australia, China, Cuba, Czech Republic, Finland, Hungary, India, Italy, Kuwait, Netherlands, the U.S.A. and Venezuela.

6. Economic relations with Switzerland

The relations between Switzerland and Chile are based on a long friendship.²⁰ The first Bilateral Trade Agreement was concluded in 1897. Recently, an Agreement on the Promotion and Protection of Investments (2002) and a FTA (2004) strengthened the framework conditions for business. In addition, the negotiations for an Agreement on Double Taxation were concluded in 2007.

In 2007, Chile reached 3.7% of overall Swiss trade with Latin America and ranked 7th. Swiss exports amounted to CHF 193 mn with mainly machines (35.7%), chemicals and pharmaceuticals (32%), watches and precision instruments (16.2%) and metals (6.9%). Swiss imports from Chile (CHF 85 mn) consisted of agricultural goods (54.5%), paper (35%) and metals (7.1%).

In 2006, Swiss firms had a FDI stock of USD 1.17 bn and employed 16.575 persons in Chile. Switzerland ranked 10th (2%) among foreign direct investors in Chile.

Switzerland supports presently two clean air projects (2006: CHF 1.4 mn) in Chile under its cooperation programs.



Santiago de Chile

¹⁸ The agreements aim at avoiding double taxation of income earned in one country by a resident of the other country. They also clarify the taxing rights between Chile and its partners on various types of income arising from cross-border economic activities and provide for reduction or exemption of tax on certain types of income. Source: Service for Internal Taxes: www.sii.cl

¹⁹ Still requires Congressional approval to enter into force.

²⁰ This section is based on:

- Chile Foreign Investment Committee: www.cinver.cl
- Swiss Customs Authorities: [Hwww.ezv.admin.ch](http://www.ezv.admin.ch)
- State Secretariat for Economic Affairs: [Hwww.seco.admin.ch](http://www.seco.admin.ch)

CHAPTER II



EFTA-CHILE FREE TRADE AGREEMENT

Objective: Highlight the benefits for business resulting from the FTA

Content:

- a) Market access: improvements for trade in goods, services and government procurement
- b) Complements to WTO rules: investment, competition and intellectual property

** All paragraphs in this chapter marked in a grey form highlight benefits for business*

Introduction

The European Free Trade Association (EFTA) was established in 1960 by the Stockholm Convention. The original purpose of this intergovernmental organization was to remove customs duties on industrial products in trade among its Member States. The current members of EFTA are Iceland, Liechtenstein, Norway and Switzerland. In contrast to the European Union (EU), EFTA is not a customs union. Individual EFTA States are basically free to set their own customs tariffs and arrange other foreign trade measures vis-à-vis non-EFTA States. EFTA States have been using EFTA as a platform for the joint negotiation of FTAs with third countries outside the EU. Fifteen such agreements are currently in force and a number of agreements are being negotiated.

1. Trade in goods

The basic aim of the FTA is to eliminate customs duties on trade. It was mainly achieved for manufactured goods; constraints resulting from Swiss agricultural policy limited liberalization in that sector.

1.1. Manufactured products

Chile's most-favored-nation²¹ tariff applied for chapters 25 to 97 of the Harmonized System²² is 6%; goods classified in 95 tariff lines at the eight-digit level do not pay any duty. At the WTO, Chile has consolidated its tariffs lines at a uniform 25% level with the exception of various agricultural products. This means that Chile can in case of serious problems faced by a domestic industry increase at any time any tariff from the 6% level up to 25% and still fulfills WTO obligations.

a. Tariffs

Under Annex VI of the FTA, Chile eliminates tariffs according to a progressive reduction for two categories of products. For category 1, tariffs were fully eliminated on 1.1.08. For category

²¹ The most-favored-nation (MFN) tariff is the tariff applied by Chile to all the WTO members; Article XXIV of GATT 94 foresees an exception to the MFN treatment for customs unions and free-trade zones.

²² The Harmonized System (HS) is a classification system for goods comprising 21 Sections, 96 Chapters and 1,241 headings (4-digit level). Some headings are sub-divided into sub-headings (6-digit level) which are further sub-divided at a national level into two-dash sub-headings (8-digit level). The HS includes 5,018 separate categories of classification of goods. It is implemented by the international Convention on the Harmonized Commodity Description and Coding System of 1 January 1988. It is now used in the customs tariffs and trade statistical nomenclatures of nearly 120 countries. For more details, see Hironori Asakura (1993): *The Harmonized System and Rules of Origin*, 27 J.W.T. 4, pp. 5-21.

2, tariffs will be abolished December 1, 2010 after a further reduction to 10% (1.1.09) of the base duty. According to the FTA, the dismantling calendar for products considered as very sensitive by Chile²³ had to be negotiated at the latest in 2006 with a maximum 9 year-reduction period. These tariff lines include glass-, ceramic-, petroleum products and automobile parts and represent 1.5% of Swiss exports to Chile. In 2007, these negotiations had not yet taken place.

b. Rules of origin

In order to get preferential status upon import into Chile, Swiss firms must fulfill specific rules of origin; they indicate the working and processing required to be carried out on non-originating materials. They are broadly based on the European model. As with Mexico, they are, however, more liberal for several product categories taking into account the purchase by Swiss firms of most intermediate products in the European Union.

In the machines and railway sectors, firms have a choice between two rules for most tariff positions:

- i) change of tariff heading
- ii) 50% value-added

The 50% value-added rule applies also for most tariff positions in the chemical and pharmaceutical sectors. In textiles and clothing, however, the rules are very restrictive and require generally two production stages (production of yarn and fabric; production of fabric and clothing assembly).

Originating materials from partner countries can be used for cumulation purposes. A 10% tolerance rule is also foreseen; Swiss firms may use some non-originating inputs not allowed by a rule provided their value does not exceed 10% of the factory price of the product.²⁴

Non-originating materials (parts purchased in a country not Member of the FTA) used in the manufacture of products qualifying for preferential status shall not be subject to any drawback (reimbursement of the duties paid upon import of such a material upon export of the preferential product to Chile incorporating that material) or exemption of customs duties (upon import of the material from a third country). This rule shall only apply as of December 1, 2009.

c. Proof of origin

Swiss firms must submit a proof of origin to the Chilean customs in order to benefit from tariff preferences. Swiss firms can either:

- i) apply for a movement certificate EUR.1 to be issued by Swiss customs;
- ii) make out an invoice declaration provided the value of the shipment does not exceed CHF 10.300 or the firm has been granted by Swiss customs the status of an approved exporter (firm making frequent shipments under the Agreement).

No proof of origin is required for products sent from private persons to private persons whose value does not exceed CHF 900 and products forming part of travelers' personal luggage whose value does not exceed CHF 2.100.²⁵

²³ For more information on the reduction of tariffs and products subject to negotiations at a later stage see: http://secretariat.efta.int/Web/ExternalRelations/PartnerCountries/CL/CL_RUAP/annexes/CL_FTA_Annex_VI.pdf

²⁴ For the detailed rules of origin see: http://secretariat.efta.int/Web/ExternalRelations/PartnerCountries/CL/CL_RUAP/annexes/CL_FTA_Annex_I_-_Appendix_2.pdf

²⁵ For more details see Annex I of the FTA concerning the definition of the concept of "originating products" and arrangements for administrative co-operation:

1.2. Agricultural and processed agricultural products

Chile's applied tariff for agriculture and fisheries' products is 6% and 6.6% for prepared food.

Chile has liberalized a few tariff positions from HS sections 1 (live animals and products), 2 (vegetable products) and 4 (prepared food) with in particular dried bovine meat (HS 0210.20) coffee preparations (HS 0901.11; 0901.12; 0901.21; 0901.90), pectines, pectinates (HS 1302.20), preparations for soups (HS 2104.10) and mineral water (HS 2201.10).

Except for dried bovine meat (HS 0210.20) where the animal must have been raised in the free trade zone, the rules of origin are fairly flexible. They foresee value-added criteria, change in tariff heading or specific processes. Export opportunities for Switzerland will remain very limited due to the high price level in Switzerland.²⁶

Some processed agricultural products are subject to a special regime. In order to take into account differences between Swiss and world prices for agricultural raw materials, Switzerland may levy upon import of specific products a duty not exceeding the difference between the Swiss and the world price of the agricultural raw materials incorporated into these products. Upon export, the Swiss government may lower the export price by the same difference (export subsidy).

Chile has accepted such a regime for some products of HS Chapters 4 (yoghurt), 7 (sweet corn), 13 (pectic substances), 17 (sugar pectic confectionery), 18 (chocolate), 19, 20, 21, 22 (various products). For most products, Chile will however perceive upon import the most-favored-nation (MFN) tariff of 6%.²⁷

1.3. Horizontal policies

The FTA refers to specific WTO Agreements for customs valuation, national treatment, sanitary and phytosanitary measures, technical regulations, standards and conformity assessment, subsidies and countervailing measures, and balance of payment difficulties. The FTA confirms that Chile and the EFTA States will fully assume their WTO obligations.

Chile and the EFTA States commit themselves not to apply anti-dumping measures as provided for under the WTO Agreement on Implementation of Article IV of the GATT 1994 in relation to goods of a Party.

Chile and the EFTA States can also take safeguard measures under the FTA provided a product originating in another Party is imported in such increased quantities as to threaten or cause serious injury to domestic industry. Safeguard measures may take the form of suspending the further reduction of any tariff or increasing it at the MFN rate. Such a measure shall not exceed one year and in exceptional circumstances a maximum period of three years. A Party affected shall be offered compensation in the form of substantially equivalent trade liberalization to the market of the country which has taken the safeguard measure.

[Hhttp://secretariat.efta.int/Web/ExternalRelations/PartnerCountries/CL/CL_RUAP/annexes/CL_FTA_Annex_I.pdf](http://secretariat.efta.int/Web/ExternalRelations/PartnerCountries/CL/CL_RUAP/annexes/CL_FTA_Annex_I.pdf)
H

²⁶ For more details see Complementary Agreement on trade in agricultural goods between Chile and Switzerland:
[Hhttp://secretariat.efta.int/Web/ExternalRelations/PartnerCountries/CL/CL_CH_Bilat.pdf](http://secretariat.efta.int/Web/ExternalRelations/PartnerCountries/CL/CL_CH_Bilat.pdf)H

²⁷ For more information see Annex IV of the FTA:

[Hhttp://secretariat.efta.int/Web/ExternalRelations/PartnerCountries/CL/CL_RUAP/annexes/CL_FTA_Annex_IV.pdf](http://secretariat.efta.int/Web/ExternalRelations/PartnerCountries/CL/CL_RUAP/annexes/CL_FTA_Annex_IV.pdf)
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[Hhttp://secretariat.efta.int/Web/ExternalRelations/PartnerCountries/CL/CL_RUAP/annexes/CL_FTA_Annex_IV - Table_5.pdf](http://secretariat.efta.int/Web/ExternalRelations/PartnerCountries/CL/CL_RUAP/annexes/CL_FTA_Annex_IV_Table_5.pdf)H

1.4. Faster liberalization – parallelism with the European Union

Chile has declared its readiness to reduce its customs duties more rapidly than envisaged in the dismantling time-table on the basis of the economic situation of the sector concerned and of the country. If Chile was to decide with the European Union to accelerate tariff-dismantling, EFTA States would be provided the opportunity to negotiate a similar improvement for the FTA.

2. Trade in services

In 2006, the service sector accounted for 45.2% of Chile's GDP and 63% of the economically active population. Transport services represent about 40% of invisible exports, and tourism about a third.

Chile's relatively open services trade regime stands in contrast to its relatively limited commitments under the WTO General Agreement on Trade in Services (GATS); in particular, Chile maintains a "horizontal" limitation under which authorization for foreign investment in all service industries may be contingent on a number of factors, including employment generation, use of local inputs and compensation. This restriction undermines the commercial value and predictability of Chile's GATS commitments.

One of the objectives of the FTA is to achieve liberalization of trade in services in conformity with GATS Article V. The services chapter of the FTA covers the four modes of delivery (supply) of a service and addresses all services sectors. As in GATS, the Parties' positive lists of specific commitments are an integral part of the FTA.

The commitments should be reviewed every three years with a view to reduce or eliminate the remaining discrimination between the Parties. Thus far, no review has taken place.

Chile has extended its GATS commitments by abolishing a horizontal reservation pertaining to a special statute for foreign investment, as well as by adding several sectors.

2.1. Business services

Chile has made WTO commitments regarding the supply through commercial presence of most business services, but in general without cross-border supply.

In the area of professional services, the EFTA-Chile FTA includes further liberalization in certain sub-sectors (i.e. legal services, accounting, auditing and bookkeeping, taxation services, veterinary services and services provided by midwives, nurses, physiotherapists and paramedical personnel) and introduces market access for cross-border supply.

In addition, the EFTA-Chile FTA grants a similar level of market access for certain computer and related services, research and development services, real estate services, rental/leasing services and many other business services (e.g. advertising services, management consulting services, maintenance and repair of equipment).

2.2. Communication services

Chile has made WTO commitments on most basic telecommunication services, adopting the WTO Reference Paper on Regulatory Commitments and ratifying the GATS Fourth Protocol. Chile's WTO schedule of commitments excludes local basic telecommunication services, one-

way satellite transmissions of direct-to-home and direct broadcast satellite television services and of digital audio services. It also excludes free reception broadcasting services.

The FTA establishes requirements for greater levels of transparency in regulatory processes and includes further liberalization in certain value-added telecommunication services (e.g. electronic mail or data exchange) and in certain postal and courier services. Specific provisions on telecommunication services are set out in an Annex to the Agreement.

2.3. Distribution services

Chile has not made any WTO commitments in the area of distribution services.

In the FTA, Chile introduces market access for commission agent services, wholesale trade services, retailing services, franchising and other distribution services for cross-border supply and through commercial presence.

2.4. Recreational, cultural and sporting services

In the area of recreational, cultural and sporting services, Chile has not made any WTO commitments either.

The FTA includes liberalization for cross-border supply and through commercial presence i.a for entertainment services, news agencies services and others. Audio-visual services are excluded from recreational, cultural and sporting services.

2.5. Transport services

Chile's WTO schedule of commitments in the area of transport services introduces liberalization for certain auxiliary air transport services through commercial presence in Chile, only.

The FTA includes further liberalization in these sub-sectors for cross-border supply. In addition, it liberalizes certain maritime (e.g. passenger and freight transportation, and, maintenance and repair of vessels) and air transport services.

2.6. Financial services

The lists of specific commitments in the FTA do not include financial services; however, it had been foreseen to consider the possible coverage and the extent of liberalization two years after the entry into force of the Agreement. Discussions were initiated during the second meeting of the Joint Committee of the FTA in April 2008 in Santiago.

Under GATS, Chile made commitments in banking services and most securities, and other financial services. However, the Chilean WTO commitment schedule in the securities sector does not include asset fund management (mutual funds, investment funds, foreign capital investment funds, and pension funds). Chile also reserved the right to apply economic needs and national interest tests when licensing foreign financial services suppliers. In practice, Chile has allowed foreign banks to establish branches or subsidiaries and to provide the same range of services as domestic banks.

Foreign insurance companies established in Chile face no limitation on access to the Chilean market as long as their legal incorporation meets requirements established in the Chilean Corporate Law Code. Foreign-based insurance companies cannot offer or contract insurance policies in Chile directly or through intermediaries.

2.7. Other services

The FTA includes also further liberalization in sectors such as construction services and relating engineering services, tourism and travel-related services, and environmental services.



Cerro Tololo, Inter-American Observatory, Chile

3. Government procurement

Government procurement covers all contracts of the government to purchase goods and services as well as public works; it amounts to about 10% of GDP. The government carries out approximately 1 million transactions a year (80%: Public Corporations; 20%: Central Government).

There are 600 government procurement bodies (200 public agencies of the Central Government, 340 municipalities and 60 State-owned enterprises and other public institutions). Expenditures are split between public works (58%), services (24%) and goods (18%).²⁸ Government procurement is decentralized. Each public-sector entity undertakes its own purchases.

3.1. Chile's public procurement system

Chile has established a highly-performing public procurement system with an electronic public procurement platform providing information channels for suppliers and general audience to freely participate in any Government contract. The lines of action and main initiatives include:

- a. public procurement management with 100% transparency policy, procurement programs for public agencies as well as implementation of the Chilecompra platform;
- b. creation of a National Suppliers Registry (NSR) and an Innovation Program for small and medium-sized enterprises (SMEs). The main purpose of the NSR is to achieve paperless bids with no requests for additional information from public agencies to suppliers; suppliers will be assessed without submitting additional documents;
- c. improvement of design and operation of the Public Procurement System (Chilecompra: www.chilecompra.cl);
- d. enactment of the New Public Procurement Law including the creation of a Contracting Court.

²⁸ Public Procurement System, Strategic Plan 2002-2004, Ministry of Finance: www.chilecompra.cl

3.2. Chile's law

The legal basis for government procurement for all governmental and other public institutions, including regional government and municipalities, is provided by the Government Procurement Law (Law No. 19.886 of July 30, 2003).

The law does not apply to public works and State-owned enterprises. Tendering is compulsory for all contracts exceeding 1.000 U.T.M.²⁹ (about USD 75'000). Call for tenders are published electronically in the Procurement Information System of the Department of Public Procurement of the Finance Ministry. The suppliers of the State must register at chilecompra.cl to bid for tenders of goods and services. For public works, registration must take place with the Ministry of Public Works.

3.3. The Free Trade Agreement

The FTA grants Swiss firms a non-discriminatory access to Chilean's tenders according to the following table:

	Central Level (USD)	Subcentral level (USD)	Utilities (USD)
Supplies	176'706	271'856	543'712
Services	176'706	271'856	543'712
Works	5'000'000	5'000'000	5'000'000

The central level includes all the ministries and regional governments (15 Regions). The subcentral level covers all the municipalities. The utilities are limited to the ports and airports. Water, energy and transportation (not including the State-owned railway company EFE and the State-owned subway "Metro") are in private hands. All services are covered except financial services. The provision of services is subject to the conditions for market access and the qualifications for national treatment as provided for in Chile's commitments under the General Agreement on Trade in Services of the WTO.

Since Chile is not a Member of the WTO Government Procurement Agreement (GPA), the FTA opens up the Chilean market for Swiss firms. The basic rules are similar to the GPA's, in particular:

a. National treatment

Swiss suppliers are entitled to a treatment no less favorable than that granted to Chileans.

b. Non-discrimination

Swiss products offered by locally-established suppliers shall be treated as Chilean products; the degree of foreign ownership of a locally-established supplier shall not be considered in a tender.

c. Valuation

Contracts shall not be split to avoid application of the rules.

d. Transparency

Legislation, tender and award notices shall be published; all notices shall be accessible at www.chilecompra.cl and/or at Diario Oficial de la Republica de Chile.

²⁹ U.T.M. stands for Monthly Tax Unit; it is a referential amount defined by the Internal Tax Service ([Hwww.sii.cl](http://www.sii.cl)H). In February 2008, the value of 1 U.T.M. was CLP 35'000 (approx. USD 75).

e. Tendering procedures

- open: any interested supplier may submit a tender;
- selective: limitation of the number of suppliers;
- other: direct tendering without competition under specific circumstances such as extreme emergency, artistic reasons, prototype, winner of a design contest, quoted goods purchased on a commodity market, additional services or deliveries.

f. Qualification of suppliers

Swiss firms shall not be discriminated; prior work in Chile or prior contracts can not be required as a condition to participate in a tender or as an award criterion. Swiss firms shall also have access to permanent lists of qualified suppliers; they may apply at any time and present equivalent certifications and means of proof requested for suppliers to be on a list; in the utilities sector, a notice on the existence of a permanent list of suppliers may serve as a notice of intended procurement.

g. Time limits

Swiss firms shall have 40 days to submit a tender after the publication of the notice. Where qualification requirements must be met, Swiss firms shall have no less than 25 days to comply. Shorter time limits, but no less than 10 days, can be practiced i.a. in case of urgency or for off-the-shelf goods or services (identical to those purchased by the private sector).

h. Technical specifications (TS)

Chilean purchasing entities shall prescribe TS in terms of performance and functional requirements rather than design and descriptive characteristics, and based on international standards, or in their absence, on national technical regulations, recognized national standards, or building codes. Specific trademark, patent or design shall not be used except with the words "or equivalent".

i. Negotiations

Chilean entities may negotiate with potential suppliers to identify the strengths and weaknesses in tenders; such intent must have been specified in the notice of intended procurement. Negotiations may also take place if no tender is the most advantageous.

j. Contract award criteria

Either the lowest tender or the most advantageous in terms of the criteria previously set forth.

k. Bid challenges

Chapter V of the government procurement law 19886 foresees the establishment of a Court (art. 21-27) to deal with breaches of the law by purchasing entities. Any firm can challenge an entity's decision or an omission during the procedure from the publication to the award. The challenge must be addressed within 10 days after the fact has been known. The Court will then seek information from the entity within 10 days.

In addition, Chilean law foresees a widespread use of electronic documents and recourse to electronic signatures will be required by the purchasing entities using digital and electronic systems.

3.4. SUMMARY: ACCESS TO THE CHILEAN MARKET

a. Register

- If you want to participate in the business opportunities of the Chilean Government, you have to register at www.chilecompra.cl

The size of your business is not an important criterion. Anyone can participate.

To register in ChileCompra is simple and free

Enter www.chilecompra.cl.

Select inscription for suppliers.

Complete the registry requirements.

Accept conditions and press enter.

You will then receive by E-mail a keyword to enter the site's private zone.

b. Chilecompra - an integral solution

Transactional world class platform: through which the purchase cycle has been completely digitalized in 2005.

Business opportunities: section where you may find all the information of the purchases required by all State agencies.

Purchases through electronic catalogue: products and services readily available through framework contracts made by the Directorate of Public Procurement. There are over 10'000 items in the catalogue.

Information and statistics section: procurement processes made by governmental agencies.

Help: section with manuals, tutorials and demos, an introduction to electronic commerce, made user-friendly and simple.

High standards of support: though E-mail, contact center, frequently-asked questions and answers in the web, forums and on-line chat.

c. Benefits for business

Opportunity to accede to the State's procurement.

Saving of time and costs.

Clear rules.

Simple and free inscription.

Equal opportunities for all State suppliers.

Tenders sent through the system.

d. Business opportunities

Examples of tenders from www.chilecompra.cl

Búsqueda de Adquisiciones

Número Adquisición	<input type="text"/>	Nombre Adquisición	<input type="text"/>
Demandante	<input type="text"/>	Proveedor	<input type="text"/>
	<input type="button" value="Buscar"/> <input type="button" value="Borrar"/>		<input type="button" value="Buscar"/> <input type="button" value="Borrar"/>
Fecha a utilizar	Fecha Publicación	Rubro	<input type="text"/>
Desde	21-12-2004		<input type="button" value="Buscar"/> <input type="button" value="Borrar"/>
Hasta	20-01-2005	Estado Adquisición	Publicada
		Región	Región Metropolitana de Santiago

Nota: la búsqueda por número de adquisición no incluirá otros filtros.

Número	Nombre	Demandante	Glosa	Fecha Publicación	Tipo	Estado	Ver
621-965-LP04	BEBIDA LACTEA AÑOS DORADOS	Central de Abastecimiento S.N.S.S. - CENABAST	PROGRAMA PNAC- PACAM	21-12-2004	Pública	Publicada	
979-1426-LP04	TERMINACION MEJORAMIENTO RUTA H-780, LAS CABRAS - EL MANZANO, SECTOR CUESTA QUILICURA, TRAMO KM. 0.0	Dirección de Vialidad - MOPTT	TERMINACION DE OBRAS DE CARPETA ASFALTICA	29-12-2004	Pública	Publicada	
2345-1096-CO04	01 ARRIENDO MAQUINA FOTOCOPIADORA PORTATIL	MUNICIPALIDAD DE LAS CONDES	PERIODO : ENERO DEL 2005.-	29-12-2004	Pública	Publicada	
1537-1511-CO04	EQUIPO FAX	Hospital Dr. Felix Bulnes Cerda	EQUIPO DE FAX TRADICIONAL,	30-12-2004	Pública	Publicada	
759-1244-LE04	Licitación Unidad Informatica	Subsecretaría de Justicia	Adquisición de Software destinado al seguimiento y control de documentos en el ministerio de justicia, las ofertas ademas se deben presentar a través del portal Chilecompra.cl	31-12-2004	Pública	Publicada	
1605-6-LP05	L023405	Servicio de Impuestos Internos - SII	Instalación de Redes	05-01-2005	Pública	Publicada	
1115-2-CO05	SERVICIO DE CARPINTERIA Y ALBANILERIA MENOR	SEREMI de Planificación y Coordinación R.M.S.	DE ACUERDO A BASES ADMINISTRATIVAS Y TÉRMINOS DE REFERENCIA.	14-01-2005	Pública	Publicada	
2141-2-CO05	CREDECIALES	Centro de Referencia de Salud de Maipú	CREDECIALES FUNCIONARIOS, SEGÚN ESPECIFICACIONES ADJUNTAS	19-01-2005	Pública	Publicada	
2079-22-LE05	Cotización Pública para contratación del Servicio de Aseo en Dependencias del CPEIP.	Centro de Perfeccionamiento, Exp. e Inv. Pedagógic	El servicio s9olicita cotización para contratación del Servicio de Aseo en Dependencias del CPEIP., detalle en archivo adjunto.	19-01-2005	Pública	Publicada	
612-29-LP05	Contratación de Servicios de Telefonía Móvil a nivel nacional del SAG.	Servicio Agrícola y Ganadero	Licitación pública para contratación de servicios de Telefonía Móvil, a nivel nacional, del SAG. (cos).	20-01-2005	Pública	Publicada	

En este archivo Excel usted podrá encontrar todas las adquisiciones en estado "publicadas".

4. Investment

Chile is a significant destination for Swiss FDI in Latin America.

In line with its Pro-Growth Agenda launched with the private sector in 2001, the Chilean Government has introduced a new law (in force since the end of 2002). This law aims at further encouraging foreign investors to use more extensively the country as a platform to invest in other Latin American and world markets. In addition, Chile offers foreign investors a well-developed infrastructure and well-trained human resources: Chile can be considered as an attractive investment location and as a springboard to other Latin American markets.

In 2002, a bilateral Agreement on the Promotion and Reciprocal Protection of Investments (BIT) between Switzerland and Chile entered into force. This agreement provides Swiss investors with an added guarantee of non-discriminatory treatment and protection at the level of international law, as far as investments made in the territory of Chile and business activities relating thereto are concerned. It also includes the principle of free transfer of payments, returns and proceeds in connection with such investments. Should a dispute arise regarding an investment made by a Swiss investor in Chile, the agreement contains provisions enabling the investor to bring his claim to international arbitration, and requiring the host country to recognize and enforce any award rendered by such tribunal.

The FTA complements these rules by conveying investors from EFTA countries the right to establish a business in Chile under the same conditions as those applying to domestic investors (national treatment). The right of establishment applies to all business activities in manufacturing, agriculture and mining, provided the sector concerned is not specifically listed as an exception.³⁰ Meanwhile, establishment in services sectors is governed by separate rules contained in the Chapter on services. Disputes relating to the establishment of a company in Chile may be referred to the settlement mechanisms included in the FTA.

In conjunction, the BIT and FTA provide Swiss investors with market access and investment protection in Chile which are equivalent to those awarded to companies from other preferential trading partners, including from the European Union. By concluding these agreements, Chile reaffirms its commitment toward an open FDI policy and its willingness to protect FDI in line with high international standards.

5. Competition policy

Over the last 30 years, Chile has been a pioneer in the field of competition law and policy in South America as well as among developing countries. In some infrastructure sectors, Chile and its competition institutions have been at the forefront in the application of competition policy principles.

The primary goal of the competition chapter in the FTA (chapter VI – articles 72-80) is to prevent that the benefits of free trade are frustrated by anti-competitive conduct of private and/or public undertakings. In the worst case, such conduct may completely block market access to foreign business. As a matter of fact, several markets in Chile are facing increased concentration, making market entry for some products difficult (for example retail).

However, it was not the intention to create a supranational regime between the EFTA States and Chile with common rules and enforcement mechanism to address anti-competitive behavior. Rather, the negotiations were based on the assumption that each contracting party already has a functioning competition system and that it will be, in the first place, each party's own responsibility to act against anti-competitive behavior in its territory, including behavior that might have a negative impact on trade with other contracting parties. This was complemented by some provisions aiming at facilitating cooperation in case of anti-competitive behavior affecting economic relations between the parties to the Agreement.

According to the Agreement, anti-competitive conduct is meant to include in particular anti-competitive agreements, concerted practices or agreements between competitors, abuse of single or joint dominant positions in a market and mergers with substantial anti-competitive effects. Cooperation may consist of notification of enforcement activities, a coordination of enforcement activities or a consultation mechanism among parties.

For Swiss economic operators wishing to do business with Chile or to gain access to the Chilean market, the competition rules of the Agreement are relevant in particular in two kinds of situations.

First, Swiss enterprises exporting to Chile or setting up business there are, of course, themselves bound to respect the Chilean competition rules. According to Chile's law, an anti-competitive practice is described as any act that tends to hinder, or is aimed at eliminating, restricting or obstructing competition. In case of doubt, it is advisable to consult a local lawyer

³⁰ See Chapter III, section 1.3.a.

who will verify if an agreement that a Swiss company may sign with another economic operator is in accordance with the Chilean competition law.³¹

Second, market studies or experience gained in the country may lead to the conclusion that market entry is blocked or greatly hindered by, for instance, a suspected cartel agreement or the abusive behavior of a dominant undertaking. If there are good reasons to believe that the conduct in question constitutes a serious threat to the functioning of the Agreement, the concerned Swiss enterprise will have to turn first to the Chilean competition authority to start investigating the case. Should this not be possible or should the Chilean authorities not act despite the request, the undertaking may submit its case to the Swiss authorities as a last resort. The authorities will then decide whether the consultation mechanism as laid down in the FTA should be triggered in order to find a mutually acceptable solution with the Chilean side.

6. Intellectual property

Incorporating intellectual property (IP) in FTAs is essential in today's world: with growing international trade and investment, innovators are keen to obtain legally defensible intellectual property rights, which can be enforced in the largest possible geographical area. FTAs represent an additional instrument for improving substantive protection of intellectual property as well as enforcing intellectual property rights and are therefore a valuable tool for innovative companies.

The IP provisions of the FTA are based on existing international treaty obligations, in particular the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), reaffirming and building on these rights and obligations. In selected areas of mutual importance and interest to the parties' economies, levels of protection going beyond the multilateral minimum standards were agreed.

Under the FTA, the parties agree to effectively protect and enforce IP³² and to provide appropriate measures to combat counterfeiting and piracy. In addition, the principles of national and most-favored-nation treatment are provided for.³³ Both national and MFN-treatment are inherent elements of the fundamental principle of non-discrimination.

Despite the obligations undertaken in the EFTA – Chile FTA, some companies (especially from the pharmaceutical sector) have voiced strong reservations concerning Chile's commitment to protect confidential test data and to act against illegal copies. In January 2007, the USA put Chile on its priority watch list based on its analysis that Chile is not sufficiently protecting intellectual property.

6.1. IP in Chile and the advantages of the FTA

Chile has a broad legislative and institutional IP-framework. It is a member of the World Trade Organization (WTO) and its agreements, including the TRIPS Agreement, and of the World Intellectual Property Organization (WIPO).³⁴

³¹ For more information with regard to Chilean competition policy : www.sice.oas.org

³² In the EFTA-Chile FTA, intellectual property comprises copyright, including computer programmes and databases, as well as related rights, trademarks for goods and services, geographical indications including appellations of origin for goods, industrial designs, patents, designs of integrated circuits (topographies) and protection of undisclosed information as well as plant varieties.

³³ See Meitinger, Ingo, Der Schutz des geistigen Eigentums in Freihandelsabkommen der EFTA mit Drittstaaten, Zeitschrift für Immaterialgüter-, Informations- und Wettbewerbsrecht 3/2004, S. 194ff.

³⁴ It is also party to the Paris Convention of 20 March 1883 for the Protection of Industrial Property (Stockholm Act, 1971), the Berne Convention for the Protection of Literary and Artistic Works (Paris Act), the WIPO Copyright and

The FTA provides for a settlement mechanism in cases of disputes arising on the ground of the FTA between the parties. Additionally to this dispute settlement mechanism, the FTA establishes a bi-annually Joint Committee (JC) meeting to regularly address issues of mutual interest or concern of either party arising in their free trade relationship with regard to intellectual property. With the JC, the FTA offers to the parties an institutional platform which allows to address and resolve problems of implementing and enforcing IP protection consistent with the rights and obligations under the FTA at an early stage outside the dispute settlement mechanism.

Compared to consultations or dispute settlement procedures in the framework of the FTA or of multilateral organizations, the JC is an easily accessible and informal platform for discussion: problems and difficulties right holders have encountered in Chile in the past, such as in the field of protection of patents, well-known trademarks or enforcement issues in the area of copyrights, can be brought to the attention of the JC which will seek a mutually satisfactory solution.

6.2. Copyrights and related rights

In Chile, as a general rule, original literary, artistic and scientific works are protected by copyrights or related rights. Chilean legislation provides a term of protection of 50 years, starting from the death of the author or, in case of corporate works, from the date of first publication. The legal framework for copyright and related rights was improved through two sets of amendments in 2003. Nevertheless, additional efforts are required to improve enforcement and to combat increasing piracy.

The FTA commits the parties to adequate and effective protection of copyrights and related rights on the substantive levels of the Berne and Rome Convention as well as of the TRIPS Agreement, including expeditious remedies to prevent infringements and combat piracy.

To benefit from rights and protection, copyrights can be registered with the Department of Library, Archives and Museums Directorate.

6.3. Patents

As a general rule, any invention that is novel, capable of industrial application and shows a degree of inventiveness can be protected by a patent in Chile. Exceptions to this rule are in conformity with the provisions of the TRIPS Agreement and concern, among others, surgical, therapeutic or diagnostic methods and animals.

The FTA reiterates the obligation of WTO members in respect to the duration of the patent protection and hereby underscores the need for Chile to provide a patent term protection of 20 years from the date of filing and not, as foreseen at the time of the negotiation, of 15 years from the date of grant.

In the EFTA States and Chile, the marketing of pharmaceutical and agricultural chemical products is subject to a marketing approval or a sanitary permit. Such marketing approval procedures can be time-consuming. If undertaken during the term of patent protection, the effective term of protection for such products, i.e. the time during which a patented product

Performances and Phonograms Treaties, the International Convention for the Protection of New Varieties of Plants and the International Convention of 26 October 1961 for the Protection of Performers, Producers and Phonograms and Broadcasting Organisations (Rome Convention). By signing the FTA, Chile initially agreed to join the Patent Cooperation Treaty of 19 June 1970 (Washington Act, amended in 1979 and 1984) and the Nice Agreement of 15 June 1957 Concerning the International Classification of Goods and Services for the Purpose of Registration of Marks (Geneva Act 1977 amended in 1979) by January 1, 2007 (Chile has not joined these two instruments so far), as well as the Budapest Treaty of 28 April 1977 on the International Recognition of the Deposit of Micro-organisms for the Purpose of Patent Procedure by January 1, 2009.

can effectively be marketed, is shortened. In order to compensate the patent owner for this curtailment caused by the official approval requirements, the FTA provides for an adequate compensation of such lost term of protection. Patents are granted by the Department for Industrial Property of the Ministry of Economy.

6.4. Undisclosed Information – protection from unfair commercial use

According to Article 39.3 of the TRIPS Agreement, WTO Members have to protect undisclosed test or other data submitted by an applicant to the responsible State agency - in the procedure for marketing approval of a pharmaceutical or of an agricultural chemical product - from unfair commercial use and disclosure.

The FTA clarifies that in order to protect undisclosed information effectively against unfair commercial use, the responsible State agency must prohibit third parties, for the purposes of the marketing approval application for their own product, from using data submitted by the first applicant without his/her consent for a period of up to five years for a pharmaceutical product and up to 10 years for an agricultural chemical product. In the procedure for marketing approval of a pharmaceutical or of an agricultural chemical product, the second applicant has therefore to submit the same amount of data to the responsible State agency as the first applicant. This provision and obligation shall prevent free-riding on the efforts and the investment of the first applicant for gathering the costly and time-consuming data for the marketing approval procedure.

6.5. Industrial designs

Currently in Chile, designs which are novel can be protected for a non-extendable maximum term of 10 years from the date of filing. In the context of the FTA, Chile committed to make every effort to ensure adequate and effective protection of industrial designs by providing, in particular, a period of protection of at least 15 years from the date of application.

Designs can be filed with the Department for Industrial Property of the Ministry of Economy of Chile.

6.6. Trademarks

In Chile, any visible symbol capable of distinguishing the products or services of one company from another can be protected as a trademark for a renewable term of 10 years. Protection applies to commercial names as well as slogans, signs and emblems. As a general rule, geographical indications are excluded from this protection.

The FTA between EFTA and Chile provides an additional platform for the enforcement of Chile's obligation to provide effective trademark protection. Furthermore, the FTA requires the Chilean Government to take appropriate measures against counterfeiting.

Trademarks can be filed with the Department for Industrial Property of the Ministry of Economy. Chile applies the first-to-file system; priority on a trademark right is therefore given according to the filing date. Local use of the trademark is not required for registration.

6.7. Geographical indications

According to Chilean legislation, protection of geographical indications is granted for wines from Chilean growing areas and various types of Chilean alcoholic beverages. Apart from that, the protection of geographical indications is not regulated through specific legislation, only the more general rules of unfair competition law apply.

Chile's obligation to protect geographical indications is reiterated within the framework of the FTA. The reference to the relevant TRIPS article is particularly important, considering the absence of specific national legislation for the general protection of geographical indications in Chile. The Agreement confirms that the Parties comply with their international obligation to protect geographical indications for all products, not just wines and spirits and guarantee this protection not only to national products, but to foreign geographical indications as well.

Geographical indications can be registered with the Department for Industrial Property of the Ministry of Economy.



Torres del Paine, Patagonia

CHAPTER III

MARKET ENTRY IN CHILE

Objective: Facilitate the entry of Swiss products and services into the Chilean market

Content

- a) Trade and investment: key information sources and procedures
- b) Financial services: currency, securities, banking, insurance
- c) Taxation regime: major direct and indirect taxes

1. Market research: trade and investment

1.1. Strategies

- **Direct export:** sale of a product directly to one or more customers without an intermediary. It is very easy to export to Chile from Switzerland.
- **Chilean representative company:** import and distribution of Swiss goods by a local company; most Swiss companies use this strategy for the first years of entering the Chilean market.
- **Chilean branch or subsidiary:** based on the expected business volume, establishment of a branch or wholly-owned company.
- **Indirect exports, licensing (or franchising agreements) and joint-ventures**

In Chile, it is generally advisable to have a local partner. The most successful market entries start with a representative company, and then as sales grow, with the establishment of a local branch, a subsidiary or a joint-venture. Companies should put strong emphasis on trustworthiness and references. A local partner should provide significant advantages in terms of:

- Overall knowledge and experience on how to do business in Chile.
- Sectorial expertise - the partner knows his/your sector in Chile, where and how to close sales.
- Proven track-record - the partner can show results, for instance of sales of other European products.

Swiss companies should develop a strategy/plan that complies with the specifics of the Chilean market. Although it is in many ways easier to do business in Chile than elsewhere in the region, it remains different from Europe and other Latin American countries.³⁵

In order to carry out any business activities in Chile, apart from simply exporting, it is necessary to establish a local legal presence.

Companies can be set up in several ways, the most common being:

- Corporation (“Sociedad Anónima - S.A.”) either “open” or “closed” according to Law 18.046. “Open” corporations have: a) more than 500 shareholders; or b) at least 10% of the capital belongs to 100 or more shareholders; or c) are quoted on the stock exchange.

³⁵ See Chapter IV, section 5.

An “open” corporation is under the supervision and follows the regulations of the Superintendence for Securities and Insurance (regulator).

- Limited Partnership (“Sociedad de Responsabilidad limitada”).
- Branch of a foreign corporation.

All companies set up in Chile regardless of foreign participation are considered Chilean.

To establish a new firm, it is advisable to contact a local lawyer. Useful addresses are provided by Chamber and Partners in their annual “Global Guide”. Law firms are ranked under various specializations with comments on their work and experience (including recent client companies). In Chile, several law firms in the “Corporate/Merger and Acquisitions” field have a top ranking. Other specializations include “Banking and Finance” and “Litigation: General Commercial”; for further information: www.chambersandpartners.com.

The College of Lawyers, the professional association for lawyers: www.colegioabogados.cl.

The Government’s Foreign Investment Committee: www.foreigninvestment.cl

The Swiss Embassy in Santiago works with a lawyer of confidence.³⁶

1.2. Customs: procedures and requirements

a. Imports

i. Overall

Chile applies a MFN tariff of 6% on imports. For some agricultural products, Chile maintains a price band system.³⁷

Since 1997, import procedures have been streamlined with i.a. the introduction of an electronic processing and payment system, and the abolition of the requirement to submit the import declaration to the Central Bank.

Chile's customs regime is based on the Customs Law.³⁸ All imports must be accompanied by an import declaration approved by the customs authorities.

The Constitutional Organic Law of the Central Bank of October 10, 1989 establishes freedom of importation. However, Chile operates import prohibitions for the protection of human health, animal and plant life, and the environment, in compliance with domestic legislation or international commitments. Pursuant to Article 21 of Law No. 18.483 of 28 December 1985, Chile prohibits the import of used vehicles for environmental reasons. Exceptions include ambulances, cement-making and fire-fighting vehicles, armored cars, mobile homes, street- and highway-cleaning vehicles, and prison vans.

Specific import procedures apply to free zones and goods in transit. Foreign goods sent to free zones must be accompanied by a Request for Shipment to Free Zones. Goods in transit must be accompanied by a Declaration of Transit and by the International Freight Document –

³⁶ Felipe Ernst; Figueroa, Valenzuela & Cía. Abogados; Moneda 970, 5th floor; Santiago - Chile; Tel.: +56 (0)2 696 01 71; Fax: +56 (0)2 696 38 59 ; Mail: Hfernst@fivalabogados.cl

³⁷ Such a system is applied for various edible vegetable oils, sugar, wheat, and wheat flour. This system is intended to reduce the impact of international price fluctuations on internal prices; specific duties are based on reference prices added to the ad valorem rate to bring the import price up to the reference price. If the import price exceeds the reference price, rebates lead to a reduction of the applied tariff.

³⁸ Decree Law No 2/97 of 12 November 1997, Ministry of Finance.

Transit Declaration; the latter is a LAIA³⁹ document. Goods for exhibits (e.g. watches) or temporary stay (e.g. racing horses) may enter into Chile with an ATA Carnet. The ATA Carnet is issued by chambers of commerce in Switzerland and is valid for one year.

Verification of the information provided in the declaration and physical inspection of the goods to be imported is based on the principle of reasonable doubt. The National Customs Service has overall responsibility for the administration of import procedures and the collection of all foreign-trade-related taxes (i.e. value-added tax).

Importers must pay VAT of 19% based on the C.I.F.⁴⁰ value (+ duties) at the point of entry.

Imports valued at more than USD 500 must be processed by a qualified and registered customs agent ("agente de aduana"). A full list of registered customs agents including contact details is provided at the website of the national customs service www.aduana.cl.

Chilean National Customs Service: www.aduana.cl: This website (English and Spanish) provides trade statistics, information on import procedures, international economic agreements and information for travelers and emigrants.

ii. Agriculture and livestock

For imports of meat, seeds, plants, vegetables, soil and other plant and animal products, special regulations need to be followed and in some cases permissions are necessary.

These regulations are strictly overseen and administrated by the government's Agriculture and Livestock Service (SAG): www.sag.cl (Spanish). This website contains information on phytosanitary requirements of different countries as well as on import requirements for agricultural goods and authorization forms for imported agricultural goods. The FTAs with the European Union and the U.S.A. as well as the Agriculture and Livestock Service Organic Law are in English. Detailed information on plant, fruit and vegetable import rules, and corresponding forms, are available on this website.



b. **Exports**

Export procedures are laid down in the Customs Law. For every product, exporters must fill out a single export form (DUS) indicating: address of exporter and consignee; description of the merchandise (tariff line, unit price, quantity or weight) and its F.O.B.⁴¹ value; code and name of the customs broker. In addition to the DUS, exporters must submit: the customs broker's mandate; transport documents; a copy of the commercial invoice; and, a quality certificate, as appropriate. Exports above USD 10.000 must be notified at the Central Bank. The intervention of a customs broker is mandatory for all exports, except for exports from the free zones. Exports may be subject to physical inspection based on the principle of reasonable doubt.

Under Law No 19.589, the refund of Chile's drawback system has been set at a single rate of 3%. Since January 2003, the refund is granted exclusively on exports that include at least 50% of imported inputs.

³⁹ Latin American Integration Association: see Chapter I, section 5.

⁴⁰ C.I.F.: cost, insurance and freight.

⁴¹ F.O.B.: free on board.

c. Registration procedure for specific products

Pharmaceutical products, food for medical use and cosmetics must be authorized and registered by the Public Health Institute: www.ispch.cl (Spanish). This website has information on norms, registered products and provides registration forms.

Food products for medical use must obtain an authorization for sale “resolución sanitaria” from a regional health service when a product is introduced in Chile. The authorization can take between 2-3 weeks to be issued and requires the payment of a small fee. Any regional authorization is valid for the entire country, but the same procedure must be followed for each new shipment. After 3 shipments and a special analysis by the health service, an authorization allowing the product to go on sale more quickly can be obtained. For further information: Health Service of the Metropolitan Region of Santiago: www.seremisaludrm.cl (Spanish). This website has information on health, on procedures for registration and provides the corresponding forms.

Industrial patents and trademarks are issued and registered by the Department of Industrial Property: www.dpi.cl (Spanish). This website provides information on the Department of Industrial Property, procedures and statistics.

d. Standards, technical rules, labeling regulations

Decree No 977 outlines the regulations in force for i.a. packaging, labeling and storage of food for human consumption. It states that food products should have labels in Spanish, indicating ingredients, weight, date of manufacturing and country of origin. The Instituto Nacional de Normalización sets standards and provides information on standards and regulations by product category: www.inn.cl (Spanish).

1.3. Investment promotion

a. Legal basis

Decree Law 600 (D.L. 600) provides special conditions for foreign investments ranging from USD 250.000 for technology and machinery, and from USD 1 million for other investments. This Decree i.a.:

- Assures all investors, regardless of their nationality, "to be treated by the State and its bodies without discrimination".
- Allows foreign investors to own up to 100% of a Chilean-based company, and places no time limit on property rights.
- Allows investors to 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.
- Guarantees investors the right to repatriate capital one year after its entry and to remit profits at any time.
- Safeguards access to freely-convertible foreign currency without limits for both capital and profit remittances (after taxes are paid).
- Guarantees the right of access to the formal exchange rate market (for Non-D.L. 600 investors⁴², the Central Bank can restrict access).
- Assures that the repatriation of all capital invested is devoid of any tax, duty or charge up to the amount of the original investment. (Only capital gains over that amount are subject to tax).

⁴² Non-D.L. 600 refers to foreign investors who do not sign an official contract with the State and therefore do not benefit from Law D.L. 600. These investors use Chapter XIV of the Central Bank rules.

Foreign investors may invest in any sector in Chile except domestic shipping transport and national security related areas.

Apart from D.L. 600, Foreign Direct Investment (FDI) can also flow into Chile under “chapter XIV” of the Central Bank’s foreign exchange regulations. The foreign investor proceeds with banks to transfer his capital and the banks declare the inflow to the Central Bank.

b. Institutions

The Chilean Foreign Investment Committee promotes FDI. It aims at attracting foreign investors and represents the Government in dealing with foreign companies as part of the Foreign Investment Statute (D.L. 600). It also directly oversees foreign companies on the basis of D.L. 600: www.foreigninvestment.cl (Spanish and English). This website informs about the macroeconomic situation in Chile, the regulations and procedures applied to FDI, bilateral investment treaties as well as statistics on FDI and trade.

Corfo: www.corfo.cl (Spanish) is a public investment development agency active in the investment field by:

- Supplying companies with long-term credits for investments, supporting export activities and the development of micro-credits and investing in higher education.
- Supporting the modernization of companies, the certification process to international norms (ISO), the specialization for foreign markets, the networking between big companies and subcontractors and the development of clusters.
- Financing technological innovations for companies and supporting the creation of new companies.
- Promoting investments in all regions of Chile and technology transfer to smaller companies through TODOCHILE: www.todochile.cl (Spanish). This website provides information on investment opportunities, investments incentives and procedures as well as:
 - services for strategic market analysis;
 - access to sectoral network and to public services;
 - orientation on the conduct of projects;
 - guidance to identify and select instruments or subsidies referring to projects;
 - support for access to the financial system.

1.4. Entry conditions, work permits, temporary permits

Swiss nationals with a valid passport do not require an entry visa for tourism and are allowed to stay up to 3 months.

A visa is however required to undertake remunerated work; it is usually issued by a Chilean consulate abroad in cooperation with the Chilean Foreign Ministry in Santiago “subject to a contract” allowing the holder to work only for the employer who supports the visa application.

For foreign companies sending executives to begin business operations in Chile, the most suitable visa is a one-year “temporary” visa.

If individuals or companies have any doubts about immigration and visa issues, they should contact the Chilean Embassy in Bern before setting out on any business trip.

In June 2007, Switzerland and Chile signed a letter of intent to negotiate a trainee agreement to improve access to the respective labor market for young professionals.

For further information:

- Federal Office for Migration: www.swissemigration.ch/themen/laenderinfos/laenderliste/00034/index.html?lang=de (German and French).
- Department for Foreigners and Migration: Chilean Interior Ministry: www.extranjeria.gob.cl (Spanish). This website provides information on visas, work permits and other issues.
- Ministry of Work: www.mintrab.gob.cl (Spanish). This website informs about labor rights, procedures for first employment, retirement and unemployment.

1.5. Unemployment insurance, accident insurance, labor training, unions

In 2005, about 6 mn persons were employed in Chile. Managerial, skilled and semi-skilled labor force is available and of a good level.

a. Unemployment insurance

Unemployment insurance is financed with mandatory contributions by the employee (0.6%) and the employer (2.4%), both calculated on the basis of the employee's taxable income.

b. Accident insurance

Employers have to be insured against accidents of employees at the workplace. This is usually done through a small group of non-profit mutual insurers. Employers have to pay a 0.95% premium on remunerations capped at USD 28 a month, for related accident insurance (workmen's compensation). According to the risk of the activity, additional contributions at varying rates may be required up to a maximum of 3.4%. The rate can also decrease based on the worker's experience.

c. Pension funds

Under Chilean law, employers make social security payments for employees. It is the employer's responsibility to deduct social security contributions from an employee's pay check; ultimately, it is the employee who pays. A pension fund is compulsory for all employees. Chile has two pension systems.

First, an old one, which groups the numerous Government pension funds and provides health, pension and certain other social security benefits. Employers have to withhold and pay into the fund the employees' contributions that are a fixed percentage of total remuneration. The Government sets the amount of the pensions.

Second, a new system of private pension funds which was established in 1980. From that year on, employees who join the labor force have to contribute to the private system. Other employees could choose to move to the private system before May 1, 1986. Employees' contributions to the private pension funds are withheld from monthly remunerations (between 12% and 13% of monthly remunerations. 10% goes to the pension fund, 2-3% is the commission of the pension fund company and for the invalidity fund). The employee can make additional contributions to the fund. Additionally, employers can make voluntary tax-free contributions to their employees' account. Upon retirement, the employee can opt for a lump sum payment, a pension or combination of the two, based on his contributions to the fund. The lump sum can only be used to purchase an annuity from an insurance company.

d. Labor training

Special legislation encourages the training of workers within firms or through specialized programs. Expenses up to a certain limit can be used as income tax credit. Fringe benefits depend on the type of industry.

e. Dismissals

Labor law provides for a severance indemnity payable to employees, if they are dismissed for reasons other than serious misconduct. The benefit is equivalent to a one-month salary for each year of service, with a maximum of eleven salaries, and is based on the employee's most recent salary.

f. Unions

About 13% of the workforce is unionized. Multiple unions exist in many companies and management may negotiate collective agreements with any of the unions or with ad hoc groups of workers. Unions may form confederations or nationwide labor groups and affiliate with international federations. There is no sectoral bargaining. Contracts are negotiated at the company level. Chile is signatory to all the International Labor Organization (ILO) core conventions on workers' rights. Over the last decade, Chile has enjoyed calm labor relations.

For further information:

- Government Directorate for Workplace – (regulates labor and oversees workers' rights): www.dt.gob.cl (Spanish). This website informs about the Chilean labor law and i.a. health and security at work, good labor practices, and the Chilean policy in labor relations.
- Chilean Safety Association (a well-known mutual insurer): www.achs.cl (Spanish)
- Superintendence of Social Security (sector regulator): www.suseso.cl (Spanish)
- Association of AFP (pension funds): www.afp-ag.cl (English and Spanish). The Chilean Pension Fund Administrators' Association is a private trade organization that includes all the AFPs in the country.
- Superintendence of AFP (pensions regulator): www.superintendenciaafp.cl (Spanish)
This is the national pensions' regulator.
- United Labor Union (Labor Union's Association): www.cutchile.cl (Spanish)

1.6. Contacts for business

a. Government/ Public sector

Public institutions and government organizations which provide useful information for business are listed below:

The Government of Chile: www.chileangovernment.cl. (English). This website has introductory information on Chile, the Government and includes some sections relevant to business, trade and investment.

Directorate for Economic Affairs of the Ministry of Foreign Affairs: www.direcon.cl (Spanish). This website gives a good overview over Chile's economic international agreements (free trade, double taxation, promotion and protection of investments).

Central Bank of Chile: www.bcentral.cl (Spanish and English). This website provides access to important macro-economic reports and statistics as well as information on monetary policy.

National Institute of Statistics: www.ine.cl (Spanish). This website has recent economic statistical data (i.e. inflation and unemployment) and historical records.

Chilean procurement agency: www.chilecompra.cl (Spanish and English). This website offers the opportunity to register as provider and to have access to information on tenders and awards.

Finance Ministry: www.hacienda.cl (English and Spanish). This website informs about the budget and capital market laws as well as fiscal policy and the economic situation in Chile.

ProChile. Chilean export promotion: www.prochile.cl (Spanish). This website has useful information on foreign trade, statistics, tariffs, and news for the Chilean companies involved in exporting.

www.chileinfo.com (English). This website provides information on Chilean exports and has lists of exporting companies according to their products.

b. Chambers of commerce and trade associations

i. In Switzerland

The Latin American Chamber of Commerce in Switzerland (www.latcam.ch) provides general information on Latin America. It promotes the expansion and the strengthening of the economic relations between Switzerland and Latin America. The Chamber serves as:

- Forum for Swiss Business to share experiences relating to Latin America
- Meeting and networking place
- Platform to launch and follow up initiatives to develop economic relations between Switzerland and Latin America
- Counterpart of the Swiss Federal Authorities with regard to political contacts with Latin America
- “Entry point” for Latin American companies in Switzerland

The Chamber

- provides relevant information on the economic, political and business environment in Latin America
- stands up for a favorable institutional framework between Switzerland and Latin America
- reports on Latin America’s major economic concerns
- informs on major business opportunities in Latin America
- supports Swiss companies in Latin America and Latin American firms in Switzerland in preparing, launching and expanding their business activities

ii. In Chile

Small and medium-sized business groups articulate their interests through various associations, i.a. the Council of Small- and Medium-Size Industry. The interests of large businesses are represented by the Chamber of Production and Commerce. Two of its Members, the Industrial Development Association (Federation of Chilean Industry) and the National Agriculture Society, have considerable political influence and clout.

Chambers of commerce and trade associations are generally well-organized. They represent the interests of their sector(s), are good sources of contacts and provide lists of member companies as potential business contacts. Some of them are briefly presented thereafter:

Chilean-Swiss Chamber of Commerce (CCHSC): www.swisschile.cl (Spanish). This Chamber organizes monthly luncheon meetings called "Stammtisch" to exchange ideas and discuss current events. It also organizes formal breakfast/luncheon meetings with speakers presenting topics related to commercial, financial or political issues. The CCHSC maintains a close relationship with the Swiss Embassy and the Chilean-Norwegian Chamber of Commerce. Most major Swiss companies present in Chile and many medium and small-size companies with established commercial links to Switzerland are members of this Chamber. It is a good networking forum for Swiss firms starting activities in Chile.

Chilean-German Chamber of Industry and Commerce: www.camchal.com (German and Spanish). This Chamber promotes trade between Germany and Chile, has a large

membership, organizes and participates in numerous activities i.a. trade fairs. The website has extensive information on many business aspects in German.

National Chamber of Commerce, Tourism and Services: www.cnc.cl (Spanish). This Chamber represents Chambers of Commerce from the whole country. A few firms are also members. The Chamber produces regular reports on retail sales and occasionally on specific sectors (e.g. supermarkets, clothing), tourism and e-commerce.

Santiago Chamber of Commerce: www.ccs.cl (Spanish). This Chamber represents over 1400 companies which are mostly SMEs. It is well connected to regional chambers of commerce, publishes a magazine for members with business opportunities, weekly reports on the Chilean economy and organizes regularly business events.

Federation of Chilean Industry (Sofofa): www.sofofa.cl (English and Spanish). This trade association represents over 2000 Chilean companies involved mainly in manufacturing, but also in the energy, telecommunications, water sewage, information technology, port services, air, maritime and rail transport sectors. Sofofa has considerable political importance: its President is an important spokesman for private-sector interests. The website provides a lot of information about many subjects including SMEs, the environment, foreign trade and provides access to an online directory of 7600 companies from all over Chile.

The Confederation of Production and Commerce: www.cpc.cl (English and Spanish). This Confederation incorporates several major trade associations and plays an important political role in representing private-sector interests in Chile.

Association of Exporters of Manufactured goods: www.asexma.cl (English and Spanish). This association is very active in promoting the interests of Chilean exporters. It regularly organizes seminars, meetings and foreign trade missions.

Association of Exporters: www.asoex.cl (Spanish). This association represents fruit and vegetable exporters. Its website provides sector-relevant information and a list of member companies.

c. Other useful private sector sources

Chilean Office of PriceWaterhouseCoopers: www.pwcglobal.com (English). This website offers publications on doing business in Chile.

Dicom: www.dicom.cl (Spanish). This website provides information on the financial strength of companies and private persons (services against a fee), detailed trade statistics and general information on Chilean companies.

Corporación de Bienes de Capital (CBC): www.cbc.cl (Spanish). CBC describes itself as: “a technical, private and non-profit organization whose mission is to promote the industrial development of the country by means of the systematic search for industrial demands derived from capital projects and the information it has on the supply available.”

Instituto Chileno De Administración nacional de Empresas (ICARE): www.icare.cl (Spanish). ICARE organizes very important conferences, breakfasts and seminars dealing with a variety of business topics such as marketing, finance and technology. ICARE organizes ENADE (Encuentro Nacional de Empresarios) every December, the most important meeting with business (Managers and CEOs of all major corporations) and government representatives (including the President). Information on past and future events are available on this website.

Fundación Chile: www.fundacionchile.cl (Spanish). This is: “a private, non-profit institution, created in 1976 by the Chilean Government and ITT Corporation of the United States. Its mission is to introduce innovations and develop human capital in the Chilean economy's key clusters through technology management and in alliance with local and global knowledge networks.” The website has information on forestry, fisheries and marine resources, agribusiness as well as on subjects such as product certification and cleaner production.

Chilean Yellow pages directory: www.amarillas.cl (Spanish). This website allows searches for companies according to product or business sector and company name.

1.7. Trade fairs - news and press

There are numerous trade fairs for different sectors in Chile. Most fairs are small and local; dates and organizational details often change from year to year. Some fairs are of regional importance, and have been operating for several years; for example:

1. Expomin: www.expomin.cl. The second largest mining-sector fair worldwide. In 2006, 2.300 brands including 10 Swiss companies exhibited and 45.000 visitors attended. FIDAE 2008 will have a Swiss Pavilion with 7 Swiss companies.
2. FIDAE: www.fidae.cl. The most important air and space show in Latin America. In 2006, this event attracted 378 companies from 38 countries (5 Swiss companies) and 134.000 visitors.

Both events take place every two years.

Information on all trade fairs which have taken place in Chile in recent years is available on the website of OSEC (Business Network Switzerland) at www.osec.ch (English, French and German) in the section on Chile and in the sub-section "Veranstaltung/Messe".

For further information:

- Ferías and eventos: www.feriasyeventos.com (Spanish). Information about forthcoming events in Chile.
- FISA: www.fisa.cl (Spanish). Private trade fair organizer.
- Exhibits: www.exhibits.cl (Spanish). Private trade fair organizer.
- Expotrade: www.expotrade.cl (Spanish and English). Private trade fair organizer.

News and press

- El Mercurio: www.emol.com (Spanish). National daily newspaper, well-respected locally with a good business and economics section.
- El Diario Financiero: www.diariofinanciero.cl (Spanish). National daily business and finance newspaper.
- Business News Americas: www.bnamericas.com (English and Spanish). Santiago based specialist subscription news service for various sectors covering Latin America.
- Condor: www.condor.cl (German). Weekly newspaper.

2. Financial services

2.1. Currency regulations

The exchange rate of the Chilean Peso is determined daily by the market under a floating system. The Central Bank maintains very few foreign-exchange controls. Some operations, such as remittance of profits under the Foreign Investment Law, must be made through authorized banks. For many other transactions, foreign-exchange houses can be used. Foreign-exchange houses cater to the needs of small businesses, individuals and tourists, and operate after 2 pm when banks close.

According to the project of a new law presently under discussion, transactions to foreign countries exceeding USD 10.000 will have to be reported to the Internal Tax Service for money laundering reasons.

2.2. Securities and insurance

In 2006, the volume of transactions at Santiago's stock market reached USD 406 bn, an all-time record. The market capitalization of Chilean firms listed on the stock market was USD 175 bn (150% of GDP).⁴³

The Chilean Securities and Insurance Supervisor (Superintendencia de Valores y Seguros - SVS) is an autonomous corporate body affiliated with the Finance Ministry. It is responsible for the supervision of all activities and entities involved in Chilean securities and insurance markets. The SVS enforces compliance with all laws, regulations, by-laws and other provisions governing the operation of these markets and offers legal assistance.

Superintendencia valores y seguros: www.svs.cl (English and Spanish) This website provides overall information on the securities and insurance markets, including corresponding legislation.

2.3. Banking

The Chilean banking sector is regarded as secure and healthy.

Banks operate under the General Banking Act. The Act places requirements on banks such as minimum capital and reserves, and limits loans. Banks operate as subsidiaries of foreign banks (i.a. Banco Itaú), local branches of foreign banks (i.a. Santander-Santiago; Spain) and Chilean-owned banks (i.a. Banco de Chile). Swiss banks have no banking license in Chile but are present through representation offices (Credit Suisse and UBS).

For further information:

- Superintendence of Banks and Financial Institutions: www.sbif.cl (Spanish). It is the regulator of the banking and financial institutions. Its website presents i.a. special reports on many aspects of the Chilean banking system as well as statistics.
- Association of Banks and Financial Institutions: www.abif.cl (Spanish). This association represents the banking sector. The website provides general information, statistics, reports as well as a list of member banks.

3. Taxes

Taxes are notoriously complex. Any Swiss company or individual wishing to do business in Chile should seek the advice of a tax expert (specialized lawyer or accountant). Being a centralized state, Chile has no regional tax authorities. The Agreement on Double Taxation between Chile and Switzerland is expected to be signed in 2008 and will enter into force after subsequent ratification.

The general tax situation can be briefly outlined as follows:

3.1. Direct taxes

- Corporate („First Class”) tax is set at 17% of taxable income.
- An additional 35% tax must be paid on the remittance of profits or dividends abroad. However, a tax credit equivalent to the Corporate (First Class) tax rate is applied and deducted. Thus a foreign investor will pay an 18% additional tax on the tax base (tax base

⁴³ Stock Market Santiago: www.bolsadesantiago.com

= total base amount of income to be remitted grossed up by the 17% corporate rate already paid as “First Class” tax).

- If profits are kept in Chile, the additional tax is not applied. If remittance is to a natural person in Chile, for example an individual shareholder, then progressive personal income tax ranging from 0 to 40% is applied.
- Personal income tax is progressive. There are, at present, eight tax bands ranging from 0 (tax exempt income) to 40%.
- Foreign companies investing in Chile under law D.L. 600 can also decide to pay taxes at a fixed rate of 42% of taxable income for 10 years, thereby avoiding possible tax increases during this period.
- The tax year ends in April. Companies pay taxes on a monthly basis via a “Monthly Provisional Payment” calculated as a percentage of monthly sales. Annual corporate tax due is then calculated at the end of the tax year and adjusted for payments already made.

3.2. Indirect taxes

- VAT: 19%.
- A special additional sales tax of 15% is imposed on precious metals (gold, platinum) and diamonds. It is calculated as VAT (percentage of the C.I.F. value of an imported good). This tax is also applied to watches made of such materials.
- At municipal level, some taxes such as licenses to operate a business are levied.
- Property and inheritance taxes.

For further information:

The Internal Tax Service: www.sii.cl (Spanish). This website has relevant information, i.a. on how to register for taxation purposes, how to declare taxes and tax law.

Internal Tax Service: www.sii.cl/portales/inversionistas/ (Spanish). Portal for foreign investors.

Colegio de Contadores - Professional (association for accountants): www.contach.cl/ (Spanish).



Northern Chile

CHAPTER IV

OPPORTUNITIES AND RISKS FOR SWISS COMPANIES

Objective: Increase the awareness of Swiss firms regarding Chile's potential

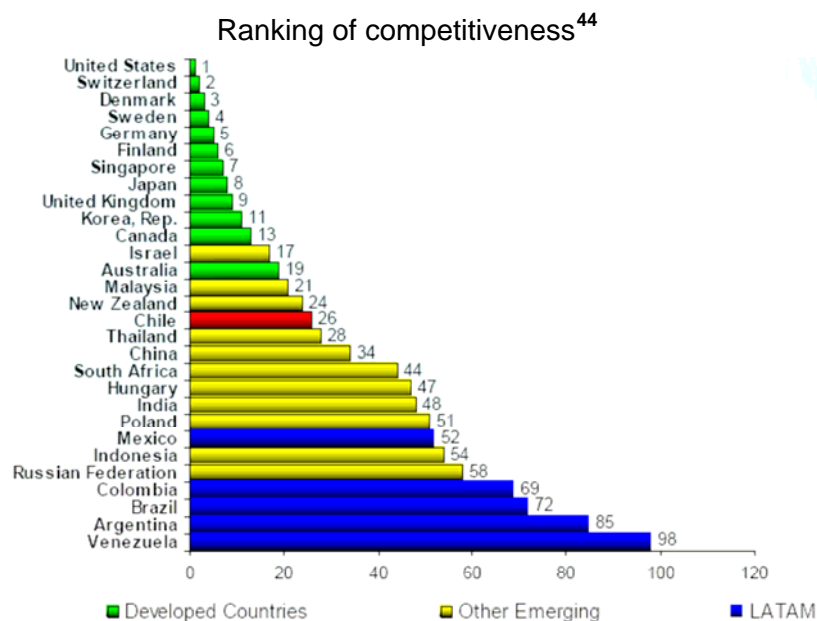
Content:

- a) Major Chilean imports from Switzerland: perspectives
- b) Chile's comparative advantage: agro-business, fish, paper, mining
- c) Chilean's fast growth sectors: retail, tourism, health, education, environment, energy, transport, security

1. The setting

Chile is often seen as a gateway for doing business in South America, a first step before expanding across the region. The Government's initiative "Chile: A Springboard into New Markets" outlines the strong points to attract foreign firms:

- Good macroeconomic situation.
- Good business environment: rules are clear and generally respected, businessmen have a good entrepreneurial spirit.
- Highly competitive economy: in 2007, Chile ranked first among Latin American countries in the World Economic Forum Business Competitive Index with the 26th position.



- Manageable size: it is easy to get an overview of the market.
- Access to major world markets with FTAs: access to more than 4.8 bn consumers with very low or zero tariffs.
- Good infrastructure and communications: modern transport networks and good telecommunications systems.
- Quality of life: low crime, good climate, good housing possibilities, outdoor activities, culture and art.

⁴⁴ Source: Andrés Velasco, Chile's Journey to Development, 2008.

- Relatively high education standards: the population is literate (95.7% literacy), generally well-educated (91% go to secondary school and 33% to higher education)⁴⁵ and able to fulfill the requirements of the economy. Although education standards are generally high, quality and productivity of the workforce can differ significantly. Patience might be required in finding the best staff or partners or when making initial contacts.

2. Major Chilean imports from Switzerland

Switzerland is an important exporter of capital goods and intermediate inputs for mining, forestry, paper production, agriculture and fisheries. As these sectors grow, exports opportunities should also increase. In 2005 and 2006, the value of Swiss exports to Chile grew by nearly 20% per year and consolidated in 2007.

2.1. Machinery

With strong pressure on prices, Swiss products may face difficulties linked with currency fluctuations and with increased competition from Asia. In 2007, machines made 35% of total Swiss exports to Chile (CHF 67 mn).⁴⁶ The export of non-electrical machines declined by 17% while the export of electrical machines grew by 57%.

No association represents the machine sector in Chile. For further information, see: 6 - Annex - Selected Websites Addresses, Machinery.

2.2. Pharmaceuticals

This sector is the second largest Swiss export sector to Chile.⁴⁷ In 2007, Swiss pharmaceuticals exports to Chile (CHF 40 mn) increased by 27%. Drugs from Swiss companies are also imported from other production sites. Both Novartis and Roche operate in Chile. None of them has production or research sites. In recent years, a significant problem has been Chile's often inadequate intellectual property laws, which have allowed local pharmaceutical companies to produce and commercialize copies of new and patented drugs. Chile is slowly adapting its legislation but it remains to be seen whether the situation for investigative laboratories will be significantly modified.⁴⁸ Chile is on the Priority Watch List of the United States Trade Representative and belongs to the countries where intellectual property rights are not sufficiently enforced.⁴⁹

For further information, see: 6 - Annex - Selected Websites Addresses, Pharmaceuticals.

2.3. Chemicals

Chemicals is the fourth largest Swiss export sector to Chile (2007: CHF 21 mn).⁵⁰ Products sold to Chile by Swiss firms are increasingly supplied by their subsidiaries from the US, UK, China, Brazil and other countries. Factors such as strategic restructuring, competition and the depreciation of the dollar against the CHF and Euro (which cannot be passed on to the buyers as prices are set in USD) contribute to shifts in trade flows.

For further information, see: Association of Chilean Chemical Companies, www.asiquim.cl

⁴⁵ Ministry of Education: compendio.educador.cl/docMatricula2006/2.1.1_d.xls

⁴⁶ Swiss machinery exports; 2005: CHF 64 mn; 2006: CHF 51 mn.

⁴⁷ Swiss pharmaceutical exports; 2005: CHF 26 mn; 2006: CHF 32 mn.

⁴⁸ See section 4.3 on Health.

⁴⁹ Office of the United States Trade Representative: www.ustr.gov

⁵⁰ Swiss chemicals exports; 2005: CHF 22 mn; 2006: CHF 20 mn.

2.4. Instruments and measuring devices

As with machinery, price competition plays an important role. The depreciation of the USD has increased the competitiveness of US producers. There is a market for Swiss high quality products in the mining and paper industries. In 2007, Swiss exports of instruments and measuring devices reached CHF 18.3 mn.⁵¹

For further information, see: Association of the Electrical and Electronic Industry, www.aie.cl

2.5. Watches

The sales of Swiss watches – luxury items – fluctuate with business cycles. With good economic forecasts for the near future, demand for Swiss watches should continue to grow. In 2007, Swiss exports of watches to Chile increased by 30% to reach CHF 13 mn.⁵²

For further information, see: Asociación de marcas de lujo AG, www.comitedellujo.cl

3. Traditionally strong sectors

3.1. Mining

In 2006, mining (copper in particular) accounted for 23% of GDP and 65% of exports. Copper is often considered Chile's backbone industry. Mines are either State-owned (Codelco) or privately-owned (i.a. BHP Billiton and the Swiss-Anglo company XStrata). Fueled by a sharp increase of world market prices for copper, mining exports grew from USD 36.5 bn in 2006 to USD 43.7 bn in 2007. China, the world's largest copper consumer (2006: 21% of the world total) relies on Chile to supply about half of its imports. After China, Chile's main markets are Japan and the USA.⁵³

Chile is by far the world's biggest copper producer, with an expected output of 5.7 mn tons in 2007⁵⁴ (35% of the world's production). In 2007, copper prices (331 US cents per pound) were 7.9% higher than in 2006 and reached new all-time high prices.

In 2007, private and public investments in the copper and gold/silver sector reached USD 2.1 bn. Between 2007 and 2010, investments in the mining sector are expected to reach USD 11.4 bn. Production shall increase by 29% until 2012 (compared to 2005). In March 2006, the directorate of CODELCO authorized the construction of a new mine "Gaby" (investment: USD 870 mn).⁵⁵ BHP Billiton is expanding its production through the "Spence" copper cathode operation; production began at the end of 2006 and will reach 200.000 tons per year at full capacity. Approximately USD 1 bn will be invested in this



⁵¹ Swiss instruments and measuring devices exports; 2005: CHF 14 mn; 2006: CHF 19 mn.

⁵² Swiss watch exports: 2005: CHF 9 mn; 2006: CHF 10 mn.

⁵³ If nothing else is mentioned the data are from the annual statistical publication of COCHILCO (Anuario de Estadísticas del cobre y otros minerales).

⁵⁴ Reuters, *Sonami sees Chile 2007 copper output up 5.6%* : www.reuters.com, January 10, 2007.

⁵⁵ National Copper Cooperation: www.codelco.cl

project.⁵⁶ Chile's most productive mine "La Escondida" of BHP Billiton (investment of USD 870 mn) operates since summer 2006.

For further information, see: 6 - Annex - Selected Websites Addresses, Mining.

3.2. Fruit

In agriculture, Chile benefits from its location in the Southern hemisphere, good soil conditions and climate. The opening of the economy has led to important increases in total cultivated area, production volume, investment levels, technological development, workforce, market extension and product diversification. Productivity has risen with the introduction of new technologies and of irrigation.

Chile is the biggest fruit exporter in the Southern hemisphere. In 2006, Chile exported fresh fruit for USD 9 bn. Chile ranks first in world's exports for grape and plum, second for kiwifruit and avocado, third for raspberry and fifth for peaches/nectarines and blueberries.⁵⁷

Switzerland is a major consumer of frozen fruit products from Chile.

For further information, see: 6 - Annex - Selected Websites Addresses, Fruit.

3.3. Agro industry and non-fruit agriculture

Agro business is highly developed and expanding rapidly. Chilean agriculture has recently enjoyed record growth in production and investments, exports have doubled in the last ten years. Food export revenue is expected to benefit strongly from FTAs and to increase from over USD 9.3 bn in 2006 to over USD 17 bn by 2010. This would place Chile among the top ten food exporting countries. At present, food production accounts for about 8% of GDP. There are some regional risks of droughts and cold spells.

Amongst processed agricultural goods, the most important export is wine (2006: USD 965.6 mn). Since 1996, the industry witnessed more than a threefold increase of its exports.⁵⁸

For further information, see: 6 - Annex - Selected Websites Addresses, Agro industry and non-fruit agriculture.



⁵⁶ HP Billiton: www.bhpbilliton.com

⁵⁷ Fruit Trade: www.fruittrade.cl/estadisticas.php

⁵⁸ Banco central: http://si2.bcentral.cl/Basededatoseconomicos/951_417.asp?m=BP_102&f=A&i=E

3.4. Fish and seafood

With more than 4000 km of coastline, Chile is one of the leading producers and exporters of fish and shellfish worldwide. The main marine export products are salmon, trout, anchoveta, scad and hake, and the main export markets are the USA, Japan and China.

Chile is the second largest salmon producer in the world after Norway with a world market share of about 38%. In 2006, Chilean exports of salmon increased by more than 30% (USD 1.4 bn).

For fishmeal, Chile ranks 2nd among world exporters after Peru. China is the largest buyer of Chilean fishmeal.

For further information, see: 6 - Annex - Selected Websites Addresses, Fish and seafood.

3.5. Forestry and paper

In 2006, forestry products exports increased by 11% to reach USD 3.9 bn (6.6% of total Chilean exports) and went mainly to the USA (27.9%) and China (9.4%). 13.5% of Chile's 16 mn hectares of forests are used for producing wood products. The forestry industry operates on the basis of plantations.

After a decline in 2005, the price of paper pulp increased in 2006 by 21% to USD 730/ton and exports by 13% to USD 1.2 bn.

For further information, see: 6 - Annex - Selected Websites Addresses, Forestry and paper.

3.6. Milk industry and stock farming

a. Milk industry

The new FTA with China provided a strong impulsion to exports of milk products such as cheese, condensed and powdered milk (increase of 56% to USD 200 mn in 2007).

For further information, see Chilean Milk Association: www.fedeleche.cl and Ministry of Agriculture, www.minagri.cl

b. Stock farming

Chile's stock farming sector is very important in the South. In 2004, bovine, sheep, pig, equine, goat and poultry production reached 1.1 bn tons. In this sector, pig meat is the most important export product.

There are business opportunities for pharmaceutical products (vaccinations).

4. Additional potential sectors of interest

The following sectors have also significant growth and development potential. They require a wide range of products or services from Swiss companies or investors.

The list is by no means exhaustive. It aims to provide a short overview of some of the dynamic areas in Chile.

4.1. Retail and supermarkets

a. Background and structure

The retail and supermarket sector is highly developed in Chile with⁵⁹:

- Large hypermarkets, malls and shopping centers in Santiago and major cities.
- Major supermarket groups which control over 50% of the market.
- Major hardware store chains.
- Quick development of credit cards by stores.

In 2006, retail was worth USD 31.1 bn per year and shopping centers accounted for about USD 8 bn.

In recent years, some alliances have taken place between different retail sub-sectors. Today, there are three major groups in the retail and supermarket sector: Cencosud, D&S and Falabella. Almacenes Paris was bought by Cencosud which owns now supermarkets, department stores, shopping centers and one of the major retail holdings. D&S incorporates the supermarket chain Líder. Falabella operates a department store chain.

b. Business opportunities

In 2006, investment growth in the retail and supermarket sectors slowed down to 12% (USD 4 bn) and was mainly directed to malls (51%), department stores (35%) and supermarkets (13%).⁶⁰ 38% of the investments took place in the Region Metropolitana.

The National Chamber of Commerce foresees the consolidation of the holdings in the medium term. Suppliers face strong price pressures from retailers.

For Swiss exporters of highly-priced products considered luxury goods in Chile, competition in the retail market will bring new challenges. The number of Chilean consumers able to buy Swiss quality products ranging from chocolates to household items will continue to grow; several Swiss companies have already successfully entered the market.

For further information, see: Association of Supermarkets, www.asach.com

4.2. Tourism

a. Background and structure

Chile has a strong potential in tourism. In 2006, 2.276.000 foreign tourists visited Chile (+12.3%).⁶¹ The vast majority of tourists come from neighboring countries. Chile has been trying to attract more visitors, mainly from Europe and North America.

b. Business opportunities

Tourism has generated around USD 12 bn in 2007 and will grow by 6.3% annually in real terms between 2008 and 2017.⁶²

⁵⁹ This section is based on:

- Association of Supermarkets: www.asach.com/index.htm
- Cencosud: [Hwww.cencosud.cl](http://www.cencosud.cl)
- D&S Distribucion y Servicio: [Hwww.dys.cl](http://www.dys.cl)
- Falabella: [Hwww.falabella.cl](http://www.falabella.cl)

⁶⁰ The shares of the investments refer to January-June 2006.

⁶¹ Gestion, Sept. 2007, Nr. 385

⁶² World Travel and Tourism Council report on Chile: www.wttc.travel/bin/pdf/original_pdf_file/1chile.pdf

The Government National Forestry Commission (Conaf) maintains 32 national parks, 48 nature reserves and 15 “natural monuments”. There is desert in the North, lakes and fjords in the South and mountains, volcanoes, rivers and beaches along the entire country. The natural beauty provides countless opportunities to undertake outdoor activities, such as rafting, kayaking, climbing, skiing and fishing, as well as simply viewing the scenery.

The government is aware of the need to explore new developments in many parts of the country; it is careful not to damage the natural settings which are at the heart of Chile’s appeal. Plans may be drawn up to encourage sustainable tourism in the years to come although specifics (such as encouraging some kind of certification system for “sustainability”) are not yet clear.

The arrival of ocean cruise-liners has increased significantly in recent years in Valparaíso - a UNESCO World Heritage Site only two hours away from Santiago.

Chile enjoys a low risk of crime, terrorism, severe weather conditions and generally safe. Tourist infrastructure is however insufficient. There are relatively few quality hotels (outside of Santiago), good hostels, tour companies and well-built activity centers. Over the years, the situation is likely to improve and those that invest wisely could form part of a future boom. Particular areas of interest could be: sustainable tourism, adventure tourism, conferences and conventions, hotels and lodges in remote parts of the country.

For further information, see: 6 - Annex - Selected Websites Addresses, Tourism.



Moai (human stone figures) at Easter Island

4.3 Health

a. Structure

The Chilean healthcare system consists of:

- a) FONASA, public National Health Fund, administered via the Ministry of Health.
- b) ISAPRE, private system, overseen by a government regulator.

Employees pay 7% of their salaries (up to a maximum ceiling) on a monthly basis for healthcare and can choose either system. Higher-income groups choose only private insurances. They offer earnings-related cover. Competition between private insurances leads to a large number of plans with slight differences in the levels and types of coverage.

FONASA tends to address lower income groups with a standardized coverage. Some patients have to pay a co-payment while certain disadvantaged groups pay neither a monthly contribution nor a co-payment.

Healthcare services are obtained either via public health centers and hospitals or private health centers and clinics. Hospitals are administered by Regional Health Services (Ministry of Health) and primary healthcare centers by local municipalities. Affiliates to private health insurers would not usually seek healthcare treatment at these public facilities.

Many private clinics, health centers and doctors act totally independently, set prices freely and conclude agreements with insurers and individuals. Some have very high standards and modern equipment. Persons with no ISAPRE, but able to pay full fees also opt for private treatment, and some persons affiliated to FONASA can also obtain treatment at some private facilities.

In recent years, there has been a trend for wealthy people in the region to come to Chile for surgery. Chile's private clinics have an excellent image in the rest of the region (both for plastic and health surgeries).

b. Reforms

In 2004, the public health system underwent an important reform with several new laws including a Plan - called AUGE - guaranteeing citizens, for the first time ever, treatment for a defined group of illnesses, including cancer. Private health insurers have also to guarantee their members the same level of coverage.

The reform of the public health system is not yet finalized. This has meant above-average budget increases for health in 2005 (9%) and 2006 (13%) to CLP 2.16 bn (2.8% of GDP).

The government plans to invest in improving hospitals as well as modernizing and extending existing healthcare centers and building several new ones. A new Military Hospital (330 beds; USD 120 mn) was built specializing in image diagnosis, cancer treatment, transplants, injuries and psychiatry. Some private hospitals are also expanding their facilities.

c. Special regulations

The Public Health Institute ("Instituto de Salud Pública") issues licenses for pharmaceutical, cosmetics and other products linked with public health. Applications for licenses may take six months for pharmaceutical products, and can only be submitted if a company has a Chilean representative.

The National Provisions Centre ("Central de Abastecimiento" or "Cenabast") purchases drugs and basic medical supplies (often disposable products such as syringes, gloves etc.) for the public health system (2006: USD 120 mn ; + 25%).⁶³ 68% of the budget is spent according to pre-programmed estimated needs for the year ahead and the remainder as required by the system.

The Centre usually pays providers 60 to 90 days after delivery. To become a supplier to "Cenabast", companies should first register via the Chilean Government's public procurement website: www.chilecompra.cl.

⁶³ Cenabast: www.cenabast.cl/descargables/balance_2006.pdf

d. Opportunities for business: public sector

The Government reforms imply that spending will increase in 2008 and beyond.

Business opportunities will arise from increased purchases from “Cenabast”, hospitals and government programs for equipment, hospital improvements and health care centers. To keep costs low, the public system tends to put a stronger emphasis on prices rather than quality. In recent years, hospitals have built up debts and paid suppliers late. The Government is aware of the problem and has made efforts to pay off accumulated debts. Swiss exporters should seek a good local partner who is able to manage the situation.

e. Opportunities for business: private sector

One of the major investments in the private health sector is planned by the private clinic “Las Condes”. The clinic will spend USD 100 mn between 2007 and 2010 i.a. to increase the number of beds to 310 and of surgery rooms to 18.⁶⁴ As a result of Plan Auge (increased demand coupled with insufficient capacity of the public sector), public hospitals may externalize treatment to the private sector. The number of privately-insured Chileans (2.7 mn)⁶⁵ has dropped in recent years; private clinics have adapted and been successfully selling services to those affiliated to the state system, as it allows some affiliates to obtain funding for private treatment and pay themselves the difference.

The private sector is more likely to buy new technologies and equipment with a focus on quality and performance; it is more reliable in paying suppliers on time.

For further information, see: 6 - Annex - Selected Websites Addresses, Health.

4.4. Education

a. Background and structure

Education at public primary and secondary levels is free of charge. Eight-year primary and four-year secondary education is completed by respectively 99% and 92% of the population. About 33% attend higher education institutions.⁶⁶ Education standards in private schools are well above the national average. The worst performers are the municipal state schools, which are attended by 65% of the pupils.

Higher education was reformed in the 1980s. The establishment of private universities and institutes was facilitated.

The system now basically consists of:

1. Universities, both public and private, established before the educational reform of the 1980s. They offer full degrees and postgraduate studies. They benefit from State funding and are members of the Council of Rectors (“Consejo de Rectores”).
2. Private universities, founded after the educational reform. They offer full degrees and postgraduate studies. Some are autonomous and free to choose their program. Others are not and must be supervised externally (Higher Education Council: government-

⁶⁴ Clinica las Condes: [Hwww.clinicalascondes.cl](http://www.clinicalascondes.cl)H

⁶⁵ Association of ISAPRES: www.isapre.cl/modulos.php?mod=phtml&fn=6fdfedbbb814d20a33051a7c659a4c4e

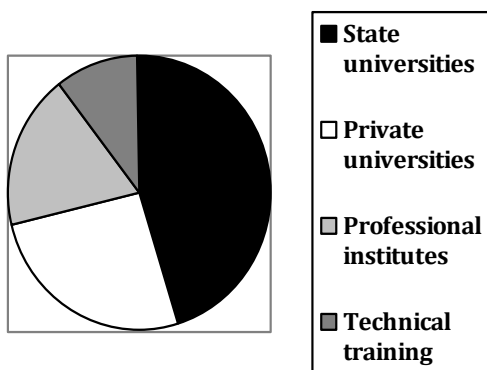
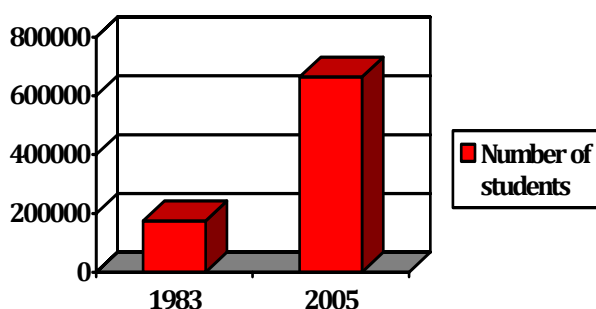
⁶⁶ Educación superior: compendio.educador.cl

funded but autonomous). A new private university needs about 10 years to become autonomous.

3. Professional Institutes (“Instituto Profesional”) offering technical degrees requiring two to five years of studies.
4. Technical Training Centres (“Centro de Formación Técnica”) providing technical qualifications based on two years' studies.

In 2006, Chile had 61 Universities (of which 25 were supported by government), 43 Professional Institutes and 105 Technical Training Centers.⁶⁷ It is generally accepted that the teaching at professional institutes and technical training centers is not as demanding as at universities. Entry criteria, supervision and standards are not as high. Standards at private universities can vary greatly according to institution and subjects studied. Universities established before the educational reform of the 1980s requiring the highest grade average from secondary schools graduates are the best ones.

Student numbers have increased significantly in the last two decades from 174'250 in 1983 to 615'405 in 2006.



In 2006, the majority of the students (478'083) went to university (state: 262'159, private: 215'924). 71'023 students went to professional institutes and only 66'299 were registered in technical training centers.⁶⁸

Students pay tuition for all higher education in Chile ranging between CLP 1.5 and 3.5 mn per year. Some limited scholarships and loans are available.

b. Business opportunities

In recent years, foreign investors have started to look at the Chilean education market with interest. A US group, "Laureate" (formerly known as Sylvan), owns and runs two major universities. A German University from Heidelberg has set up a center in Chile.

According to Chilean law, universities must operate on a non-profit basis. Profit may be dwelled i.a. though the creation of real estate companies which “rent” buildings to the university.

Professional Institutes and Technical Training Centers may make profits.

Demand for university education will continue to rise as degrees provide high economic and social benefits. Technical education, on the other hand, is perceived as being of lesser quality,

⁶⁷ Consejo superior de educación: www.cse.cl

⁶⁸ Educación superior: compendio.educador.cl

of lower social status and is rewarded with lower wages. Since 2004, the number of professional institutes has diminished. However, a shortage of technically-qualified workers could lead to wage increases and renewed incentive for technical careers.

Swiss educational institutes could offer courses in the tourism and hotel training sector. Chile will need a qualified workforce to meet a growing demand in the tourism sector. New schools or new courses at existing institutions need to fill the gap. As a world leader in hotel management, Switzerland should consider a presence in Chile.

Chileans also value an education abroad. Interest is particularly high for business and management degrees with a large number of exchange and double-degree agreements available at Chilean universities. Chileans have traditionally also had a great interest to study in the USA.

Several institutions, mostly from the USA, promote actively MBAs in Chile.

For further information, see: 6 - Annex - Selected Websites Addresses, Education.

4.5. Environment

a. Background

Chile has not devoted the same attention as Europe to environmental protection, cleaner production and related issues; laws protecting the environment are not as strict. As a result, companies (and individuals) have tended to neglect investing in environmental protection.

Since 1997, the National Environment Commission (Conama) is in charge of environmental issues and cleaner production is a priority. Since 1998, the environmental impact of new business investments must be evaluated by one of Conama's Regional Commissions. In 2000, the National Council for Clean Production was established to enable the private sector and Government to work together to promote cleaner production. In 2007, a Ministry for the Environment was established.

b. Business opportunities: general

In recent years, awareness for environmental protection has grown and the Government has taken some strong actions (in 2005, a major paper-pulp plant was forced to stop production for several days for not complying with environmental rules). By 2007, 35 clean production agreements had been voluntarily signed within 27 sectors and the participation of 2500 companies (2003: only two).⁶⁹

A greater interest in environmental protection has been generated by requirements in export markets. This implies that companies start to allocate resources to environmental goods and services.

c. Business opportunities: waste and water management

Water pollution used to be a major problem. Tighter control of industrial effluents, the privatization of water utilities and ambitious targets have contributed to improve the situation significantly. In 2007, the proportion of treated wastewater reached 78%. By 2009, water companies are required to purify at least 97.5% of all liquid wastes.⁷⁰

⁶⁹ National Clean Production Council: www.produccionlimpia.cl/link.cgi

⁷⁰ Conama: www.conama.cl

Industrial waste treatment, in particular liquid waste, is a growth area. Liquid waste is a problem in the mining and forestry sectors; although these sectors are probably more environmentally aware than others (mining firms were among the first ones to obtain ISO 14000 certifications), their importance and continued growth will create new opportunities.

According to AEPA, a trade association for companies active in the environmental sector, industrial liquid waste from major Chilean export sectors (vineyards; agro-industry, salmon farming) will increasingly have to be treated to become cleaner. Other sectors with significant liquid waste are leather and textiles. There is business potential for consultancy, equipment for waste transport, waste treatment and end-solutions for waste disposal.

d. Business opportunities: recycling

Chile is far behind European countries in this area. The two biggest drinks manufacturers CCU (beers and soft drinks) and Andina (Coca Cola) have signed an agreement with Conama, an advertising agency and a local NGO to stimulate recycling (20% of the bottles in circulation).⁷¹ Recycling centers and advisory services to the public and private sectors will be increasingly required.

e. Business opportunities: air pollution

Santiago suffers from strong air pollution, especially in winter (thermal inversion and lack of wind). A large part of the problem is caused by buses-exhaust fumes. Sustained effort has been made to reduce emissions. Catalytic converters are required in new cars; older vehicles without converters are subject to circulation restrictions for nine months per year. The problem is now recognized and well-monitored.

Air pollution is also a problem in other cities, such as Temuco and Talcahuano. In Temuco, bad insulations cause heat losses and require much heating via the burning of firewood by households. Swiss experts have analyzed the situation and proposed solutions.

f. Business opportunities: bonds

Chilean companies have been pioneers for the emission and the trading of CO₂ bonds (Kyoto Protocol on climate change). In 2004, a major Chilean agro-industry firm became the first company in the world to successfully emit a bond for the treatment of animal waste. It raised USD 30 mn.

Many Chilean companies, including electricity generators, a cement producer, food companies and a company in the forestry sector have emitted carbon bonds in the last years.

Swiss consultants are active in this field in Chile.

g. Business Opportunities: asbestos

According to a law which is supposed to enter into force in the near future, factories and buildings will have to be free of asbestos. There is already a Swiss company active in the field of asbestos recovery in Chile.

⁷¹ Diario Financiero, 27.12.2004

4.6. Energy

a. Energy generation

Energy is essential to Chile's economic and social development. Chile is a net energy importer (USD 3.1 bn), i.a. from Argentina. Chile's natural gas reserves are estimated at 45 bn cubic meters⁷², its oil reserves at about 30 mn barrels⁷³ and its coal reserves at 155 mn tons.⁷⁴ Less than 18% of the Chilean hydroelectric potential has been exploited.⁷⁵

The private sector is responsible for electric power generation, transmission and distribution, while the State plays a subsidiary role as regulator and supervisor. The Interconnected Central System is the country's leading electric power provider, supplying the population with hydroelectric plants (55%), and, thermal (coal, oil, diesel) and combined-cycle plants based on natural gas (45%).⁷⁶ Power is transmitted along the cables of the generating companies and the power lines of the transmission companies. In order to assure energy security, the State-owned oil company⁷⁷ is leading a consortium to build a liquefied natural gas port terminal near Santiago. The construction of the terminal started in May 2006. The project costs USD 940 mn.

In 2004, Argentina's repeated cuts in gas supplies have led experts and Government to assess Chilean future energy needs and how to diversify sources with alternative energy such as solar, wind, biogas, etc..

Deemed to unfairly discriminate smaller generators, Chilean law was modified ("ley corta") to favor smaller renewable-energy generation (but did not introduce incentives for renewable-energy usage). Under the new law:

- distributors of electricity will be obliged to allow small generators of electricity (< 9 MW) to connect to their network;
- small generators can by-pass the larger transmission systems;
- small generators will be permitted to sell directly to free clients without using any part of the transmission or distribution system;
- small companies will be allowed to sell on the "spot market" in times of high demand.

Some of the regulations needed to implement the new law are still being drawn up. The new law will provide particular opportunities for small scale hydro-electric and solar-power generation, benefiting from rivers with good gradients and areas with much sunlight. New investors, without experience in energy generation, for example big land-owners with a river on their land, may be drawn into the market. Swiss companies with equipment for small and very small hydro-electric or solar generation may find interesting business possibilities.

b. Business opportunities: energy efficiency

The Government has launched a campaign to reduce energy consumption, i.a. by 20% for public buildings. The use of better insulation and of energy saving appliances in new housing could also provide considerable energy savings.

The demand for know-how, technology and equipment for energy saving and thermal insulation of constructions should increase.

For further information, see: 6 - Annex - Selected Websites Addresses, Energy saving.

⁷² National Energy Commission: www.cne.cl

⁷³ Located offshore in the extreme South of the country.

⁷⁴ Mostly of low quality.

⁷⁵ Sites for the exploitation are mostly in the South, about 24.000 MW

⁷⁶ National Energy Commission: www.cne.cl

⁷⁷ Empresa Nacional del Petroleo, ENAP: www.enap.cl

4.7. Transport, infrastructure and telecommunication

Chile has a good transportation infrastructure, developed mainly on the basis of government concessions.

a. Ports

The Chilean government privatized the four largest ports⁷⁸ in 1999 through build-operate-transfer (BOT schemes). A concession was also granted to build and operate a deep-water port at Mejillones in the North of the country. This port became the largest on the South American Pacific coast and serves Mercosur countries with Asia. The Compañía Sudamericana de Vapores (CSAV) has the near monopoly in cargo shipping and is a global carrier with a strong presence on routes of South America's Western and Eastern coasts.



With the acquisition of majority stakes in 1999 in the Compañías Líber de Navegação (Brazil) and Montemar Marítima (Uruguay), CSAV became the leading shipping company in South America.

b. Roads

Chile has about 79.025 km of roads, which were improved significantly during the past decade. The Pan American Highway runs the length of the country (3.600 km) and forms the backbone of a system with transversal roads leading to East and West.

Commercially-viable roads were privatized under BOT concessions. This policy has led to a modern motorway network where over 90% of the Chilean population live. BOT concessions are also being used to build urban toll roads in Santiago, Valparaíso and Concepción. The government aims at upgrading secondary and unpaved roads as well as building new ones.

c. Airports

In the 1990s, air traffic increased fourfold. Rising incomes and growing competition led to cutting to the average price for international (50%) and domestic flights (35%). Between 2000 and 2004, the capacity of the international airport of Santiago was trebled by means of a BOT concession. A second runway (USD 70 mn) has been built in 2005. BOT concessions have also facilitated the expansion and modernization of the main regional airports. The government intends to allocate funds to the maintenance of smaller airports; the expansion with BOT concessions is also envisaged.

d. Telecommunications

Chile has Latin America's most advanced telecommunications infrastructure and regulatory system. It encourages innovation and competition and pioneered telecom privatization in 1988. In the second half of the 1990s, average annual investment reached USD 1 bn. This has given Chile an important advantage over other Latin American countries. A third of Chile's telecom investment has gone into the mobile phone market. As a result, by 2005, the country had 10.5 mn mobile subscribers, exceeding the country's 3.4 mn fixed telephone lines. Telefonía CTC (Telecomunicaciones de Chile) belongs to Spain's Telefonía (2005: 65% market share of fixed line services). There are three major groups in the telecommunication

⁷⁸ Valparaíso, San Antonio, San Vicente and Iquique

market: Entel, Movistar (owned by Telefonica) and Claro. The concessions for digital personal communications systems belong to the Spanish electricity company Endesa since 2000.

At the end of the 1990s, Internet-related services registered strong growth with important price cuts. The government promotes actively access to Internet and other communication technologies for all sectors of society and to all parts of the country. There are 1 mn Internet connections.

e. Business opportunities: major projects for transport and roads

Several urban motorway projects were completed between 1995 and 2006 (USD 2.4 bn: 228 km of new highways). They include novelties such as a state-of-the-art payment system using electronic “tags”.

The major investors are mainly Spanish companies; French, Italian, Swedish, Swiss, Canadian and Chilean firms take also part in projects. A Swiss company currently operates three regional airports in a joint-venture with a local partner.

The concessions have provided many indirect business opportunities with the supply of goods and services to the building and operating companies. Swiss companies have participated in the recent urban motorway projects.

In February 2007, the government has implemented a major public transport reform in Santiago called “Transantiago”. It aims at cleaner, safer and more efficient public transport. The number of buses has been reduced and a new network established, with larger buses serving main routes, leading to transfer stations, and smaller buses linking residential areas with transfer stations. The new buses emit less exhausts. The bus system is linked with the Metro and uses an electronic card payment system. All aspects of the project, from building new bus routes to collecting fares, has been implemented and is operated by private companies. However, the system has not proven to be adequate for the public transport because of a series of deficiencies in the planning and implementation process. The authorities are working on a solution.

Although there has been a slight decrease in the number, size and strategic importance of projects in recent years, there should still be a significant number of opportunities ahead. The Public Works Concessions Unit oversees all new concessions in transport as well as public-private partnerships in other areas, such as prisons and irrigation systems. The Unit currently plans to call for tender and/or award contracts worth USD 290 mn in transport infrastructure between 2007 and 2009, including a low-level railway tunnel through the Andes to Mendoza in Argentina.

Major tenders are listed under: www.concesiones.cl

f. Business opportunities: subway and railways

Santiago has a modern and efficient subway system. It is operated by Metro S.A., a State-owned company. At present, there are five lines. A sixth line is currently being built (14.2 km; west; USD 670 mn, fully operational by the end of 2010) and one of the existing lines is being extended (4 km, East, USD 145 mn, fully operational by the end of 2009). There are also other extension projects being studied by Metro S.A..

Metro normally calls to tender for major projects independently (and not via the Government Public works system) and purchases equipment independently (through the Government’s official public procurement system). Metro has generally worked on major contracts with European companies. Link for tenders: www.metroantiago.cl/licitaciones.php

Chile's rail network (approx. 9.000 km) is the fourth largest in Latin America. Two railroads connect Chile to Bolivia; one of them was privatized in 1996.⁷⁹ The central and southern rail services between Santiago and Puerto Montt belong to the government and were modernized between 2000 and 2005.

The State Railway Company (EFE) has been redefining its role during the last few years. It has started to contract out many tasks to private companies in order to focus on the infrastructure (tracks, stations) and running only a few passenger lines. EFE aims at improving infrastructure (lines, signaling), security, safety (crossings), stations and rolling stock.

EFE operates on the basis of three-year investment plans. The 2006-2008 plan foresees an investment of USD 300 mn. EFE normally calls to tender for major projects independently (and not via the Government Public works).

For further information, see: 6 - Annex - Selected Websites Addresses, Transport and infrastructure.

4.8 Security sector

a. Military

Based on a law assigning 10% of export revenues of the State-owned copper producer Codelco to purchases of the Chilean armed forces, Chile has important resources to acquire high-quality military equipment. Chile has large-scale military modernization plans which cannot be met by the domestic industry.⁸⁰

b. Civil security

Despite statistical evidence that Chile is a safe country compared to other Latin American countries, the Chilean society is characterized by a certain feeling of insecurity. The percentage of people who believe that they will be a victim of crime in the near future has increased from 48.6% (2005) to 52.3% (2006). The most common explanation (30% of those questioned) is the perceived lack of police surveillance. Between 2005 and 2006, the percentage of those intending to seize measures against potential criminal threats has risen from 36% to 38%.⁸¹ There are, therefore, good opportunities for security products in the area of personal and property protection.

⁷⁹ The name of northern rail company is Empresa de Transporte Ferroviario, Ferronor.

⁸⁰ In 2006, the contribution of copper revenues to the armed forces' budget amounted to USD 1.2 bn. Business Monitor Internacional: www.businessmonitor.com

⁸¹ Interior Ministry, Subsecretariat for Civil Security: www.seguridadpublica.gov.cl

5. Business practices

In general, doing business in Chile is often regarded as being easier and quicker than in other Latin American countries, but still slower and harder than in Europe or North America.

Doing business in Chile takes time. Selling a product or idea requires therefore patience. Being sociable and investing time in lunching and events can be very useful. Dressing formally is also well-advised. Chile is a relatively conservative society so that appearance may matter.

5.1 Tips for initiating business contacts

Contacts and networking are vital in Chile. Chileans often prefer doing business with parties they know or have been referred to by others.

Starting with an initial contact with some knowledge of the local market is essential.

Being able to communicate in Spanish is fairly important. Although an increasing number of businessmen speak and write English, English is still by no means as widespread in Chile as in Europe or Asia. Communicating in Spanish will make your Chilean potential client/partner feel at ease and could give you an advantage over potential competitors.

Meeting a potential client/partner in person is very important. In one to one meetings, Chileans are likely to give far more information than via E-mails or letters. Chileans are also much more likely to respond to future E-mails once they actually have met a person.

Chilean businessmen enjoy small-talk and are keen on long lunches. Be flexible and participate in all aspects of conversation as much as possible and be prepared for meetings to last longer than expected.

Be careful when talking about politics in business circles. As a foreigner, it might be best to listen and learn the political opinions of Chileans and refrain from expressing personal feelings, especially criticizing current aspects of Chilean politics and society.

When making meeting arrangements by phone, be assertive and give the impression that the matter in question is important; if you are selling a product, this is vital.

Arranging meetings weeks and months in advance is not necessarily efficient as Chilean businessmen tend to change their schedules at short notice.

5.2. The difference between a “potential” and a real sale

In negotiations, one should always be patient and polite and not expect a closure of a deal (or a simple rejection) to be reached quickly.

Chileans have an habit of not giving a decisive “no” answer when negotiating contracts or business deals. They often give the impression that a positive outcome is close when in fact they are simply postponing a decision that could eventually even be negative. One has to carefully judge each situation on a case-by-case basis to assess how much more time (long conversations, meetings etc) it is worth investing to obtain a closure of a potential sale or deal.

When a Chilean says “we shall call you when we need you”, this can be interpreted as a likely negative response meaning “we are unlikely to be interested in your product/services”. Under these circumstances, one should judge the situation to see whether a sale/deal is still worth pursuing.

5.3. Special features of the market

Chilean businessmen are very open-minded and used to encountering new companies, products and ideas. This, however, also means that a new company, product or idea will not instantly appeal to a Chilean for its novelty value. Competition is often stiff, and price can be a decisive factor. Having an initial local contact can be of utmost importance in overcoming some of these challenges.

Foreign companies making sales in Chile and quoting prices in a foreign currency are usually expected to do so in USD or Euros.

One must not forget that Chile is in the Southern hemisphere. This means that summer is during the European winter and vice-versa. Certain products/services are in demand in reverse order to Europe e.g. tourist high-season is January and February, while chocolate sales are higher in July and August.

For further information:

- Private website dealing with international business culture:
www.executiveplanet.com

5.4. Opening times and holidays

Business opening hours are usually from 10 am to 7 pm. Some businesses may open earlier and many shops close much later (supermarkets at around 10 pm). Managers will often spend the evening hours until 8 pm or later working. Lunch is taken between 1 and 3 pm.

Chileans usually take their annual holidays in January or February. At this time, it can be difficult to arrange meetings.

Annual public holidays:

- New Years' day (January 1st)
- Good Friday (variable)
- Labor day (May 1st)
- Navy day (May 21st)
- Corpus Christi (variable)
- Saint Peter and Saint Paul (June 29th)
- The Assumption of the Virgin Mary (August 15th)
- Independence day (September 18th)
- Army day (September 19th)
- Day of the race (October 12th)
- All Saints' Day (November 1st)
- The Immaculate Conception (December 8th)
- Christmas day (December 25th)

The most important holidays are September 18th and 19th; business activity slows down considerably in the preceding days.

6. Contact points

Swiss firms wishing to do business in Chile should feel free to contact:

The Embassy of Switzerland in Santiago de Chile

Americo Vespucio Sur 100 Piso 14
Las Condes
Santiago de Chile
Phone +56 2 263 42 11
Fax +56 2 263 40 94
E-mail: vertretung@san.rep.admin.ch

OSEC Business Network Switzerland

Stampfenbachstrasse 85
P.O. Box 492
CH-8035 Zürich
Phone +41 1 365 52 51
Fax +41 1 365 52 21
www.osec.ch

Latin American Chamber of Commerce in Switzerland

Talstrasse 11, CH-8001 Zürich
Phone: +41-1-272 08 52
Fax +41-1-271 50 55
E-mail: admin@latcam.ch
www.latcam.ch

Chilean-Swiss Chamber of Commerce (CCHSC)

Flor de Azucenas 135, Of. 1401
Las Condes
Casilla 203 Correo 35, Santiago
Phone +56 2 415 23 38
E-mail: cchsc@ahucke.cl
www.swisschile.cl

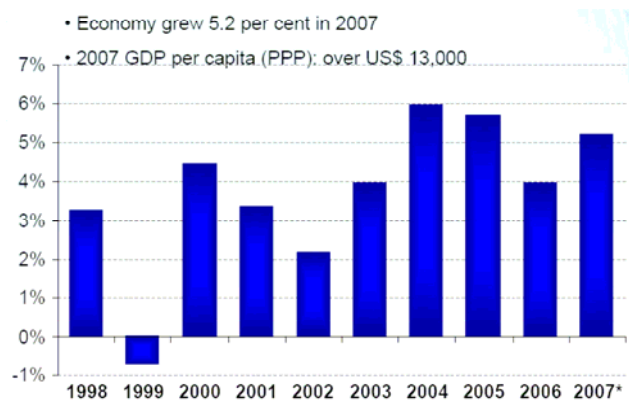
State Secretariat for Economic Affairs SECO

Bilateral economic relations, Americas
Effingerstrasse 27
Tel. +41 31 324 14 53
Fax. +41 31 312 29 15
3003 Bern
www.seco.admin.ch

5. ANNEX : TABLES - GRAPHS

1. BASIC ECONOMIC DATA

Graph A.1.1. Gross domestic product growth: 1998 - 2007
(percentage)



Andrés Velasco, Chile's Journey to Development, January 2008

Table A.1.2. Components of gross domestic product: 2005, 2006
(percentage)

	2005	2006
Private consumption	58.2	55.0
Exports of goods and services	41.0	45.4
Gross fixed investment	20.6	19.3
Government consumption	10.9	10.1
Change in stocks	1.7	1.1
Imports of goods and services	32.5	30.9

Source: IMF, World Bank, Central Bank of Chile

Table A.1.3. Gross domestic product by economic sector: 2005, 2006
(percentage)

	2005	2006
Manufacturing	17.6	17.4
Financial Services	16.5	16.7
Retail trade, restaurant and hotels	10.5	10.7
Personal services	11.6	11.5
Mining	8.2	7.9
Transport and Communication	9.8	9.9
Construction	7.4	7.4
Housing Property	5.8	5.8
Agriculture and Forestry	3.9	4.0
Public Administration	4.3	4.3
Electricity, Gas and Water	2.9	3.0
Others	1.5	1.4

Source: Central Bank of Chile

Table A.1.4. Employment by sector: 2005, 2006
(percentage of total labor force employed)

	2005	2006
Social Services	27.9	28.2
Commerce	18.9	19.2
Manufacturing	14.1	13.3
Agriculture and Fishing	13.0	12.5
Transport and Communications	8.2	8.2
Financial Services	8.4	8.7
Construction	7.8	8.0
Mining	1.3	1.3
Electricity, Gas and Water	0.6	0.6

Source: National Institute of Statistics

Table A.1.5. Income distribution: 2006

	% of total income
Poorest quintile	4.7
Second quintile	8.9
Third quintile	12.7
Fourth quintile	19.7
Richest quintile	54.0

Source: Planning and Cooperation Ministry, Encuesta Casen

2. TRADE DATA

Table A.2.1. Major exports: 2006
(percentage)

Copper and Steel	56.0
Foodstuff	11.3
Chemicals	4.9
Fruit	4.1
Forestry Products	3.3
Wood Pulp and Paper	3.2
Beverages and Tobacco	1.7

Source: Central Bank of Chile

Table A.2.2. Main destination of exports: 2007
(percentage)

China	14.8
USA	12.7
Japan	10.9
Netherlands	6.1
South Korea	6.0

Source: National Customs Service

Table A.2.3. Share of major categories of goods in total imports: 2006
(percentage)

Capital goods	21.1
Intermediate goods	63.2
Consumer goods	15.6

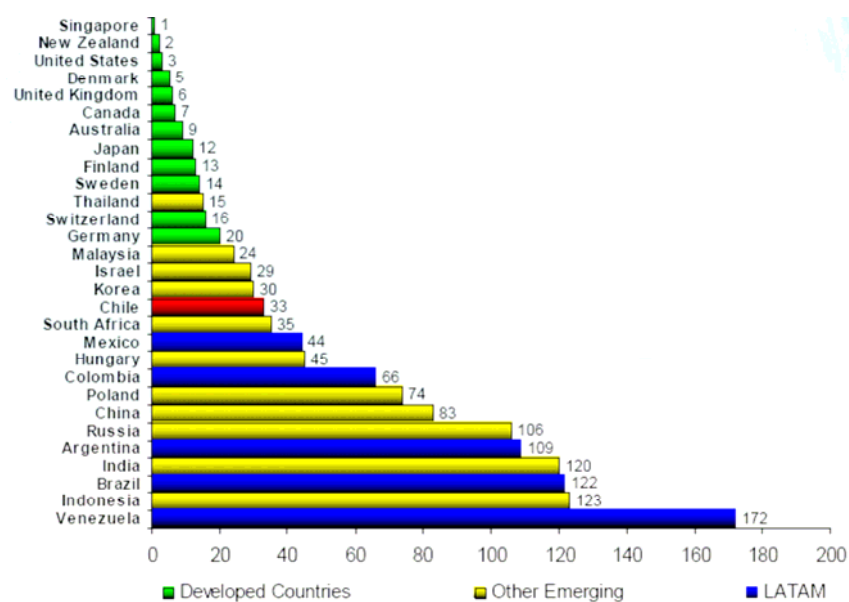
Source: Economist Intelligence Unit

Table A.2.4. Main origin of imports: 2007
(percentage)

USA	17.2
China	11.5
Brazil	10.4
Argentina	10.0

Source: National Customs Service

Graph A.2.5. Ease of doing business



Andrés Velasco, Chile's Journey to Development, January 2008
Source: World Bank

3. DEMOGRAPHY

Table A.3.1. Main demographic indicators: 2000 - 2005

	2000 - 2005
Life expectancy at birth (years)	77.4
Gross mortality rate (per 1'000)	5.1
Infant mortality (per 1'000)	8.0

Source: UNCTAD, National Institute of Statistics

Table A.3.2. Distribution of the Chilean population by age: 2003

age	percentage
0-4	9.2
5-9	9.2
10-14	9.2
15-19	8.6
20-29	15.4
30-39	15.3
40-49	13.3
50-59	9.1
60-69	5.9
70-79	3.5
80+	1.4

Source: National Institute of Statistics

4. HEALTH INSURANCE

Table A.4.1. Number of persons covered by private health insurance: 2005 - 2007

	2005	2006	2007
Number of paying affiliates	1'236'583	1'286'165	1'354'517
Number of additional (non-paying affiliates/ family members)	1'444'421	1'398'389	1'417'544
Total number of persons covered	2'681'004	2'684'554	2'772'061

Source: Health Sector regulator (Superintendencia de salud)

5. EDUCATION

Table A.5.1. Number of students matriculated at Chilean education establishments

Type of establishment	2003	2006
Universities	403'370	478'083
Universities of Council of Rectors	246'750	262'159
Private Universities	156'620	215'924
Professional Institutes	101'674	71'023
Technical Training Centre	62'070	66'299
Total	567'114	615'405

Source: Ministry of Education

6. ANNEX - SELECTED WEBSITE ADDRESSES

Useful Chilean Government Addresses

General Information

The Government of Chile: www.chileangovernment.cl
Department for Foreigners and Migration: www.extranjeria.gob.cl
Department of Industrial Property: www.dpi.cl
Ministry of Foreign Relations: www.direcon.cl
Ministry of the Interior: www.interior.cl
National Institute of Statistics: www.ine.cl
National Institute of Normalization: www.inn.cl
Planning and Cooperation Ministry: www.mideplan.cl

Economy

Agriculture and Livestock Service (SAG): www.sag.cl
Central Bank of Chile: www.bcentral.cl
Chilean National Customs Service: www.aduana.cl
Chilean Procurement Agency: www.chilecompra.cl
Chile Foreign Investment Committee: www.cinver.cl or www.foreigninvestment.cl
Chilean export promotion: www.prochile.cl and www.chileinfo.com
Chilean investment promotion: www.corfo.cl and www.todochileinversiones.cl
Finance Ministry: www.hacienda.cl
Internal Tax Service: www.sii.cl
Ministry of Economy and Energy: www.economia.cl or www.minecon.cl

Health and social security

Association of ISAPRES - private health insurers: www.isapre.cl
Chilean Pension Fund Administrators Association: www.afp-ag.cl
Chilean Safety Association: www.achs.cl
Government Directorate for Workplace: www.dt.gob.cl
Health Service of the Metropolitan Region of Santiago (SESMA): www.seremisaludrm.cl
Institute of Public Health: www.ispch.cl
Institute of Previsional Health: www.isapre.cl
Ministry of Health: www.minsal.cl
Ministry of Work: www.mintrab.gob.cl
National Fund of Health: www.fonasa.cl
National Provisions Centre: www.cenabast.cl
Superintendence of health: www.superintendenciadesalud.cl
Superintendence of Social Security: www.suseso.cl
Superintendence of AFP: www.safp.cl

Chambers of Commerce and Industry

Association of Exporters of Manufactured goods: www.asexma.cl
Association of Exporters: www.asoex.cl
Chilean-Swiss Chamber of Commerce: www.swisschile.cl
Chilean-German Chamber of Industry and Commerce: www.camchal.com
Confederation of Production and Commerce: www.cpc.cl
Chamber of Commerce of Santiago: www.ccs.cl
Federation of Chilean Industry: www.sofofa.cl
National Agriculture Society: www.sna.cl

Associations of sectors of specific Swiss and Chilean interest

Agro industry and non-fruit agriculture

Association of Chilean Vineyards: www.vinasdechile.cl

Association of Chilean Poultry Producers: www.apa.cl

Association of Pork Producers: www.asprocer.cl

Federation of Milk Producers: www.fedeleche.cl

National Agriculture Society: www.sna.cl

Wines of Chile: www.winesofchile.org

Association for accountants

Portal del Colegio de Contadores de Chile: www.contach.cl

Association of law firms in Chile

Chambers and Partners: www.chambersandpartners.com

Portal del Colegio de Abogados de Chile S.A.: www.colegioabogados.cl

Banking

Association of Banks and Financial Institutions: www.abif.cl

Superintendence of Banks and Financial Institutions: www.sbif.cl

Chemicals

Association of Chilean Chemical Companies: www.asiquim.cl

Education

Council of Rectors: www.cruch.cl

Higher Education Council: www.cse.cl

Ministry of Education: www.mineduc.cl

Ministry of Education– Higher Education portal: www.educacionsuperiorchile.cl

National Council of Private Education Institutions: www.conifos.cl

Energy saving

Association of Companies and Professionals for the Environment: www.aepa.cl

Clean Production site of Foundation Chile: www.cnpl.cl

Chilean Government's National Energy Commission: www.cne.cl

National Council for Clean Production: www.pl.cl

National Environment Commission: www.conama.cl

Ministry of Housing: www.minvu.cl

System for Environmental Evaluation online: www.e-seia.cl

Fish and seafood

Government Under-Secretariat for Fisheries: www.subpesca.cl

National Fisheries Service: www.sernapesca.cl

National Fishing Society: www.sonapesca.cl

The Association of the Salmon Industry: www.salmonchile.cl

Forestry and Paper

Chilean Wood Corporation: www.corma.cl

Government National Forestry Commission: www.conaf.cl

Fruit

Chilean Fresh Fruit Association: www.cffa.org

Chilean Avocado Committee: www.paltahass.cl

Federation of Fruit Producers of Chile: www.fedefruta.cl

Ministry of Agriculture: www.minagri.gob.cl

Office of Agricultural Studies and Policies of the Ministry of Agriculture: www.odepa.gob.cl

Instruments and measuring devices

Association of the Electrical and Electronic Industry: www.aie.cl

Machinery

Association of the Graphical Industry: www.asimpres.cl

Association of the Plastics Industry: www.asipla.cl

Association of the Metal and Metal-mechanical Industries: www.asimet.cl

Chilean Chamber of the Construction Industry: www.cchc.cl

Center for Packaging: www.cenem.cl

Mining

Chilean Copper Commission: www.cochilco.cl

Codelco, State-owned copper company: www.codelco.cl

Mining Council: www.consejominero.cl

Ministry of Mining: www.minmineria.cl

National Mining Association: www.sonami.cl

Pharmaceuticals

Chamber of the Pharmaceutical Industry⁸²: www.cifchile.cl

Industrial Association of Chilean Pharmaceutical laboratories⁸³: www.asilfa.cl

Institute of Public Health⁸⁴: www.ispch.cl

Retail and supermarkets

Association of Supermarkets: www.asach.com

Securities and Insurance

Superintendencia valores y seguros: www.svs.cl

Tourism

Association of Hoteliers: www.hoteleros.cl

National Tourism Board: www.sernatur.cl

National Forestry Commission: www.conaf.cl

National Chamber of Commerce, Tourism and Services: www.cnc.cl

Tourism Promotion Corporation: www.visitichile.org

World Travel and Tourism Council report 2007 on Chile:

www.wttc.travel/bin/pdf/original_pdf_file/chile.pdf

Transport and infrastructure

Ministry of Public Works Transport and Telecommunications: www.moptt.cl

National Road Administration's Directorate: www.vialidad.cl

Plan Transantiago: www.transantiagoinforma.cl

⁸² Represents major investigating international laboratories.

⁸³ Represents Chilean laboratories.

⁸⁴ For drugs registration.

Public tenders at State Railway Company: www.licitaciones-efe.cl
Public Works Concessions Unit: www.concesioneschile.cl
State Railway Company: www.efe.cl
Santiago Metro: www.metroantiago.cl

Useful Swiss addresses

Swiss Embassy in Chile: www.eda.admin.ch/eda/es/home/reps/sameri/vchl/embsdc.html
State Secretariat for Economic Affairs: www.seco.admin.ch
OSEC Business Network Switzerland: www.osec.ch
Latin American Chamber of Commerce in Switzerland: www.latcam.ch
Swiss Export Risk Insurance: www.serv-ch.com/de/index.html
Swiss Investment Risk Guarantee: www.swiss-irg.com
Task Force KMU: www.kmuinfo.ch
Swiss Agency for Development Cooperation: www.deza.ch
Federal Office for Migration: www.swissemigration.ch

The FTA EFTA-Chile

Information on EFTA: www.efta.int
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