Chile Market Briefing: Business Overview and Best Prospects

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Senior Commercial Officer
Why do business in Chile?

- Trade Agreements – 60
- Steady, positive growth
- Prudent fiscal policies
- Stable democratic government
- Solid business practices
- Rule of law
- Low corruption
Chile: Bigger Than Meets the Eye

- Chile’s mining and agricultural export industries generate large demand for imports
- Chile’s GDP and population: 1 tenth the size of Brazil but one third the US exports
- Chilean companies are regional companies: Cencosud (retail), Arauco (forestry), Detroit Chile (shipbuilding), Falabella (retail), Sonda (ICT), Corpbanca (banking), Salfa Corp (construction)
- Chile is the largest Latin American investor in Brazil
- Two of the three largest retailers in Latin America are Chilean
Chile’s Competitive Advantages

- **Most competitive economy in Latin America**: WEF Global Competitive Index 2013


- **Fertile ground for business**: Chile set up 67,000 new companies in 2012, a 14% increase from 2011; a company can be established in one day, at zero cost and online.
Chile: Leader in Free Trade Agreements

**FTAs:**

<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
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<tbody>
<tr>
<td>Canada</td>
<td>1997</td>
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<td>Mexico</td>
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<td>Central America</td>
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<td>European Union</td>
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<td>South Korea</td>
<td>2004</td>
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<tr>
<td>United States</td>
<td>2004</td>
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<td>Trans-Pac. Partnership</td>
<td>2005</td>
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<td>China</td>
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<td>Japan</td>
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<td>Colombia</td>
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<td>Australia</td>
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<td>Peru</td>
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**CEAs:**

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<th>Country</th>
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<td>Bolivia</td>
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<td>Venezuela</td>
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<td>Ecuador</td>
<td>1995</td>
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<td>Mercosur</td>
<td>1996</td>
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<tr>
<td>India</td>
<td>2006</td>
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*Trans-Pacific Partnership = New Zealand, Singapore, Brunei, U.S., Chile, Australia, Peru, Vietnam, Malaysia, Canada, Mexico*
U.S. Companies Invest in Chile

- Wal-Mart
- Aramark – 5,000 employees in Chile
- AES Corp/Gener – 2nd largest electricity generator
- Sempra Energy - Chilquinta
- Freeport-McMoRan Copper & Gold
- MetLife acquires Interamericana de Seguros
- Air Products acquires Indura

- Investments like these and others tend to inspire even more confidence in the Chilean economy
U.S. – Chile Free Trade Agreement

- 99% + of bilateral trade in goods duty-free
- 95% + of U.S. farm goods duty-free
- Stronger protection of intellectual property rights (IPR)
- Open and fair government procurement (www.chilecompra.cl)
- Phases out all tariffs by 2016
- Bilateral trade has increased 400%
- Average tariff for all imported goods from all destinations is 1%. Maximum tariff is 6%.
U.S. Chile Trade in Merchandise/Goods
(In US$ Billion)

U.S. Department of Commerce, Bureau of the Census (www.census.gov)
# Main U.S. Exports to Chile

<table>
<thead>
<tr>
<th>NAICS</th>
<th>US$ billion</th>
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<tbody>
<tr>
<td></td>
<td>2009</td>
</tr>
<tr>
<td>Total Exports (US $billion):</td>
<td>9.3</td>
</tr>
<tr>
<td>324- Petroleum &amp; coal products</td>
<td>1.7</td>
</tr>
<tr>
<td>333- Machinery, except electric</td>
<td>1.7</td>
</tr>
<tr>
<td>336- Transportation equipment</td>
<td>1.6</td>
</tr>
<tr>
<td>334- Computer &amp; electronic products</td>
<td>1.1</td>
</tr>
<tr>
<td>325- Chemicals</td>
<td>1.0</td>
</tr>
</tbody>
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Source: TradeStat Express
Best Prospects for U.S. Exports

Water Resources Equipment

• Chile faces a huge water shortage, especially in the northern region, to satisfy needs from mining operations, agricultural sector and population.
• Between 2012 and 2014, investments are estimated at US$ 20 billion.
• Best Prospects:
  • Design/construction of desalinization plants, wastewater and water treatment plants. Preventive maintenance techniques such as vibration, laser alignment, oil dialysis and others.
  • Reutilization of wastewater for agricultural irrigation.
• Best marketing strategy:
  • Individual use of programs offered by the Commercial Service
  • IBP - WEFTEC 2013, Chicago, Illinois, October 5-9, 2013
  • Local Trade Show: Aguatech, October 16-18, 2013
    It is held in Santiago, Chile every two years.
Best Prospects for U.S. Exports

Agricultural Machinery & Equipment

- Total Imports (USD millions): 635
- Imports from the U.S. (USD millions): 126
- Rising energy and labor costs means agriculture production needs to increase efficiency, and use mechanized harvesting, precision irrigation, and natural fertilizers and pesticides
- Best subsectors include:
  - Irrigation equipment
  - Precision agriculture equipment
  - Fresh fruit harvesting equipment
- For additional information please contact: Mary.Lathrop@trade.gov
Best Prospects for U.S. Exports

Construction Machinery and Equipment

• Total Imports (USD millions): 1,000
• Imports from the U.S. (USD millions): 459
• The U.S. is the largest supplier of machinery for Chilean construction industry (36.8% market share); #2 Germany (15.9% market share.)
• 2012 sectorial growth of 11%, one of the fastest growing sectors.
• Industry subsectors: large mining projects, infrastructure, private and public housing.
• Chile ranks 12 in the world in LEED certification
• Sectorial information: www.cchc.cl Chilean Chamber of Construction.
• For additional information contact: Mary.Lathrop@trade.gov
Best Prospects for U.S. Exports

Energy / Electric Power Equipment

• Total Imports (USD millions): 1,200
• Imports from the U.S. (USD millions): 180
• Energy demand growing: Current installed capacity is 18,600 MW and 8,000 MW needed in the next decade.
• Generation, transmission and distribution managed by private companies both foreign and Chilean
• 66% of the energy matrix derived from thermal; 32% hydro; 2% renewables – opportunities in all areas conventional and renewable.
• Environmental permits and permits to obtain concessions for the use of state owned land are numerous and time consuming.
• Trade Show: Power Gen, Orlando, November 2013 (www.power-gen.com)
Best Prospects for U.S. Exports

Food Processing and Packaging

• Total Imports (USD millions):  78
• Imports from the U.S. (USD millions): 13
• Chile is 15th largest world food supplier. Will be among top ten countries in 2015 with USD 16 billion in annual exports.
• Main production and exports include fish and seafood (catch/aquaculture), wine, fresh fruit, dairy and meat products.
• Chile’s Mediterranean climate and favorable geography allows for a wide variety production. The country is free of most phyto-sanitary diseases and pests due to strict and enforced regulations.
• Trade show: Fullplast 2013 (www.fullplast.cl) , July 24-26, 2013
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Best Prospects for U.S. Exports

Healthcare

- Public sector = 26,300 beds, private sector = 15,000 beds. 75% of the population is under the public healthcare insurance system.
- Private sector – World class private hospitals and health care facilities – Joint Commission accreditation.
- Pharmaceuticals, mandatory registration at the Institute of Public Health. Medical eq. and devices do not need registration except for gloves, needles and syringes.
- Medical devices in demand: ventilators, infusion pumps, aspiration pumps, central monitors, trauma equipment, surgical tables, ECG monitors, hospital beds.
Best Prospects for U.S. Exports

Mining Equipment

- Total imports: USD 4.2 billion
- Imports from the U.S.: USD 1.8 billion
- Chile produces 34% of copper sold in the world
- USD 80 billion in new investment over next 10 years
- Best Prospects: Mining equipment that requires regular replacement (i.e. Grinders, Off-road trucks (240-440), underground mining technology services, engineering services.
- Cooperative Agreement with Asociación de Industriales de Antofagasta (AIA) to support U.S. companies in Chile’s northern mining district
- Local trade shows: Expomin, April 2014, www.expomin.cl
Best Prospects for U.S. Exports

Safety and Security

• 14% projected growth in 2013
• Market potential: security equipment for residential, commercial, industrial compounds, firefighting equipment and tools, and safety devices for the mining, industrial/chemical industries.
• Specific products in demand: access control, parking systems, fire detectors, sprinkler systems, extrication equipment, firefighting suits, alarms and monitoring, CCTV, outdoor perimeter protection, locks, safes, sensors, and general safety gear.
Best Prospects for U.S. Exports

Telecommunications

• Chile's telecom sector grows an average of 15% percent annually.
• The wireless communications market is the fastest growing subsector.
• Chile leads cellular penetration in Latin America with 125 percent at the end 2013. Current pilot projects in 4G.
• Best Prospects:
  • Equipment and technology to support broadband Internet, corporate data communications, IP related services, and wireless applications.
  • Equipment and technology to support upgrade of national communications network to respond to disaster/emergencies.
• Best Marketing Strategy:
  • Use individual programs offered by the Commercial Service.
  • Mobile World Congress (MWC) February 2014 - Barcelona, Spain
  • IBP: CTIA May 2014 (Wireless Communications Association.)
Contact us today
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U.S. Embassy – Santiago, Chile
U.S. Department of Commerce
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