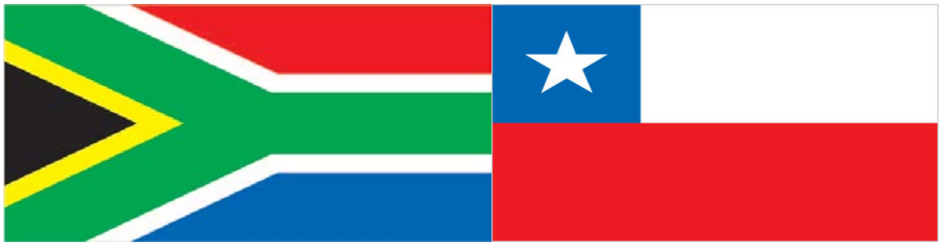

2016

Joint Study to Enhance Trade and Economic Relations between South Africa and Chile

The Department of Trade and Industry (the dti),
South Africa
Directorate for International Economic Relations
(DIRECON), Chile

ACKNOWLEDGEMENTS

This paper was commissioned by the Department of Trade and Industry (**the dti**) on behalf of the Government of the Republic of South Africa and the General Directorate for International Economic Relations (DIRECON) on behalf of the Government of the Republic of Chile.

the dti would like to express appreciation to **the dti** Project Steering Committee for the development of this paper. In particular:

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Furthermore, great appreciation to officials for support from:

- **the dti internal stakeholders**: ITED-Trade in Services, ITED-Trade Rules, Trade and Promotion South Africa, INVESTSA, and IDD;
- Department of Agriculture, Forestry, and Fisheries (Food Import and Export Standards Directorate and International Trade Directorate);
- Department of International Relations and Cooperation (Directorate: Argentina, Chile, Paraguay, Uruguay);
- Embassy of South Africa in Chile.

DIRECON would like to express appreciation to **DIRECON** Project Steering Committee for the development of this paper. In particular:

- Bilateral Economic Affairs: Mr. Pablo Urria, Mr. Alex Wetzig, Ms Carla Henriquez, Ms. Constanza Alegría, and Mr. José Miguel Sepúlveda.

- Studies Department: Mr. Alejandro Gutiérrez, Ms. Marcela González; Ms. Vanessa Maynou, Mr. Cristóbal Tabilo and Mr. Hernán Gutiérrez.

Furthermore, great appreciation to officials for support from:

- Embassy of Chile in South Africa

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Terms/Acronyms/Abbreviations	Definition/Explanation
ACHIPIA (Spanish acronym)	Chilean Food Quality and Safety Agency
AGOA	Africa Growth and Opportunity Act
APEC	Asia-Pacific Economic Cooperation
B-BBEE	Broad-Based Black Economic Empowerment
BITS	Bilateral Investment Treaties
BRICS	Brazil, Russia, India, China and South Africa
BRP	Biological Reference Points
CCAEC	Canada-Chile Agreement on Environmental Cooperation
CChRGM (Spanish acronym)	Chilean Microbian Genetic Resources
CEF (Spanish acronym)	Financial Stability Council
CET	Common External Tariff
CIPC	Companies and Intellectual Property Commission
CITES	Convention on International Trade in Endangered Species
CMS	Conservation and Management of Sharks
COCHILCO (Spanish acronym)	Chilean Copper Commission
COMESA	Common Market for Eastern and Southern Africa
CONAMA (Spanish acronym)	National Environmental Commission
COPANT (Spanish acronym)	Pan-American Standards Commission
CORFO (Spanish acronym)	Chilean Economic Development Agency
COSATU	Congress of South African Trade Unions
CPI	Consumer Price Index
CSIR	Council for Scientific and Industrial Research
DAFF	Department of Agriculture, Forestry and Fisheries
DDA	Doha Development Agenda
DIRECON (Spanish acronym)	Directorate for International Economic Relations
DL	Decree Law
EAC	East African Community
ECA-P4	Agreement on Environmental Cooperation
ECLAC	Economic Commission for Latin America and the Caribbean
EEIP	Equity Equivalent Investment Programme
EFTA	European Free Trade Association
EIA	Environmental Impact Assessments
EMBI	Emerging Market Bond Index
EU	European Union
FDI	Foreign Direct Investment
FEDUSA	Federation of Trade Unions of South Africa
FICE (Spanish acronym) /FCIF	Foreign Capital Investment Funds
FICER (Spanish acronym)	Foreign Investment Venture Capital Funds
FICE (Spanish acronym)/FICF	Foreign Capital Investment Funds

FNE (Spanish acronym)	National Economic Prosecutor's Office
FOB	Free On Board
FSB	Financial Services Board
FTA	Free Trade agreement
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GSP	Generalised System of Preferences
HS	Harmonized System
IAAC	Inter-American Accreditation Cooperation
ICN	International Competition Network
IDZ	Industrial Development Zones
IEC	International Electrotechnical Commission
IK	Indigenous Knowledge
ILO	International Labour Organization
IMC	Inter-Ministerial Committee
INAPI (Spanish acronym)	Industrial Property Office
INN (Spanish acronym)	National Standardization Institute
INVESTSA	Investment South Africa
IPEA	International Preliminary Examination Authority
IPPC	International Plant Protection Convention
IPR	Intellectual Property Rights
ISA	International Searching Authority
ISO	International Standardization Organization
ISP (Spanish acronym)	Public Health Institute
ITAC	International Trade Administration Commission
ITC	Information and Communications Technology
ITED	International Trade and Economic Development
ITUC	International Trade Union Confederation
IUU	Illegal Unreported and Unregulated
JCM	Joint Consultative Mechanism
JTIC	Joint Trade and Investment Commission
LGB (Spanish acronym)	General Law on Banks
MEFT (Spanish acronym)	Ministry of the Economy, Development and Tourism
MERCOSUR (Spanish acronym)	Mercado Común del Sur
MFN	Most Favoured Nation
MLA	Multilateral Recognition Agreements
MoU	Memorandum of Understanding
MPC	Monetary Policy Committee
MPR	Monetary Policy Review
MRA	Mutual Recognition Agreements
MSY	Maximum Sustainable Yield
MVNO (Spanish acronym)	Mobile Virtual Network Operators

NaCTU	National Council of Trade Unions
NDP	National Development Plan
NEDLAC	National Economic Development and Labour Council
NEMA	National Environmental Management Act
NEMAQA	National Environmental Management: Air Quality Act
NEMBA	National Environmental Management: Biodiversity Act
NEMPA	National Environmental Management: Protected Act
NEMWA	National Environmental Management: Waste Act
NGP	New Growth Plan
NRCS	National Regulator for Compulsory Specifications
NT	National Treasury
NWA	National Water Act
ODEPA (Spanish acronym)	Office for Agricultural Research and Policy Development
OECD	Organisation for Economic Co-operation and Development
OIE	World Organization for Animal Health
P4	Trans-Pacific Strategic Economic Partnership
PCT	Patent Cooperation Treaty
PFMA	Public Finance Management Act
PTA	Preferential Trade Agreement
PV	Photovoltaic
RNM (Spanish acronym)	National Metrology Network
RTA	Regional Trade Agreements
S&P	Standard and Poors
SACU	Southern Africa Customs Union
SADC	Southern African Development Community
SAG (Spanish acronym)	Agriculture and Livestock Service
SARB	South African Reserve Bank
SARS	South African Revenue Services
SBIF (Spanish acronym)	Superintendence of Banks and Financial Institutions
SEC (Spanish acronym)	Electricity and Fuels Supervisory Authority
SEGPRES (Spanish acronym)	Secretariat General of the President's Office
SEIA (Spanish acronym)	Environmental Impact Assessment System
SENCE (Spanish acronym)	National Training and Employment Service
SERNAC (Spanish acronym)	National Consumer Service
SERNAPESCA (Spanish acronym)	National Fisheries Service
SEZ’s	Special Economic Zones
SI	International System of Units
SISS (Spanish acronym)	Supervisory Authority for Sanitary Services
SME	Small and Medium-Sized Enterprise
SMME	Small, Medium and Micro Enterprise
SPS	Sanitary and Phytosanitary
Stats SA	Statistics South Africa
SUBPESCA (Spanish acronym)	Undersecretariat of Fisheries

SVS (Spanish acronym)	Insurance Supervisory Authority
TBT	Technical Barriers to Trade
TDCA	Trade, Development and Cooperation Agreement
TDLC (Spanish acronym)	Competition Tribunal
TEBP	Temporary Entry of Business Persons
TESA	Trade and Investment South Africa
the dti	Department of Trade and Industry
TIDCA	Trade, Investment and Development Cooperation Agreement
TIFA	Trade and Investment Framework Agreement
TiSA	Trade in Services Agreement
TLT	Trademarks Law Treaty
TPSF	Trade Policy and Strategy Framework
TRIPS	Trade Related Aspects of Intellectual Property Rights
UN	United Nations
UNASUR	Union of South American Nations
UNCTAD	United Nations Conference on Trade and Development
UNFCCC	United Nations Framework Convention on Climate Change
UPOV	Union for the Protection of New Varieties of Plants
USA/US	United States of America
VAT	Value Added Tax
WCT	WIPO Copyright Treaty
WEF	World Economic Forum's
WIPO	World Intellectual Property Organization
WPPT	WIPO Performances and Phonograms Treaty
WTO	World Trade Organization

EXECUTIVE SUMMARY

Preamble

In 2012, South Africa and Chile signed the Memorandum of Understanding (MoU) on The Establishment of a Joint Trade and Investment Commission (JTIC), whose main objective is to enhance dialogue on aspects of trade and regular commercial exchange; strengthening of bilateral economic relations;, promotion of investment and growth; facilitating the diversification of trade between the two countries; and identifying special areas of economic cooperation.

During the 1st JTIC meeting in November 2014, in Santiago, Chile, both countries agreed to a work plan focused on short term, medium term and long term objectives. In Short time, the parties agreed to participate in each other trade fairs and exhibition, as well as, exchange business delegations. For the medium term, the parties identified areas of interest for cooperation and enhancement of trade and investment including 20 products of export interest. For the long term objectives, South Africa and Chile agreed to conduct a Joint Study with the aim of exploring opportunities to enhance bilateral trade and investment relations. The competent authority responsible for the study on the South African side was the Department of Trade and Industry (**the dti**) and on the Chilean side, the General Directorate for International Economic Relations (DIRECON).

In order to promote sustainable trade and investment, the study provided an opportunity to exchange information on the policy framework and policy making process relating to trade, investment, financial markets, employment, and environment.

The study analyzed the trends in trade in goods and trade in services, both bilateral and also with the rest of the world. Whilst the current trade volumes are low, the potential to increase trade is higher as well as an opportunity to serve as each other's gateway into their respective regions. Similarly, the study also analyzed flows in investments. Whilst there is notable low investment in each other's economies, data on Foreign Direct Investment remains a challenge as it is not available. Despite limitation on data on trade in services, the study identified opportunity to enhance trade in services. Chile and South Africa agreed to expand the two-way trade in goods and services based on complementarities according to their respective national economic development strategies. The foreign direct investments (FDI) also remains low with a growing number South African companies investing in Chile in sectors such as hospitality, mining and mining related services. Chilean companies are also starting to invest in South Africa and also exploring opportunities in the rest of the continent.

To promote two-way investments, the two countries identified sectors of interest that have potential to promote production or industrial linkages:

- The following sectors with potential investment opportunities were identified:
  - i.) Oil and Gas
  - ii.) Ocean Economy
  - iii.) Renewable Energy
  - iv.) Biotechnology
  - v.) Nanomaterials
  - vi.) Mining
  - vii.) Audiovisual (Filmmaking and video game) services
  - viii.) Engineering (Construction and built environment)

- In addition, there is potential to develop linkages for investment into third markets in Africa and Latin America with an aim to improve participation of both Chile and South Africa in global value chains.

The recommendations of the Joint Study are as follows:

i.) In order to encourage cooperation, as a first step, work towards conclusion of MoUs in the following areas:
   - Customs procedures
   - Technical barriers to trade
   - Agricultural and Related Regulated Issues
   - Export promotion
   - Investment promotion

ii.) Conduct further studies to identify specific areas for cooperation in the following sectors:
   - mining;
   - agriculture;
   - aquaculture,
   - blue economy, and
   - green economy.

iii.) Continue efforts to determine the most appropriate institutional framework to develop the real potential of the bilateral economic and commercial relations that are sustainable in the long term.

1. INTRODUCTION

1.1 Background to the Study

South Africa and Chile agreed in November 2014 during the inaugural Joint Trade and Investment Commission (JTIC) to conduct a Joint Study with the aim of enhancing bilateral trade and investment relations. The terms of reference of the Joint Study were finalized through video conference in January 2015. The competent authority responsible for the study on the South African side was the Department of Trade and Industry (**the dti**) and on the Chilean side, the General Directorate for International Economic Relations (DIRECON). Both countries agreed that the draft report of the joint study would be completed by September 2015, with a view to present the recommendations of the joint study to the political authorities. It was envisaged that the final draft report would be discussed and finalized during the 2nd meeting of the JTIC.

South Africa and Chile continue to enjoy warm and cordial political relations that saw President Bachelet pay a state visit to her South African counterpart in August 2014. Both countries signed a Memorandum of Understanding (MoU) to establish a Joint Consultative Mechanism (JCM) in November 1998. The JCM serves as a formal body for high-level bilateral consultations on issues of mutual concern and common interest. The JCM is led at Deputy Minister Level. Topics addressed during consultations included consolidating relations between South Africa and Chile, and examining existing bilateral co-operations in various fields. The Memorandum of Understanding (MoU) on the Establishment of a Joint Trade and Investment Commission (JTIC) was signed in 2012. The commission is led at a senior official level and the report of the JTIC is tabled at the JCM meeting. The objectives of the JTIC are: incorporation and maintenance of a dialogue on aspects of trade and regular commercial exchange; strengthening of bilateral economic relations; promotion of investment and growth; facilitating the diversification of trade between the two countries; and identifying special areas of economic cooperation.

On a multilateral front, South Africa and Chile are active members of the World Trade Organization (WTO). Both countries consider regional integration and development as integral to growth and prosperity in Africa and Latin America. South Africa is one of the largest economies in Africa and is at the forefront in promoting development integration in the African continent. Chile is one of the most developed economies in the Latin America region and continues to forge partnerships to promote integration in Latin America.

In spite of the trade potential, the trading relationship between the two countries is still very limited and not reflective of strong and growing political relations. South Africa and Chile trade mostly in non-copper commodities and two-way bilateral trade amounted to approximately US$210 million in 2014. Chile currently ranks at 70 amongst South Africa´s export destinations. Similarly, South Africa ranked 44th as destination for Chilean exports in 2014. There is a need to find ways and means to grow the bilateral trade and investment relationship. There are significant trade similarities between the two countries. Chile, beyond its mining exports, supplies various agricultural, resource-based products and services whereas. South Africa supplies a variety of processed goods, as well as mining and agricultural products.

There is substantial scope and opportunities to strengthen the trade and investment relationship by identifying barriers to trade and investment in both economies and then finding ways to address those barriers. Therefore, the Joint Study provides an opportunity to jointly identify areas of export interest and sectors to attract investments in line with our respective economic development policies.

Therefore, through the development of a shared vision and actions in targeted cooperative areas the two countries would be able to deepen and broaden the economic relations. This study would ensure that the already strong political relations would be underpinned by robust economic relations.

1.2 Objectives and Outline of the Study

The objective of the study is to:

- Identify areas of cooperation, as well as, ways and means to enhance trade and investment relations;
- Serve as an information input for South Africa and Chile toward the formulation of joint collaborative work in the economic sphere; and
- Discuss and recommend mutually beneficial cooperative activity in areas such as industrial development, infrastructure development, and investment promotion, amongst others.

The Joint Trade Study will examine:

- Main characteristics of the Chilean and South African economy and institutional framework;
- Trade and Investment relations between South Africa and Chile;
- Analysis of enhancement of trade and investment between Chile and South Africa;
- Trade and Investment Policies; and including
- Opportunities for production linkages.

The joint study will focus specifically on the trade and investment relationship between South Africa and Chile by identifying sectors already performing strongly and highlight other sectors with growth potential. The joint study will also identify initiatives that have the potential to grow the trade and investment relationship, and assess their relative priority. This should lead to specific proposals on how to achieve agreed objectives of enhancing the trade and investment relations.

1.3 Environment for Strengthening the Trade Relationship

The global economic uncertainties and the recent economic growth slowdown in China and in the emerging economies continue to challenge policy makers in both South Africa and Chile. Both countries are members of the WTO which confirmed the vital importance of resisting protectionist pressures that some WTO members implemented in response to the recent global economic crisis. An open trading system and further reform – whether multilateral or bilateral – will be important to the long-term growth prospects for both Chile and South Africa.

For many of the economies of Africa and Latin America, which have strong interest in an open, rules-based international trading system, the slow progress of the WTO Doha Round negotiations has been disappointing. Both South Africa and Chile seek, as the highest priority of trade policy, a successful and substantial outcome from the Doha Round and have worked actively in the WTO, and other international and regional fora. A substantial Doha Round outcome would not only lay the basis for a stronger world economy in the medium and longer term, but would also have an immediate impact on global economic confidence.

South Africa and Chile note that a number of WTO members are concluding regional trade agreements (RTAs) that complement WTO disciplines. The spread of RTAs is underpinned by a variety of factors, including: a desire to improve market access, to build global networking and/or maintain economic competitiveness as other countries negotiate FTAs, as well as limited progress at the WTO. South Africa has used RTAs to foster regional integration in the African continent. Stronger trade and economic ties between Chile and South Africa would set a positive example for South-South Cooperation.

A South Africa-Chile deepened economic relationship based on complementarity could add high value to the growth and development of the respective economies. The Joint Study will provide understanding on: trade and investment agreements; import and customs procedures; competition policy and strengthening economic cooperation in a wide range of areas such as science and technology, small and medium enterprises, education, tourism and logistics to name a few.

2. MAIN CHARACTERISTICS OF THE CHILEAN & SOUTH AFRICAN ECONOMY AND INSTITUTIONAL FRAMEWORK

2.1 Chile

2.1.1 Macroeconomic Features

A sustained economic growth in a context of economic liberalization, with improvements in poverty reduction and social development, has been the most distinctive characteristics of the Chilean economy. Since 1990, there has been growth-oriented economic and social policies that have been geared towards increasing human capital investment. The development strategy rests on the foreign trade sector as a key driver of growth and this has been recently emphasized by the Minister of Finance[1]. Chilean GDP had an average growth rate of 5% between 1990 and 2014. Poverty has been reduced from 38.3% in 1990 to 7.8% in 2013[2].

Trade policy has followed a pragmatic and flexible approach, advancing simultaneously with the unilateral, bilateral, multilateral, and regional (or “pluri-lateral”) approaches in international trade liberalization. This pragmatic approach relates also to a flexible position in negotiations, with a focus to agree on Preferential Trade Agreements, resulting in agreements in different stages (goods, services, investments) and including last generation subjects or disciplines such as cooperation, labor and environment, gender issues, and other subjects of the new world trade order.

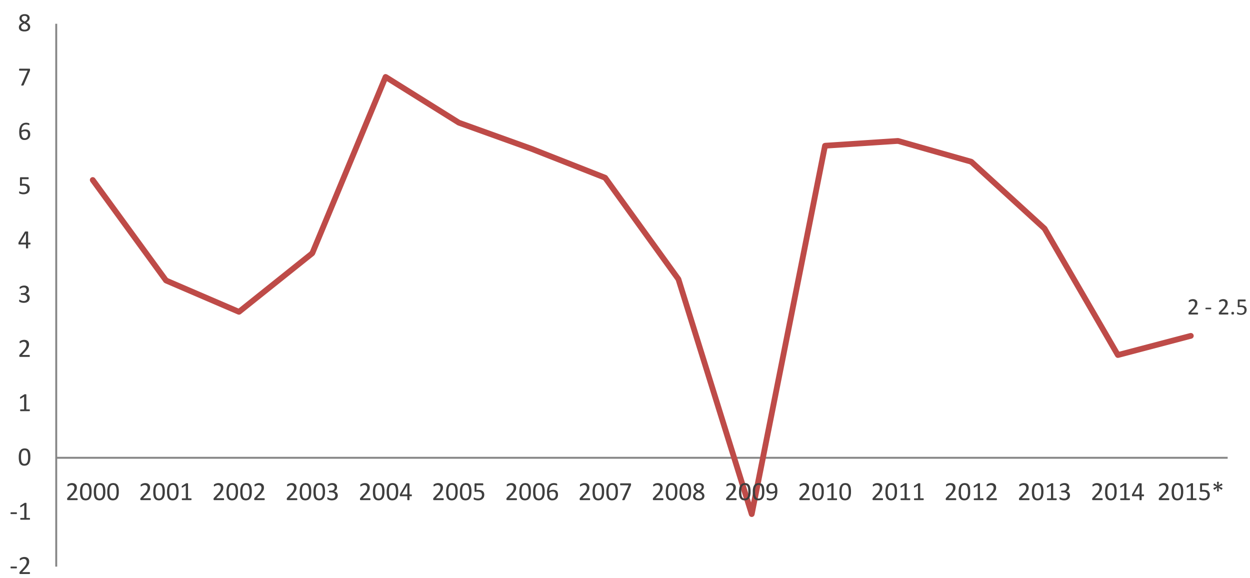
In the last fifteen years, Chile’s GDP has expanded at an average annual rate of 4%, higher than the Latin America and world average. After the global economic financial crisis in 2009, Chile managed to recover rapidly, due to higher copper prices, a sound financial system, and its prudent economic policy management that resulted in a fiscal surplus and a low borrowing cost. Recently the economy began to show signs of slackening towards the end of 2013. The economic slowdown deepened in 2014, with growth standing at 1.9%. The slowdown in activity was largely due to the deterioration in external conditions. The end of the cycle of high prices for primary goods, chiefly copper, lowered the terms of trade and curbed investment. This followed the announcement of the first stage of withdrawal of the monetary stimulus in the United States, which pushed up long-term interest rates

[1] See website of the Chilean Ministry of Finance, www.hacienda.cl
[2] ECLAC figures for poverty.

worldwide, increasing the cost of external financing and resulting in a reversal of capital flows from the emerging economies. Even in this context, Chile has been able to continually improve its credit rating, as is described in the following paragraphs.

By 2015, the projected growth rate of the economy ranges between 2% and 2.5%[3], higher than 2014 and greater than the performance forecasted for Latin America and the Caribbean, which is estimated at 0.5%. This expansion has essentially been due to higher investment, consumption, and external sector dynamism. During 2014, Chile's GDP was US$258 billion, with a population of near 18 million. Its growth history over the last decades has implied that it currently leads in GDP per capita in Latin America (at purchasing power parity) that stands at US$22,971.

Figure 1: GDP, Annual Growth, 2000 – 2015 (Percentages)



Source: Studies Department, DIRECON, based on Central Bank of Chile.
* Range forecast based on the Monetary Policy Report, Central Bank of Chile, September 2015.

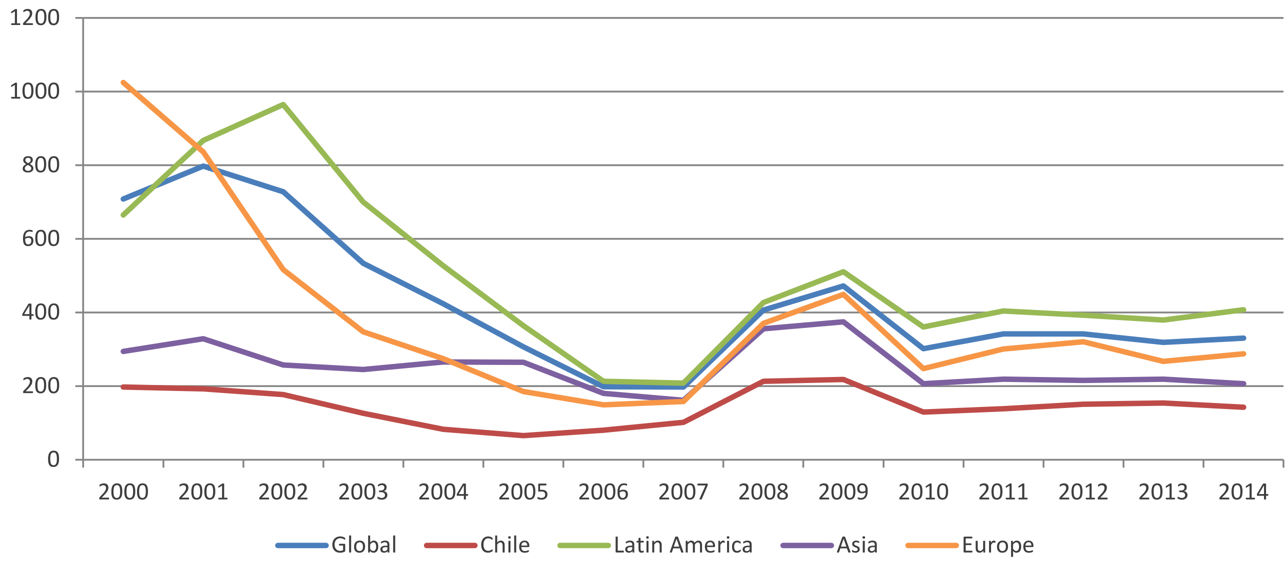
Chile's macroeconomic policy rests on three fundamental pillars: a monetary policy geared to achieving inflation targets; exchange rate flexibility; and a prudent tax policy design, based on the structural balance rule. The Central Bank of Chile aims to maintain an inflation rate target of 3%, allowing movement in the range of between 2% and 4%. Indeed, the annual inflation rate was precisely 3.0% in 2013 and it peaked to 4.6% in 2014. Together with its strong institutional framework, outward-looking trade regime and robust financial system, this policy framework has allowed Chile's economy to adjust sustainably to new external conditions. Moreover, this has occurred against a background of change on the world scene caused by the end to the cycle of high prices for primary goods and the normalization of monetary conditions in the United States.

Chile is recognized by international risk rating agencies, with an AA- rating by Standard and Poors (S&P), similar to countries such as Japan and China. At the same time, it has a low sovereign risk among Latin America countries and it is compared favorably to Asia and Europe. In fact, Chilean Emerging Market Bond Index (EMBI) reached 142.6 in 2014, while it was 407 for Latin America, 206.3

[3] Range forecast for GDP growth are of the Monetary Policy Report, Chilean Central Bank, September 2015.

for Asia and 287.1 for Europe.

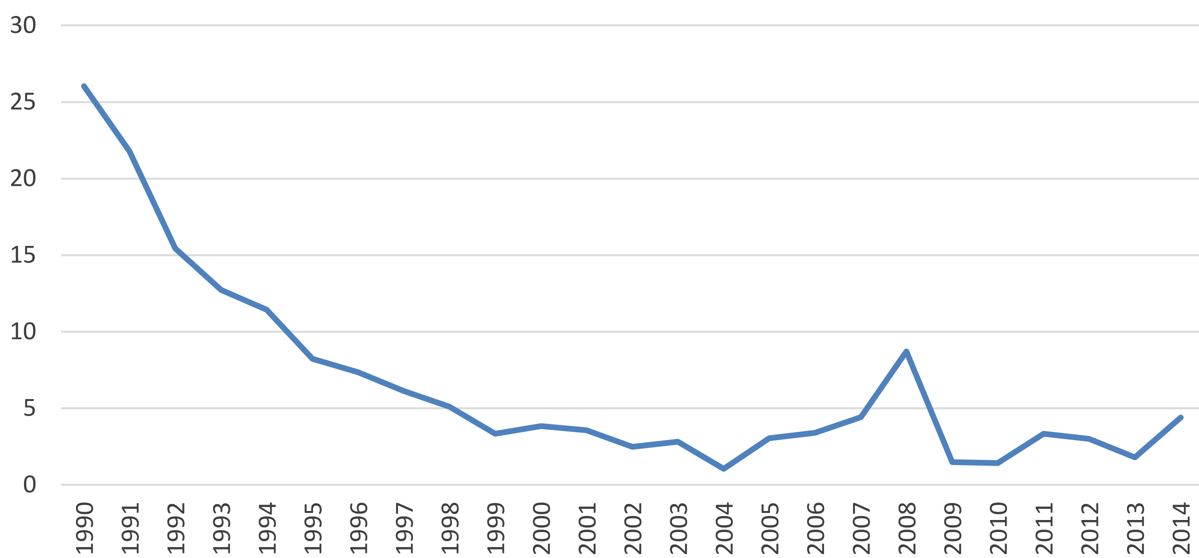
Figure 2: EMBI Global Spread, Average, 2000 - 2014 (basis points)



Source: Studies Department, DIRECON, based on Central Bank of Chile.

Chile´s prudent macroeconomic management based on rules has implied sound fiscal and inflation accounts, with results in limited fiscal deficit, low levels of gross public debt and inflation (near 3% in recent years). At the same time, the economy has been able to create more employment, with unemployment rates averaging 6.2% in past three years.

Figure 3: Inflation tare, Consumer Price Index, 1990 - 2014 (Percentages)



Source: Studies Department, DIRECON, based on Central Bank of Chile.

The country leads the region in terms of indicators measuring competitiveness, such as the ease for doing business, and the World Bank recently placed Chile as 41st in the world ranking out of a total 189 economies and the World Economic Forum's competitiveness report ranks Chile 33rd globally. In terms of economic freedom the country ranks 7th at a global level[4]. Santiago has been reputed as an alternative to Silicon Valley, according to several analysts[5].

A driving force behind economic growth has been the export sector. In recent decades, Chile's exports on average have grown above the world rate, with growth rates above GDP, exports multiplied by more than eight between 1990 and 2014. For example, the value of Chilean shipments has grown at an average annual rate of 12% since 2003, whereas in 1990 Chilean exports represented 0.26% of the world total and currently stand at 0.41%.

As a result of the liberalization process, inward and outward foreign direct investment has exhibited significant growth. In the period 1974 – 2014 inward foreign direct investment totaled US$112 billion[6]. This figure compares favorably with the US$8.6 billion of FDI recorded in the period 1974 – 1989. With increasing flows during the last 15 years, outward Chilean FDI totaled approximately US$100 billion during the period 1990 – 2014.

The competitive level reached by Chilean firms is reflected in their outward FDI, in the Services Sector (including retail trade; computing services; real estate; construction; air and maritime transport), in efficient use of Natural Resources (generation, transmission and distribution of electricity; energy; mining; forestry) and in generating Industrial Value Added goods (manufacturing; metallurgy; pulp and paper; chemicals and pharmaceuticals).

Consequently, in the period 1990 – 2014 the stock of outward FDI has been mainly oriented to Services (45.6%), Industry (26.3%) and Energy (18.6%), with less participation in Mining (6.7%), and Agricultural and Forestry (2.6%). With regard to Services, Chilean investments abroad are distributed in Wholesale and Retail Trade (35.5%), Transport, Storage and Communications (30.2%), Finance (13.5%), Real Estate (9.0%), and Construction (6.6%).

2.1.2 Trade Policy Regime: Formulation and Implementation

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

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

The government is in permanent dialogue with the private sector in various forums, the most important being the Export Council, which was created in April 2003. It brings together representatives of the private and public sectors and its main objective is to make recommendations

[4] According to The Heritage Foundation.
[5] See www.entrepreneur.com/article/248534
[6] Includes investment through the Foreign Investment Statute (D.L. 600)

on export policy formulation. The Council has several working groups: on trade facilitation, international integration, support of exporters on promotion of exports, tourism and transport.

Chile: Main Trade Laws and Regulations

Table 1: Main Domestic Laws and Regulations Relation to foreign Trade, September 2015

Name or description	Date of entry into force
General legislation	
Law on the Importation of Goods	30.6.1986
Incorporation of WTO Agreements into domestic law	17.5.1995
Reduction of MFN tariffs	14.11.1998
Preferential trade agreements	
Free Trade Agreement between the Government of Canada and the Government of the Republic of Chile	05.07.1997
Free Trade Agreement between the Republic of Chile and the United Mexican States	31.07.1999
Free Trade Agreement between Chile and Central America . Addendum to the Free Trade Agreement between Chile and Central America (Chile – Costa Rica) . Addendum to the Free Trade Agreement between Chile and Central America (Chile – El Salvador) . Addendum to the Free Trade Agreement between Chile and Central America (Chile – Honduras) . Addendum to the Free Trade Agreement between Chile and Central America (Chile – Guatemala) . Addendum to the Free Trade Agreement between Chile and Central America (Chile – Nicaragua)	14.02.2002
Agreement Establishing an Association between the Republic of Chile and the European Community	01.02.2003
Chile- United States of America Free Trade Agreement	01.01.2004
Free Trade Agreement between the Republic of Chile and the Republic of Korea	01.04.2004
Free Trade Agreement between the Republic of Chile and the EFTA States	01.12.2004
Free Trade Agreement between the Republic of Chile and the People's Republic of China	01.10.2006
Trans-Pacific Strategic Economic Partnership (P4)[7]	08.11.2006
Preferential Trade Agreement Between the Republic of Chile and the Republic of India	17.08.2007
Agreement Between the Republic of Chile and Japan for a Strategic Economic Partnership	03.09.2007

[7] Chile along with Australia, Brunei Darussalam, Canada, United States of America, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam and Japan just closed negotiations for a Trans – Pacific Partnership Agreement (TPP).

Name or description	Date of entry into force
Free Trade Agreement between the Republic of Chile and the Republic of Panama	07.03.2008
Chile – Australia Free Trade Agreement	06.03.2009
Free Trade Agreement between Chile and Turkey	01.03.2011
Free Trade Agreement between Chile and Malaysia	25.02.2012
Free Trade Agreement between the Republic of Chile and the Socialist Republic of Vietnam	01.01.2014
Free Trade Agreement between Chile and Hong Kong	09.10.2014
Framework Agreement of the Pacific Alliance	20.07.2015
Free Trade Agreement between the Republic of Chile and the Government of the Kingdom of Thailand[8]	
Additional Protocol to the Framework Agreement of the Pacific Alliance[9]	
Tariff agreements under ALADI (Latin American Integration Association)	
ACE 16 Chile-Argentina	02.08.1991
ACE 22 Chile-Bolivia	06.04.1993
ACE 23 Chile-Venezuela	02.04.1993
ACE 35 Chile-Mercosur	01.10.1996
ACE 42 Chile-Cuba	27.06.2008
Free Trade Agreement Chile-Peru	01.03.2009
Free Trade Agreement between the Republic of Chile and the Republic of Colombia	08.05.2009
ACE 65 Chile-Ecuador	25.01.2010
Customs	
Regulations on the Application of GATT Article VII	20.6.2002
Customs Law	18.10.2004
Tax and tariff concessions	
Simplified duty drawback system	19.12.1985
Modification of export promotion programs	14.11.1998
Contingency measures	
Law on the Importation of Goods	30.6.1986
Intellectual property	
Intellectual Property Law	2.10.1970
Law establishing Rules Applicable to Industrial Privileges and Protection of Industrial Property Rights	25.1.1991
Law on the rights of breeders of new varieties of plants.	11.03.1994

[8] The FTA was signed on 04.10.2013 and is currently under domestic approval of the National Congress.
[9] The Additional Protocol to the Framework Agreement of the Pacific Alliance was signed on 10.02.2014 and is currently under domestic approval of the National Congress.

Name or description	Date of entry into force
This regulation incorporates UPOV (78) standards	

Source: Legal Department, DIRECON.

Law N° 18,525 of 19 June 1986, establishing Rules on the Importation of Goods, is Chile's main trade law. The Law has been amended and modified a number of times since 1997 and contains regulations on customs valuation, customs duties, contingency measures, and a price band system for a limited number of agricultural products. Moreover, the Customs Law (Decree Law N° 2/97 of the Ministry of Finance) of 12 November 1997, which consolidates a number of former legal instruments (including Decree with Force of Law N° 2/97 of the Ministry of Finance), contains provisions on export and import procedures. Law N° 19,589 of 14 November 1998 provided for a reduction of Chile's MFN tariffs and revised some export promotion programs with a view to bring them into line with Chile's WTO commitments.

A law on miscellaneous WTO-related matters (Law 19,912) entered into force as of November 4, 2003 with the aim to bring various individual provisions of Chile's legislation in line with the WTO Agreements. It contains provisions on customs valuation, technical regulations, taxation, and intellectual property. The law provides for notification procedures for technical regulations and conformity assessments. It also eliminates the Dispatch Tax on goods imported duty-free, and some trade-related investment measures in the automotive sector. Furthermore, it amends Chile's intellectual property legislation by specifying protection for computer programs, data compilations, and textile designs.

Regarding the implementation of WTO Agreements, the Protocol of Amendment to Insert the Trade Facilitation Agreement into Annex 1A of the WTO Agreement is currently under approval of the National Congress.

Participation in the World Trade Organization

Chile is a founding member of the GATT, and as such it has unwaveringly maintained its commitment to the multilateral trading system as represented by the WTO. Thus, it actively supported efforts to launch a new round of negotiations in the Ministerial Conferences in Seattle (1999) and Doha (2001). Chile welcomed the launching of the Doha Development Round, which represents an opportunity to settle problems in our trade relations, which have proven impossible to solve in the context of bilateral or regional agreements. This has been the case, specially, for agricultural subsidies and the abuse of anti-dumping measures.

In line with these objectives, Chile has submitted various negotiating proposals and has participated actively in formal and informal coalitions with other Members that share its interests. These coalitions include, in particular, the Cairns Group and the G20 in agriculture, and the Friends of the Anti-Dumping Negotiations (FANs). We have also been active in other areas of the Doha Development Round such as market access for non-agricultural products and the reform of the Dispute Settlement Understanding.

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

2.1.3. Structure and Features of the Market

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

The first Chilean Competition law was enacted in 1959, but the proper legal basis of the Chilean Competition law is Decree Law N° 211 of 1973 of the Ministry of Economy, as amended by D.F.L. N° 1, in 2004.

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

In 2003, law N° 19,911 introduced important reforms to the original Decree Law N° 211. It fulfilled the need for increased independence of the decision-making body and for a more technical assessment of cases, in order to strengthen the enforcement powers of the FNE. Law N° 19,911 created a Competition Tribunal (TDLC is its acronym in Spanish) and clearly separated the functions of the enforcement agency, the FNE, and the decision-making body, the Court. The Tribunal is a judicial body fully independent of the FNE, in which the Supreme Court of Justice may remove its members only on legally established grounds. The Tribunal has the power to sanction and provide remedies (including interim measures) and is also responsible for merger decisions.

Law N° 19,911 explicitly sanctions abuse of dominant position such as resale price maintenance, tying or territorial distribution by dominant firms and predatory practices. In addition, this law eliminated criminal sanctions with respect to anticompetitive practices but substantially increased the amount of the fines that can be imposed as deterrents.

Then in 2009, law N° 20,361 strengthened the powers of the FNE for conducting market research to combat cartels and other serious offenses against free competition, also amended Article N° 39 of DL 211. The reform authorized the National Economic Prosecutor to request information from public bodies or State enterprises. With permission of the TDLC, these public institutions should provide the information to the FNE even if they were secret or of restricted nature. In turn, the reform expanded bodies that the FNE can sign agreements with, including utilities and universities.

In international cooperation, Chile is involved in the competition policy arena at various levels. In this regard, Chile has signed Cooperation Agreements with Canada, Mexico, Salvador and Costa Rica, and it has included Competition Policy Chapters in most of the Trade Agreements it has negotiated[10].

[10] Competition chapter establishes the commitment of the parties as to the adoption or maintenance of measures on anti-competitive practices, identifying the basic principles that the parties must observe, anti-competitive practices to regulate, etc. In addition, rules on cooperation between the parties, through exchanges of information, coordination among experts, technical assistance, greater transparency, etc. are included. Some agreements also incorporate disciplines on state enterprises and designated monopolies.

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

Additionally, Chile accessed to the OECD in 2010, and the same year elaborated a report called "Competition Law and Policy in Chile: Accession Review". This report was prepared as part of the process of Chile's accession to OECD Membership. The report describes the policy foundations, substantive competition law and enforcement experience, institutional structure as well as treatment of competition issues in regulatory / legislative processes.

Moreover, Chile is one of the six Latin American countries which participated in a "Competition and Market Studies in Latin America (2015)" report, project to better understand how market studies are carried out and what can be done to improve them.

2.1.4 Banking System and Credit Policies

a) General Overview of the Banking System

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

Currently, Commercial banks in Chile face growing competition from several sources, which has led to consolidation in the banking industry. A total of 24 banks were operating in Chile at September 2014; 12 were domestically-owned and 12 were foreign-owned banks. In terms of the total assets of the banking system, the former held 66% of the total and the latter 34%. There is only one State-owned bank, the BancoEstado, which according to total assets at December 2013 was the third largest bank in the system, with 16.1%. The regulator for BancoEstado is the Superintendent of Banks and Financial Institutions, which applies the same rules to all banks.

As of December 2014, the total Loan Portfolio in the Chilean banking system amounted to US$220.8 billion.

b) Banking Regulation

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

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

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

Foreign banks can perform banking business activities as subsidiaries (Chilean corporations) or as branches of foreign corporations. In either case they can provide the same services as Chilean banks and their minimum capital requirements and other prudential regulations are the same as for Chilean-owned banks. Branches of foreign banks must effectively enter their capital into Chile and this capital is the basis upon which their activities are regulated (i.e. their world capital is not taken into consideration). Foreign banks can also open offices of representation.

c) The Chilean Insurance System

Insurance companies are Chile's second largest institutional investors, based on total assets, which volume has grown consistently. As of December 2013, the combined value of the portfolios of insurance companies stood at US$49.5 billion, and they represented 18.9% of GDP.

The Insurance Companies Act of 1979 introduced a framework for the regulation of insurance companies. The basic principles established include market determination of rates and commissions, equal access for foreign insurance companies, minimum capital and solvency criteria, and rules for setting up reserve funds. As a general rule, life insurance companies can have liabilities equal to a maximum of 15 times their capital and reserves, while non-life insurance companies are permitted to take on liabilities up to a maximum of 5 times their capital and reserves.

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

At December 2013, there were 32 life-insurance companies operating in Chile with about 67% of total premia, in which foreign-owned companies held 47% of the insurance premia. Foreign-owned non-life insurance companies also have important share of the market, with 63% of the premia. In 2013 the insurance market composed of 135 reinsurance companies (all foreign), 56 reinsurance brokers, 225 adjusters, 2,363 brokers and 491 pension advisors. The life insurance companies are usually part of financial conglomerates.

As in the case of banks, foreign insurance companies can operate in Chile either as subsidiaries or as branches, the latter allowed since 2007, in which case, their capital effectively entered into Chile is used for regulatory purposes. There are no differences in capital requirements between these forms of establishment and those of Chilean insurance companies and they can all provide the same type of insurance.

d) Mutual Funds

Mutual funds were first created in Chile in the 1960s and their legal framework was comprehensively reformed in 1976 by Decree N° 1328 and the Mutual Funds Regulations contained in Supreme Decree N° 249 of 1982 of the Ministry of Finance and their respective internal regulations approved by the SVS.

Currently, there are three types of mutual funds: mutual funds investing in short-term fixed-income securities, mutual funds investing in medium and long-term fixed-income securities, and mutual funds investing in variable-income securities, including corporate stocks and similar investments. Also, its assets are primarily in fixed income securities and about half in money market funds (fixed income with maturity of 90 days or less). As of December 2014, 19 managers offered shares in 516 different mutual funds in Chile, with over two million shareholders and the net worth managed by mutual funds was US$45.8 billion invested in Chile and abroad.

The most recent industry reform was introduced in 2001 and reduced the regulations on mutual funds, allowing them greater flexibility in investment policy while imposing higher standards of transparency and disclosure. Additionally, the legal structure for a general fund management firm was introduced, allowing mutual funds, investment funds and housing funds to be organized under a single management structure, making use of economies of scale in the fund management. The reform bill also provided tax benefits for retirement saving in mutual funds and exempted highly traded stocks from capital gains tax.

The 2013 law Single Funds Act, law N° 20,712, which became effective on May 1, 2014, puts the industry under a unified legal framework, modernizes the regulatory framework, and improves investor protection by enhancing the supervisory powers of the SVS and setting qualification requirements for fund managers.

e) Investment Funds

Is a Fund composed of contributions from individuals and corporations heritage, called contributors, for investment in property values and allows the Investment Funds Act (Law N° 18,815). This fund is managed by a corporation at the risk of the contributors.

As of December 2014, a total of 133 investment funds were based in Chile, and total assets amounted approximately to US$10,400 billion.

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

Currently, as for Mutual Funds, the last law governing Investment Funds is the Single Funds Act, law N° 20,712.

f) Foreign Capital Investment Funds and Foreign Investment Venture Capital Funds

The Foreign Capital Investment Funds (FICEs) are pools of assets funded by investors outside Chilean territory for the purpose of investment in publicly offered securities in Chile, and are managed by a Chilean corporation on behalf of and at the risk of the contributors. Most of the relevant regulation can be found in the Law N° 18,657 and as a complementary in Decree Law 600. The capital contributed to a FICE may not be removed from the country in the five years following its initial entry into Chile. However, profits may be repatriated at any time, subject to a single tax at a flat rate of 10%.

Another category of fund is the Foreign Investment Venture Capital Funds (FICER), which allows investors outside Chile to make venture capital investments within Chile.

In 2000, several changes to the laws regulating FICEs and FICERs took effect, aimed at deregulating these investment vehicles. As of 2001, FICEs and FICERs are exempt from capital gains tax on the sale of highly traded equity and bonds effected in authorized stock exchanges in Chile, provided that the holders of shares in the respective funds are non-residents of Chile.

Currently, FICEs and FICERs are governed according to the provisions established by the Single Funds Act and the consequent repeal of law N° 18,657. The FICE and FICER ceased to be institutions subject to the supervision of the SVS and therefore do not have the same data updated. As of April 2014, the existing funds of FICE have combined assets amounting to US$248.1 million.

g) The Chilean Pension System

Chile began a comprehensive reform of its social security system in the early 1980's with the adoption of the Private Pensions Funds Act, which eliminated many of the problems associated with the former social security system. Under the Private Pensions Funds Act a privately administered system of individual pension accounts replaced the existing pay-as-you-go social security system. Under the latter system contributions from current workers were used to fund the pension payments of current retirees.

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

The 2008 Pension Reform, by Law N° 20,255, contained several measures to address the issue of low pension and replacement rates, including the introduction of a new solidarity pillar to prevent old-age poverty and measures to reduce the gender gap in old-age income (e.g. division of balance in case of divorce). To increase coverage, subsidies for young workers and a gradual mandatory participation of independent workers were introduced (2012 was the first year of the phase-in transition). Also, the mechanisms for voluntary pension savings with tax incentives were improved and widened.

As mentioned, since January 1, 2012, self-employed or independent workers are obliged to participate, establishing gradualness for affiliation and contributions, according to the following schedule:

- Effective January 1, 2012, self-employed workers are required to contribute about 40% of taxable income unless expressly declares otherwise.
- Effective January 1, 2013, workers are required to contribute about 70% of taxable income unless expressly declares otherwise.
- Effective January 1, 2014, workers are required to contribute about 100% of taxable income unless expressly declares otherwise.
- Effective January 1, 2015 onwards it is established that the obligation to contribute is on 100% of taxable income without exceptions.

The current pension system is based on individualized accounts with fully funded, stable and portable benefits. As of June 2014, the pension funds had accumulated US$168.6 billion in assets.

At May 2015, a total of 6 pension fund managers were operating in Chile and the total assets were mainly divided among the four principal managers (27.8%, 25.9%, 21.3% and 20.4%).

h) Financial Services in Chile's FTAs

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

Until the Trade Agreements with the US and the EU, Chile did not include financial services in bilateral agreements. Its only international commitments were those scheduled in the Uruguay Round negotiations. The negotiations with the US and the EU established the basic precedents for Chile's approach in negotiating financial services. These have been maintained in the agreements with Japan, Australia, Canada, Hong Kong (China), The Pacific Alliance and Thailand.

The following paragraphs are among others and as a matter of policy, *sine qua non* conditions for negotiating financial services bilaterally:

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

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

Thirdly, Chile insists that the benefits of the agreement can only be granted to financial services providers of the other Party. This excludes, for example, extending the benefits to branches of banks or other financial service providers of third parties established in the other Party to the agreement.

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

2.1.5 Employment Policies and Laws

a) Constitutional Guarantees

The Chilean Constitution guarantees fundamental rights such as:

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

ii) For freedom of labour and its protection. This means that Chilean Constitution recognizes that everyone has the right to freely choose the kind of job that a person desires and freedom of recruitment.

b) Employment Policies

Labor policies have been emphasized in recent years, modernization was required in order to respond to the challenges of a more open economy and a more active society. In particular, the major governmental goals have been:

- Firstly, to enhance the build-up of "social capital" in order to stimulate significant progress in the relationship between employers and employees, resulting in better productivity, innovation and quality.
- Secondly, to create a new labor relationship, responding to the challenges of globalization and accelerated technological changes. It is essential in Chile's view to have powerful bilateral labor relations, and a counterpart of employers able to respond to the challenge of a pact on employability where Trade Unions and Employer Organizations could be major players.
- And finally, there have been improvement in training for job placement, maternal and parental leave, tenure of employment and protection to those who have lost their jobs.

Particularly in *training programs*, Chilean government, has applied the training program "+Capaz". The target of this policy is improving the access to work for unemployed people, and extend the *job tenure*. This program is oriented towards young people, women, and people with disabilities; providing training in areas defined by the National Service of Training and Employment "SENCE" and the commission of the national certification system of labor skills, so called "Chile Valora".

There are others programs which encourage the insertion and tenure in the labor market; such as the apprentice program that supports young training on the job, the tax exemption to employers who give training to their employees, and the strengthening to the 'Bolsa Nacional de Empleo'

(Nacional Employment Agency).

Regarding *protection to the unemployed people*, in 2002, Chilean government created the Unemployment Insurance; since then, it is an obligation that every new contract, ruled by the Labour Code, pays a monthly fee (3% of the gross wage). The Unemployment Insurance has an individual contribution and a solidarity fund. Thanks to this insurance, people have a protection in the case of losing their jobs, receiving a portion of their recent wages that decreases over time.

Due to the good administration of the funds, the amount of the benefit rises as proportion of the last wages. The law also establishes an extra amount of benefits, if a natural disaster happens.

c) Law

i. Trade Union Organization

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

The employment of no individual may be conditional upon belonging or not to a union. When workers decide to form a union, they must simply hold a meeting attended by a minimum number of people as established by law. They acquire legal status by the sole act of submitting their articles of incorporation and the minutes of the meeting to the compliance agency. In other words, they do not require prior authorization to be recognized as a union. Two or more unions are allowed to exist in a company, and this does in fact occur.

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

The unionization is only possible if the labour contract is governed by the Labor Code. Considering that, it is not possible for independent workers and public sector employees to be part of a union. Nevertheless, public sector employees can join public servants associations.

ii. Collective Bargaining

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

With respect to collective bargaining procedure, the Labour Code provides for two modalities:

- The first, so called “regulated bargaining” is established in the code itself, with stages and formalities and in which the employer is forced to take part in the bargaining process. This bargaining concludes in a collective agreement, which is called a collective contract. During the bargaining process, union leaders and workers involved in it are protected by immunity.
- The other modality is a mechanism, called “non-regulated bargaining” with minimum formal requirements. The parties bargain when they wish but neither party can force the other to bargain, nor to arrive at an agreement. There are no deadlines, nor right to strike; however, if the agreement is signed, compliance is fully obligatory and this modality does not avoid the other procedures, if there is no agreement.

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

Trade unions also are able to carry a “non-regulated negotiation”. They can do it whenever they want, but they lose their right to strike and immunity.

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

iii. The Right to Strike

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

The purpose of this mechanism is to encourage a minimum acceptable offer for workers and to avoid a misuse of the replacement system. The replacement workers are temporary, for as long as the strike lasts.

Penalties for Practices that Violate the Exercise of the Rights of Freedom of Association and Collective Bargaining:

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

Special Note:

At the moment, Chile is in a legislative process to change the Labour Code in order to modernize labor relationships. The Modernization of Labour Relationships bill seeks to equilibrate the bargain power of employer and employees, encouraging good faith-based negotiations. The main actions of the bill affecting collective bargaining are:

- *The right to information*: In order to develop an informed and technical discussion in the negotiation process, the new law will consider the right of timely financial information to the union members. If the information is not facilitated by the employer, then the union can appeal to the 'Inspección del Trabajo' (National Labour Inspection).
- *Workers replacement*: In the current legislation hiring replacement workers is not forbidden. The bill proposes to forbid hiring replacement workers (as most of countries do). The only exception is the "minimum services", where people must be in charge of "emergency equipment".
- *Negotiation matters*: In Chile, the matters of collective bargain are restricted to wages and common matters between workers. Additionally, the law indicates that if a matter limits the ability of administration and organization to the employer, it is not subject to negotiation. The bill considers the extension of matters which can be negotiated.

iv. New Laws

There have been other changes in the bill that are not related to the project which modernizes Labour Relationships, but also meant an improvement in the legal framework. Four remarkable changes are explained here:

a) Chile has recently ratified the Domestic Workers Convention of the "International Labour Organization" (ILO) members. In promoting good labor standards to Domestic Workers (mostly women), Chile guarantees right to fair conditions of employment; and rights related to working time, wages, safety and health insurance, and social security protection. The new law 20,786, that went into effect on January 1st 2015, limits working time to 45 hours per week, establishes mandatory vacations, weekly rests on Saturdays and holidays, minimum wage at the same level of other dependent workers, and maternity leave.
b) Multi-RUT (RUT is a tax number to identify each taxpayer) The "Multi-RUT" is a problem originated when one employer creates many enterprises with their own identity, limiting some collective and individual rights of employees. Losing of benefits happen when the responsibility to provide some benefits befalls on the enterprise instead of the employer. This may generate problems in the freedom of association in trade unions, weakness in collective negotiation and bonuses associated with productivity (established by the law), and other rights. The new law establishes that the responsibility of providing these benefits falls in the hands of the employer, instead of the enterprise.
c) *Maternity and Parental Leave*: Since October 2011, the Labour Code introduced twelve weeks of parental leave after the week of maternity leave. If the woman chooses, she can be incorporated as a part time worker after the maternity leave; in this case, the parental leave is extended to eighteen weeks instead of twelve and she would receive 50% of the economic benefit. Parental leave is provided only for women; nevertheless, men may take a portion of mother's parental leave (of six month or less) if the mother agrees.

d) *Law 20,773*. This law modifies benefits of employees who work in ports. These workers have claims for changes in labour conditions, that is why the law has changed; providing better hours of rests, providing food allowances, building health and safety committees, and others benefits.

d) International Social Security Agreements

These agreements attend to the social security needs of Chileans who work in countries that have signed these agreements with Chile. Those countries are: Germany, Argentina, Australia, Belgium, Brazil, Canada, Colombia, Denmark, Ecuador, Spain, United State, Finland, France, Luxembourg, Norway, Netherlands, Peru, Portugal, Quebec, Czech Republic, Sweden, Switzerland and Uruguay. There is also a Multilateral Ibero-American Social Security Agreement.

e) Immigrants

Regarding migration and labour in Chile, there have been efforts between ministries to share information and build databases which characterize immigrants in Chile. Also, all immigrants, no matter their legal status, have the same fundamental labour rights just like any Chilean citizen. On the other hand, immigrants that have legalized their immigrant situation in Chile have common rights and benefits as health and accident insurance, unemployment insurance and others. There is a partial exemption for migrants who are subscribed in an analogue welfare system in their countries. Also, the State is working in a plan where labour supervisors monitor possible cases of human trafficking.

Finally, immigrants are able to apply to different employment and training programs offered by the State of Chile. For example, immigrants can apply for the “+Capaz” training programs, if they meet the same criteria established for Chileans.

f) Particularities of the Public Sector

Public sector employees, those who work for government in ministries, municipalities and other public agencies are not included in Labour Code regulations that are applied to the private sector.

Exceptionally are applied to workers in State-owned companies, who are abiding by the standards of the Labour Code for the private sector. Government or public sector employees did not have the right to take part in a union organization until 1994. In March 1994, law N° 19,296 was passed recognizing their right to establish union-type organizations known as "associations of officials".

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

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

g) Role of Government

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

The Labour Directorate has four major responsibilities:

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

h) Salaries

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

2.1.6 Environmental Policies and Laws

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

This policy is based on seven principles that lend coherence to and permeate the legal, institutional and instrumental aspects used in the government's environmental management activities:

a) The principle of gradualness which acknowledges that environmental management should be implemented progressively, given that reverting the course of environmental deterioration and reconciling development with the protection of the environmental heritage requires structural reforms that go beyond short- term measures;
b) The principle of realism, which establishes that the objectives should be reachable, given the magnitude of current environmental problems, and the resources available to do so;

c) The preventive principle which implies avoiding situations of deterioration before they are produced;
d) The "the polluter pays" principle;
e) The principle of responsibility, which holds that the party responsible for environmental damage should pay reparations to the victim and restore the deteriorated component;
f) The principle of efficiency that holds that measures adopted to confront environmental deterioration should involve the lowest social cost and privilege instruments that allow for optimal allocation of resources; and
g) The principle of citizen participation.

The Environmental Agenda

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

These points support the establishment of environmental priorities that could be summarized in the following areas: the implementation of the Strategy air pollution control Plan; the development of Program of Plans for Environmental Recovery for Vulnerable Territories; public health; defining limits to sustainable resource use; equality for all people in relation to the objective of environmental quality ("environmental equity"); State intervention when environmental quality diminishes in an extreme manner; protection of nature and biodiversity; amongst others.

Legal Context

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

Law 19,300 on the General Environmental Framework was approved in 1994. This normative body established a structured environmental management system. The law regulates a series of conflicting interests, beginning with the premise that no activity, however legitimate it may be, can be carried out at the expense of the environment.

Specifically, the law establishes a set of legal regulations and definitions, environmental management instruments, areas of responsibility, enforcement mechanisms, the environmental protection fund, and government institutions in charge of addressing issues that are related to the environment. The Principal Environmental Management Instruments are: Instruments for Establishing Environmental Quality Standards, Prevention Instruments, Corrective Instruments, Compliance Instruments, Economic Instruments, Education and Research Instruments, Citizen Participation Instruments, and Instruments for Generating Information

Institutional Framework

The Law N°20,417, enacted in January 2010, introduced major amendments to the environmental institutions. The model introduced in 2010 is based on the division of functions or powers of public activities on environmental subjects, assigning them to different agencies of different hierarchy, in a vertical and functionally decentralized structure.

Before the enactment of Law N°20,417, which created the Ministry of the Environment, Environmental Assessment Service and the Superintendence of the Environment, the environmental powers were integrated into a single body called the National Environmental Commission (CONAMA), whose powers in administrative matters were rather limited. In this context, we describe the main functions of the above mentioned institutions.

The Ministry of Environment: is created in the new institutional framework as a State Secretary that is responsible for collaborating with the President of the Republic in the design and implementation of policies, plans and programs on environmental issues, in the protection and conservation of biological diversity and in renewable natural resources and water resources, all promoting sustainable development, integrity of environmental policy and its legal regulation.

Environmental Assessment Service: is the technical agency in charge of administration of the Sistema de Evaluación de Impacto Ambiental, or SEIA (Environmental Impact Assessment System). Its function is to standardize criteria, requirements, conditions, licenses, procedures, technical requirements and environmental procedures established by Ministries and other relevant State agencies, through procedural guidelines. The modernization of the system aims to lay down common criteria to assess each type of project, which ensures efficient and effective environmental protection.

Superintendence of the Environment: Its function is to ensure compliance with environmental regulations. It has exclusive and exclusionary powers in monitoring and enforcing the compliance of obligations related to environmental management instruments under its jurisdiction, as well as the exercise of the sanctioning authority related to offenses associated with non-compliance.

In 2012, the **Environmental Courts** were created; and are independent agencies with specialized jurisdiction, whose function is to resolve environmental disputes according to its competence and deal with other matters that legislation placed under its remit (Article 1, Law N° 20,600). It is subject to administrative, correctional, and economic control by the Supreme Court. The Environmental Courts are mixed collegial agencies; they are composed of three regular ministers (two attorneys and a professional from the scientific field) and two alternates (one attorney and the other, with a scientific background).

International Cooperation

Over the last twenty years Chile has increased its profile in the international environmental debate, in particular in the scientific verification of "global environmental problems," becoming a signatory of several environmental conventions, among them, the Convention on International Trade in Endangered Species (CITES) (1975)*[11] ; the International Convention on Civil Liability for Oil Pollution Damage (1977)*; the Convention for the Regulation of Whaling (1979)*; the Convention of the Conservation of Antarctic Marine Living Resources (1981)*; the Vienna Convention for Protection of

[11] *Year of ratification

the Stratosphere (1990)*, and the Montreal Protocol on Substances that Deplete the Stratospheric Ozone Layer (1990)*; the Basel Convention on the Control of Transboundary Movement of Hazardous Wastes and their Disposal (1992)*; the Convention on Biological Diversity (1994)* and the Cartagena Protocol on Biosafety (2000)**[12]; the United Nations Framework Convention on Climate Change (UNFCCC) (1995)* and the Kyoto Protocol (2002)*; the Rotterdam Convention on the Prior Informed Consent (PIC) Procedure for certain Hazardous Chemicals and Pesticides in International Trade (2005)*; and the Stockholm Convention on Persistent Organic Pollutants (POPs) (2005)*; and Minamata Convention on Mercury (2013)**.

Environmental Democracy

Noteworthy to mention is that 20 years after the adoption of Principle 10 of the Rio Declaration, the importance of access to information, participation, and justice in environmental matters has been reaffirmed and expanded in various international and regional initiatives. Chile has taken the leadership in this initiative in the region, with the support of the Economic Commission for Latin America and the Caribbean (ECLAC) as technical secretariat and with the active role of civil society; to enhance the implementation of a regional agreement or other instrument to advance the full implementation of the rights of access to information, participation and justice in environmental matters.

To date, 20 signatory countries participates in this initiative Chile, Costa Rica, Ecuador, Jamaica, Mexico, Panama, Paraguay, Peru, Dominican Republic, and Uruguay; while on the other hand, the countries which have adhered to this initiative are: Antigua and Barbuda, Argentina, Bolivia, Brazil, Colombia, El Salvador, Honduras, Guatemala, Trinidad and Tobago, and St. Vincent and the Grenadines.

Fisheries

The Law N° 20,657 promulgated in 2013 considers the following elements:

a) Precautionary and ecosystem approaches as basic statements to the resource management;
b) New definitions to assess and classify the fisheries status;
c) International standards of sustainable management such as the establishment of Biological Reference Points (BRP) and especially the Maximum Sustainable Yield (MSY);
d) The creation of Eleven Scientific and Technical Committees (eight of fisheries and three of aquaculture). In the field of fisheries, they will make decisions on the availability of resources, BRP's and annual catch quotas; among others. Finally, Chile is a Party of the Convention on the Conservation and Management of High Seas Fishery Resources in the South Pacific Ocean (2012).

The 20.625 Act of 2012 defines and regulates the discards of marine species and bycatch and establishes penalties for those who engage in these practices during their fishing operations. The most important feature of this new piece of legislation is that it formalizes a research program to identify and characterize discards and also institutes a discard reduction plan.

[12] **Year of signature

Our Ocean Conference

Held in Washington, on 16-17 June of 2014, Our Ocean Conference was a global event led by Secretary of State John Kerry, and organized by the State Department, where participation was by invitation only. It was attended by 400 guests, representing more than 90 countries, including scientists, senior officials, environmentalists, private sector and civil society. The conference focused on "threats to the oceans", with emphasis on the following themes: a) sustainable fisheries, b) marine pollution, c) ocean acidification, d) marine protected areas.

On that occasion, Chile made three announcements: (a) Chile's accession to the United Nations Conference on Straddling Fish Stocks and Highly Migratory Fish Stocks (1995 New York Fish Stocks Agreement); (b) Create a New Policy to prevent, deter and eliminate Illegal Unreported and Unregulated (IUU fishing); (c) Offer Chile to organize and host a second "Our Ocean" Conference held at Valparaiso, Chile 5-6 October 2015, continued the initiative of the Secretary of State, John Kerry, in which South Africa was represented by its ambassador in Chile.

Biodiversity

Chile also has initiatives related to marine biodiversity. For instance, an important achievement in the protection of national and global marine biodiversity was the creation of the Motu Motiro Hiva Marine Park around Salas y Gómez Island. The marine bottoms surrounding Salas y Gómez Island are nationally and internationally recognized for their biological wealth and the high level of endemism. Additionally, in February 2015 a resolution was passedto protect all existing seamounts in Chilean waters, protecting 117 mountains in which bottom trawl fishing is prohibited, thus safeguarding fragile ecosystems in which these formations.

Regarding marine mammals, in 2008 Chile established a permanent prohibition of capture and hunt of cetacean in all the jurisdictional waters; Law N° 20,525 as of 2011 amended the General Law on Fisheries and Aquaculture and prohibits fishing practices that may be detrimental to the conservation of sharks – it particularly prohibits finning onboard fishing or transport vessels, establishing that all landing of any species of sharks shall be done with their fins total or partially attached to their bodies. Additionally, and taking into account the threated status of conservation of the shark species included in the CMS annexes, since 2009 a permanent prohibition of capture of three shark species - whale shark, great white shark and basking shark – has been established. Also, the National Plan of Action for Conservation and Management of Sharks was approved in 2006.

The National Plan of Action to reduce seabird bycatch in longline fisheries, approved in 2005, includes mitigation measures and good practices in longline fisheries, such as the use of bird-scaring lines or tori lines, line weighting, night setting, waste management, and management of hooks. One of the next challenges is to expand the National Plan of Action to other fisheries such as purse-seine and gillnet.

2.2 South Africa

2.2.1 Macroeconomic Features

South Africa is ranked as upper-middle income economy by the World Bank; this makes the country one of only four countries in Africa in this category (the others being Botswana, Gabon and Libya).

In 2014, in terms of gross domestic product (GDP), the South African economy was the second largest economy in Africa at US$350 billion, behind Nigeria which stood at US$573 billion, following Nigeria's April 2014 statistical "rebasing" exercise[13]. Globally South Africa ranked 33rd as the largest economy in the world[14]. As one of the BRICS (Brazil, Russia, India, China and South Africa) members the country is well integrated into the global economy.

Table 2: Selected Macroeconomic Indicated, 2008-14

Indicator	2008	2009	2010	2011	2012	2013	2014
GDP at current prices (US$ billion)	287	296	375	417	397	366	350
Nominal GDP per capita	5,751	5,863	7,352	8,068	7,610	6,923	6,525
Population (million)	49.9	50.5	51.1	51.6	52.2	52.9	54
Unemployment, total (% of total labour force)	22.7	23.7	24.7	24.7	25.0	24.9	..
Inflation (CPI)	11.5	7.1	4.3	5.0	5.6	5.7	6.1
GDP by type of expenditure at constant 2010 prices	(Annual % change)						
GDP	3.2	-1.5	3.0	3.2	2.2	2.2	1.5
Final consumption expenditure	2.3	-0.8	3.7	4.1	3.4	3.0	1.5
Final consumption expenditure by households	1.2	-2.6	3.9	4.9	3.4	2.9	1.4
Final consumption expenditure by general government	5.8	4.6	3.0	1.7	3.4	3.3	1.9
Gross fixed capital formation	8.6	-8.5	1.1	9.3	5.2	1.5	-0.6
Gross domestic expenditure	3.6	-1.4	3.7	4.9	3.9	1.4	0.6
Exports of goods and services	1.5	-17.0	7.7	4.3	0.1	4.6	2.6
Exports of goods, free on board	2.0	-18.5	8.7	4.7	-1.4	4.5	2.0
Exports of services	-1.3	-8.0	2.4	2.3	8.8	5.1	6.0
Imports of goods and services	2.8	-17.7	10.8	10.5	6.0	1.8	-0.5
Imports of goods, free on board	4.1	-21.4	9.7	14.0	8.2	2.2	-0.4
Imports of services	-4.2	4.6	15.5	-4.4	-4.7	-0.4	-1.4
	(% of GDP)						
GDP by kind of economic activity (at 2010 constant basic prices)							
Agriculture, forestry and fishing	2.7	2.7	2.6	2.6	2.5	2.5	2.6
Mining and quarrying	9.4	9.0	9.2	8.9	8.5	8.6	8.3
Manufacturing	15.4	14.0	14.4	14.4	14.3	14.1	13.9
Electricity, gas and water	2.7	2.7	2.7	2.7	2.6	2.5	2.5
Construction	3.5	3.9	3.8	3.7	3.7	3.7	3.8
Services	66.2	67.6	67.2	67.7	68.3	68.5	68.9
Wholesale, retail and motor trade; catering and accommodation	14.6	14.6	14.9	15.0	15.2	15.1	15.1
Transport, storage and communication	9.2	9.3	9.2	9.2	9.2	9.2	9.3
Finance, real estate and business services	20.8	21.3	21.0	21.2	21.4	21.5	21.7
General government services	15.5	16.3	16.2	16.4	16.7	16.8	17.0
Personal services	6.1	6.1	6.0	5.9	5.9	5.9	5.9
	(% of GDP, unless otherwise indicated)						
External sector							
Current account	-5.5	-2.7	-1.5	-2.2	-5.0	-5.8	-5.4
Rand/US$ (annual average)	8.3	8.5	7.3	7.3	8.2	9.7	10.9
Public Finance							
Revenue	25.5	23.2	23.3	24.0	23.9	24.3	24.5
Tax revenue	24.8	22.7	22.8	23.5	23.2	23.6	24.0

[13] The World Bank

[14] The World Bank "World Development Data base" 18 September 2015

Indicator	2008	2009	2010	2011	2012	2013	2014
of which:							
Taxes on income, profits and capital gains	15.8	14.4	13.5	13.7	13.8	14.0	14.3
Taxes on goods and services	8.4	8.0	8.5	8.8	8.8	9.0	9.2
Taxes on international trade and transactions	1.0	0.8	0.9	1.0	1.2	1.3	1.1
Non-tax revenue	0.7	0.5	0.5	0.5	0.7	0.7	0.5
Expenditure	25.8	27.8	27.9	28.0	29.0	29.0	29.2
Deficit (-) / Surplus (+)	-0.4	-4.6	-4.6	-4.0	-5.1	-4.6	-4.7
National government debt							
Domestic debt	22.3	26.6	31.4	34.5	37.3	40.1	42.8
Foreign debt	4.2	3.5	3.2	3.7	3.6	4.0	4.3
Total debt	26.5	30.1	34.7	38.2	40.9	44.2	47.1

Source: Adapted from SACU Trade Policy Review Reports.

a) Gross Domestic Product (GDP) [15]

South Africa's GDP at current prices was R3, 801 trillion (US$350 billion) in 2014, a real GDP growth of 1.5% from R3, 534 trillion (US$366 billion) in 2013. In 2014, the largest sector of the economy was services which accounted for 68.9% of GDP. Within services, the most important sub-sectors were finance, real estate and business services (21.6%); government services (17%); wholesale, retail and motor trade, catering and accommodation (15%); and transport, storage and communication (9.3%). Manufacturing accounted for 13.9%; mining and quarrying for 8.3% and agriculture for only 2.6%.

The Medium Term Budget Policy Statements projection by the Minister of Finance, on 21 October 2015, is that the South African economy will grow at about 1.5 percent in 2015 and rising to 1.7 percent in 2016. The initial projections that were made in February 2015 were that the economy would grow at 2% in 2015 and 2.4% in 2016.

b) Inflation

South Africa's monetary policy is geared towards maintaining low inflation through inflation targeting. Inflation administration in South Africa is under the mandate of the South African Reserve Bank (SARB). The inflating targeting has been set at the year-on-year rate of change of Consumer Price Index (CPI) within a range of 3 to 6 percent. While SARB consults with government through the National Treasury on target setting, SARB has operational autonomy in the administration of monetary policy.

In its bi-annual Monetary Policy Review (MPR), the SARB highlighted the dilemma of slow growth and rising inflation that South Africa currently faces. In 2010, the annual average CPI stood at 4.3%, and increased to 5% in 2011 however, inflation begun an upward trend recording percentages of 5.6% in 2012 and 5.6% in 2013. South Africa's annual headline inflation increased to 6.1% in 2014, breaching the SARB target range of 3 to 6 percentage points[16]. To mitigate the rise in CPI, the SARB commenced a moderate interest rate normalization cycle in January 2014, with an increase in the repo rate from 5.0 basis points to 5.5 basis points. This was followed by an additional increase in July 2014 to 5.75 basis points. The Monetary Policy Committee (MPC) then paused the tightening cycle,

[15] OANDA, accessed 02 November 2015 (http://www.oanda.com/currency/converter/)

[16] South Africa formally introduced inflation targeting in February 2000.

in the context of an improved short-term inflation outlook due to in-part to the steep decline in oil prices, and heightened uncertainty over the path of inflation in the medium term[17].

According to the MPC, South Africa continues to face the dilemma of high inflation in a context of weak economic growth. Therefore, while price stability remains the overriding objective of monetary policy, the speed and extent of policy adjustment will remain sensitive to developments in the real economy.[18]

South Africa's inflation targeting compared relatively well with BRIC partner countries in 2014. Brazil recorded 6.3% an increase from 6.2% in 2013; Russia recorded 6.4% a decline from 10.9% in 2013; India recorded 7.8% an increase from 6.8% in 2013; and China recorded 2% a decline from 2.6% in 2013.

c) Unemployment, Poverty and Inequality

The high unemployment rate in South Africa is one of the most pressing socio-economic challenges the country faces. South Africa's unemployment rate stood at 25% in quarter 2 of 2015, a decrease of 1.4% from 26.4% in the first quarter of 2015. Statistics South Africa (Stats SA[19]) reported that South Africa's working-age population was 36 million people with 15,7 million employed, 5,2 million unemployed and 15,1 million 'not economically active'. According to the report the number of employed persons increased by 198 000, while unemployment declined by 305 000, on a quarterly basis in 2014.

Poverty[20] levels dropped in South Africa between 2006 and 2011, reaching a low of 20.2% for extreme poverty and of 45.5% for moderate poverty. The drop in poverty in the country, translates to roughly 10,2 million South Africans living in extreme poverty (below the food line) in 2011, compared to 12,6 million in 2006; and 23 million living in moderate poverty (below the upper line), compared to 27,1 million in 2006.

Despite the drop in poverty levels in the country, inequality in the South African society on the other hand remains a serious problem. The Gini Coefficient, which is a number between 0 and 1, where 0 indicates total equality and 1 indicates total inequality, is calculated to be approximately 0,65 based on expenditure data (per capita excluding taxes) and 0,69 based on income data (per capita including salaries, wages, and social grants) in 2011.

The South African Government is aware of the immense challenges to accelerate progress and build a more inclusive society and the vision and priorities are outlined in the National Development Plan (NDP) 2030. The NDP aims to eliminate poverty and reduce inequality by 2030. According to the plan, South Africa can realize these goals by drawing on the energies of its people, growing an inclusive economy, building capabilities, enhancing the capacity of the state, and promoting leadership and partnerships throughout society.

Table 3: Balance of Payments, 2008-2014 (US$ 000)

[17] South African Reserve Bank Annual Report 2014/15
[18] South African Reserve Bank Annual Report 2014/15
[19] Statistics South Africa's (Stats SA) Quarterly Labour Force Survey (QLFS)
[20] Statistics South Africa's (Poverty Trends in South Africa report 2014)

Indicator	2008	2009	2010	2011	2012	2013	2014
Balance on current account	-15,878	-8,074	-5,634	-8,991	-19,696	-21,105	-19,041
Trade balance	-1,758	3,317	8,160	7,022	-3,842	-7,078	-6,325
Merchandise exports, free on board[b]	82,345	63,313	83,232	99,082	91,837	89,974	86,723
Net gold exports[c]	5,875	6,228	8,127	10,370	8,654	6,617	5,773
Merchandise imports, free on board[b]	89,978	66,224	83,198	102,430	104,333	103,669	98,820
Balance on services	-2,889	-2,117	-3,501	-3,408	-1,273	-1,241	-186
Service receipts	13,934	13,061	16,048	17,378	17,636	16,798	16,845
Payments for services	16,824	15,177	19,549	20,786	18,909	18,038	17,031
Balance on income	-8,942	-6,627	-8,004	-10,650	-10,760	-9,610	-9,357
Income receipts	5,841	4,021	4,658	5,250	5,908	6,674	7,577
Income payments	14,783	10,649	12,662	15,900	16,667	16,285	16,934
Current transfers (net receipts +)	-2,289	-2,647	-2,290	-1,955	-3,821	-3,176	-3,174
Capital transfer account (net receipts +)	25	25	31	33	29	25	22
Net lending to (+)/borrowing from (-) rest of world	-15,853	-8,049	-5,603	-8,958	-19,667	-21,080	-19,019
Balance on financial account[d]	8,685	13,487	7,666	9,075	21,102	13,506	14,357
Net direct investment (inflow (+)/outflow (-))	12,343	6,351	3,711	4,500	1,571	1,651	-1,225
Net portfolio investment (inflow (+)/outflow (-))	-16,325	11,065	10,176	4,493	10,243	6,005	4,561
Net financial derivatives (inflow (+)/outflow (-))	0	0	0	1,809	1,751	775	1,512
Net other investment (inflow (+)/outflow (-))	15,823	318	-1,945	2,777	8,627	5,558	11,039
Reserve assets (increase (-)/decrease (+))	-3,155	-4,247	-4,276	-4,504	-1,091	-482	-1,530
Unrecorded transactions[e]	7,168	-5,439	-2,064	-117	-1,435	7,574	4,662

Source: SACU Trade Policy Review Reports.

a: Data for the previous four years are preliminary and subject to revision.
b: Published customs figures adjusted for balance-of-payments purposes.
c: Commodity gold.
d: A net incurrence of liabilities (inflow of capital) is indicated by a positive (+) sign. A net disposal of liabilities (outflow of capital) is indicated by a negative (-) sign. A net acquisition of assets (outflow of capital) is indicated by a negative (-) sign. A net disposal of assets (inflow of capital) is indicated by a positive (+) sign.
e: Transactions on the current, capital transfer and financial accounts.

d) Current Account[21]

South Africa's current account deficit has been widening from R5.6 billion (US$398 million) in 2010 to R21.1 billion (US$1.53 billion) in 2013. In 2014, the current account deficit declined by 11% to R19 billion (US$1.37 billion). In 2014[22], export value picked up notably, in part due to reduced strike activity, relatively favourable conditions in some export destinations, and the more competitive exchange rate. Simultaneously, relatively weak growth in domestic demand moderated the increases in import volumes.

In 2014, South Africa was running an elevated current account deficit[23] of 5.8% of GDP. Negative terms of trade have worsened the trade balance since 2012, but the sharp decline in oil prices is expected to reverse this trend and narrow the current account deficit to 4.5% of GDP in 2015.

e) Fiscal Account

[21] Figures are in South African Rands Only, Dollars used for references. Dollar figures converted from OANDA, accessed 02 November 2015.
[22] South African Revenue Services (SARS).
[23] http://www.treasury.gov.za/documents/national%20budget/2015/review/chapter%202.pdf

High levels of global liquidity and fluctuating risk appetite have increased exchange rate volatility, with the South African currency, the Rand, oscillating between periods of prolonged strength and weakness. South Africa relies on foreign inflows to sustain current investment levels and fund the current account and budget deficits.

The balance of financial account increased from US$7 billion in 2010 to US$9 billion in 2011. The financial account more than doubled in 2012 to US$21 billion but declined to US$13 billion in 2013. The fiscal account recovered to US$14 billion in 2014. The increase in the fiscal account can be attributed to a conducive environment for investment that saw positive inflow of foreign direct investment between 2010 and 2013 with negative values experienced in 2014. However, portfolio investments remained positive in the period under review.

f) Exchange Rate and Exchange Rate Control

The rand depreciated[24] by a nominal 11% against the US dollar in 2014 to an average of R10.90 to a dollar, following a 14.9% decline in 2013. The real effective exchange rate declined by only 4% due to persistently higher local inflation. The US dollar continues to strengthen against both developing and developed-market currencies on expectations of higher growth and interest rates. Further sharp depreciation of the rand is not anticipated in 2015 as investors appear to have priced in risks, and inflation expectations appear anchored. But the currency is likely to remain susceptible to bouts of volatility in response to shifts in global capital flows, commodity price fluctuations, the borrowing levels of state-owned enterprises, and domestic growth constraints.

The gains from sustained real currency depreciation and reduced input costs flowing from lower oil prices could boost exports. However, the currencies of some important trading partners and competitors with lower inflation than South Africa are weakening in real terms against the dollar.

The SARB is committed to a flexible exchange rate regime. The Bank's policy continues to be that the exchange rate remains market-determined and therefore the policy is to accumulate reserves and not to defend or achieve a particular level for the exchange rate.

Exchange control is also administered by SARB, which has delegated powers to authorized dealers (banks licensed to deal in foreign exchange). South Africa does not impose exchange controls on non-residents, but exercises exchange controls over residents and transactions entered into between residents and non-residents. There are, in principle, no restrictions on foreign investors investing in companies or businesses in South Africa as long as the activities are legal. The introduction of capital or the acquisition of shares does not require SARB approval, but the acceptance of foreign loans by South African residents (including a South African subsidiary or branch of a foreign company) is subject to prior approval being obtained.

The extent to which non-residents and entities, in which non-residents have an interest of 75% or more, may utilize local financial assistance in South Africa for local working capital purposes, is unrestricted, however, local financial assistance for financial transactions and the acquisition of residential property is restricted in terms of exchange controls. The sale, or redemption proceeds, of assets owned by non-residents may be freely transferred from South Africa. Dividends declared by South African subsidiaries of foreign companies, and profits distributed by a branch of a foreign

[24] http://www.treasury.gov.za/documents/national%20budget/2015/review/chapter%202.pdf

company operating in South Africa, may be remitted abroad. Residents (including resident entities) may remit payment for services actually rendered by non-residents, provided that the fees payable are not calculated on the basis of a percentage of turnover, income, sales or purchases (i.e. based on a direct charge method).

Payments to be made in respect of transfer pricing or cost sharing or cost allocation arrangements (i.e. based on an indirect charge method) require SARB approval. The remittance of license fees/royalties is subject to approval being granted by the SARB and/or **the dti.**

2.2.2 Trade Policy Regime: Formulation and Implementation

a) The Department of Trade and Industry (the dti)

It is the government department responsible for formulating and coordinating the country's trade and investment policies. South Africa's trade policy is articulated through South African Trade Policy and Strategy Framework[25] (TPSF). In 2010, **the dti** updated the TPSF document amid the lingering impact of the 2007-2010 Great Recession. The TPSF 2010 was the outcome of a three-year review undertaken in consultation with other government departments, policy experts, Parliament, business and labour. The policy document outlines how trade policy and strategy in South Africa can make a contribution to the objectives of upgrading and diversifying the economic base in order to increase the production and export of value added products that generate employment.

South Africa is part of a Customs Union (SACU) which has a common external tariff. In terms of Article 31 of the 2002 SACU Agreement, member states must have a common negotiating position when negotiating any trade agreements that involve tariffs, i.e. FTA, PTA, WTO rescheduling, etc. **the dti**, as part of its strategy to increase trade and investment is also responsible for the placement and management of foreign trade officials abroad. **the dti** is also responsible for trade and investment promotion. The department has three divisions that are responsible for trade and investment promotion: 1) Trade and Export South Africa (TESA) responsible for export development and promotion; 2) Investment South Africa (InvestSA) responsible for investment promotion and facilitation; and International Trade and Economic Development (ITED) responsible for policy development, international trade and investment relations and agreements (bilateral, regional, multilateral, pluri-lateral, trilateral, etc), market access negotiations including the management of the South African tariff regime.

b) National Economic Development and Labour Council (NEDLAC)

In developing trade policy or negotiating positions, **the dti** has to consult business, labour and civil society through NEDLAC. NEDLAC is an organization formed by government, organized labour, organized business and community based organizations for consultations on various topics including issues of trade and investment. However, business and labour representatives do not participate in the actual trade and investment negotiations with foreign countries. **the dti** leads on trade and investment negotiations and invites other government departments and agencies as necessary.

c) International Trade Administration Commission of South Africa (ITAC)

[25] http://www.itac.org.za/upload/Trade%20Policy%20and%20Strategy%20Framework.pdf

It is responsible for administration of tariff investigations, amendments, and trade remedies in South Africa and currently, also on behalf of SACU. The Commission follows a developmental or strategic approach to tariff setting with the objective of promoting domestic manufacturing activity, employment retention and creation, and international competitiveness. ITAC is responsible for conducting trade remedy investigations in accordance with policy, domestic law and regulations, and consistent with World Trade Organization (WTO) rules.

d) South African Revenue Services (SARS)

It is responsible for customs administration of all trade agreements signed by South Africa. Tariff amendments made by ITAC are published by SARS through the Harmonized Tariff Schedule. All levies on imports are implemented by SARS.

e) Department of Agriculture, Forestry and Fisheries (DAFF)

It is responsible for Sanitary and Phytosanitary (SPS) Measures on plant and animal products including primary agricultural products as well as agro-processed agricultural products that are required to have veterinary and health certificates to enter the South African market. During trade agreement negotiations, DAFF is responsible for negotiations on agricultural related issues such as SPS cooperation, agricultural safeguards, etc.

f) Industry/ Export Councils

South Africa also has industry or export councils that are responsible for the promotion of exports in different sectors. The export councils are configured according to sectors and they are comprised of different companies in the respective sectors. They are funded through contributions by the member companies. The export councils work closely with the both TESA and INVESTSA.

2.2.3 Structure and Features of the Market

South Africa is an emerging market with an abundant supply of natural resources; has a well-developed financial, legal, communications, energy, transport sectors and a stock exchange that is Africa's largest and amongst the top 20 in the world. Economic growth has decelerated in recent years, slowing to just 1.5% in 2014. Unemployment, poverty, and inequality remain a challenge. South Africa had experienced electricity supply constraints that resulted in load shedding in many parts of South Africa in late 2014 and early 2015. However, the electricity situation has improved drastically as no loading shedding was recorded in the last few months and none is expected in the near future.

In 2012, the nation's economy was affected by its most protracted industrial action since the end of apartheid and significantly weak demand from major trading partners. Various infrastructure gaps, notably inadequate energy supply, weak domestic demand, and anaemic investment rates also acted as a drag on growth.

Due to consistent and sound budgetary policies South Africa has been able to tap into international bond markets with reasonable sovereign risk spreads. The 2012 Open Budget Index prepared by the International Budget Partnership ranked South Africa second among 94 countries surveyed. In 2014, South Africa's ratings were downgraded by a few rating agencies, citing poor growth prospects mainly because of labour market instability and rising government debt as well as high deficits on the current account.

The government is acutely aware of the immense challenges to accelerate progress and build a more inclusive society. Its vision and priorities to address them are outlined in the 2030 NDP, released in 2012. The report is the product of extensive nationwide consultations led by the National Planning Commission. The two main strategic goals framed by the NDP 2030 vision are to double the GDP and eliminate poverty, and reduce inequality, as measured by the income Gini coefficient, from 0.70 to 0.60 by 2030.

2.2.4 Banking System and Credit Policies

The National Treasury (NT) and South African Reserve Bank (SARB) are responsible for the fiscal and monetary policy in South Africa respectively.

The NT is responsible for managing South Africa's fiscal policy as well as national government finances. Supporting efficient and sustainable public financial management is fundamental to the promotion of economic development, good governance, social progress, and a rising standard of living for all South Africans. The Constitution of the Republic (Chapter 13) mandates the NT to ensure transparency, accountability and sound financial controls in the management of public finances.

The NT's legislative mandate is also described in the Public Finance Management Act (PFMA) (Chapter 2). The NT is mandated to promote government's fiscal policy framework; to coordinate macroeconomic policy and intergovernmental financial relations; to manage the budget preparation process; to facilitate the Division of Revenue Act, which provides for an equitable distribution of nationally raised revenue between national, provincial and local government; and to monitor the implementation of provincial budgets[26].

The SARB acts as the central bank for the country and its banking institutions. It is co-responsible for formulating and implementing South Africa's monetary policy. It is technically independent of government control in terms of South Africa's Constitution but works closely with the NT and helps to formulate and to implement macroeconomic policy.

South Africa's financial services sector is backed by a sound regulatory and legal framework, boasting dozens of domestic and foreign institutions providing a full range of services such as; commercial, retail and merchant banking, mortgage lending, insurance and investment. The legislation governing the financial sector is primarily the Banks Act 1990 and the Mutual Banks Act 1993, which serve the achievement of a sound, efficient banking system in the interest of the depositors of banks and the economy as a whole.

The Financial Services Board (FSB) is an independent institution, established by statute to oversee the South African non-banking financial services industry in the public interest, and fully funded by fees and levies imposed on this industry.

In addition, South Africa has several credit legislations such as:

- Consumer Protection Act,

[26] National Treasury

- National Credit Act, and
- Debt Collection Act.

2.2.5 Employment Policies and Laws

The Department of Labour develops legislations to support codes of good practice in terms of labour relations. South Africa's labour market transformed since 1994, with an emphasis on strategies that eliminate labour inequalities of the apartheid era and improve general working conditions for all South Africans. The most notable pieces of legislation which aim to strengthen the labour market include:

- the Labour Relations Act;
- the Basic Conditions of Employment Act;
- the Employment Equity Act; and
- the Skills Development Act; and
- Occupational Health and Safety Act No. 85 of 1993.

Trade Unions play an important role in South Africa's labour relations. There are three major union federations in South Africa, whose affiliates represent a broad spectrum of industry: The Congress of South African Trade Unions (Cosatu), the Federation of Trade Unions of South Africa (Fedusa) and the National Council of Trade Unions (Nactu).

South Africa also has a number of employers' organizations under NEDLAC representing the collective interests of businesses in South Africa.

2.2.6 Environmental Policies and Laws

South Africa’s Constitution is crucial to the application of environmental law. This provision places the burden on the Government of South Africa to take reasonable legislative and other measures to ensure that this environmental right is attained and protected. Existing legislation has been updated and, together with the new legislation, creates the environmental regulatory framework.

The government departments involved in administration and enforcement of environmental laws in South Africa include the following:

- The Department of Water and Sanitation
- The Department of Environmental Affairs
- The Department of Mineral Resources
- The Department of Energy
- The Department of Agriculture, Forestry and Fisheries
- The Department of Trade and Industry

The National Environmental Management Act, No. 107 of 1998 (NEMA) provides the underlying framework for environmental law, particularly with respect to natural resource conservation and utilization, as well as land-use planning and development. Issues of enforcement are also considered, together with the international dimension of environmental law, which has shaped much of the direction of South Africa’s environmental law. Other environmental legislation in South Africa includes the following:

- The National Water Act No. 36 of 1998 (NWA)
- The National Environmental Management: Air Quality Act No. 39 of 2004 (NEMAQA)
- The National Environmental Management: Biodiversity Act No. 10 of 2004 (NEMBA)
- The National Environmental Management: Integrated Coastal Management Act No. 24 of 2008 (Integrated Coastal Management Act)
- The National Environmental Management: Protected Areas Act No. 57 of 2003 (NEMPA)
- The National Environmental Management: Waste Act No. 59 of 2008 (NEMWA)
- The Hazardous Substances Act No. 15 of 1973
- The National Heritage Resources Act No. 25 of 1999
- The Marine Living Resources Act No. 18 of 1998
- The National Radioactive Waste Disposal Institute (established by act in parliament, Act No. 53 of 2008)
- The Conservation of Agricultural Resources Act No. 43 of 1983

The combination of South Africa's unique natural resources and the government's commitment to fast-tracking the country's emerging economy has resulted in a strong shift in focus from primary energy resources, such as coal and oil, to the development of the country’s substantial alternative energy resources. As a result, environmental and clean energy have become highly regulated areas. South African environmental law is continually evolving and environmental liability is strict and wide enough to hold companies, parent companies, lenders, and even directors and officers responsible for pollution and environmental degradation. Legislation makes it compulsory for projects to undergo environmental impact assessments (EIAs). NEMA enforces “the polluter pays principle”, an internationally recognized principle of environmental law.

2.3 Trade

2.3.1 Chile

2.3.2 Composition of Exports at 6 digit (HS6)

Chilean trade exchange has expanded at an average rate of 8.5% since 2009. This sustained by the increase in exports (6.4%) in the same period, but most of all by the increase in imports at an annual average of 11.0%.

Table 4: Chilean Foreign Trade, 2009 - 2014 (US$ Million and Percentages)

	2009	2010	2011	2012	2013	2014	Variation 2014/2013	Annual Average Growth 2009-2014
Trade Exchange	98,268	130,108	156,133	157,864	155,726	147,834	-5.1%	8.5%
Exports (FOB)	55,463	71,109	81,438	77,791	76,477	75,675	-1.0%	6.4%
Imports (CIF)	42,806	59,000	74,695	80,073	79,249	72,159	-8.9%	11.0%
Imports (FOB)	40,103	55,167	70,398	75,458	74,657	67,908	-9.0%	11.1%
Trade Balance (FOB)	15,360	15,941	11,040	2,333	1,820	7,767		

Source: Studies Department, DIRECON, based on data from Central Bank of Chile.

Chilean exports are concentrated in the mining sector. Its share during the last year was 54.2% amounting to US$41.0 billion, mainly due to the role of copper which amounted to 50% of the total exports. In 2014, mining exports fell by 6.2% and copper by5.4%, influenced by the reduction in the international price of the red metal by 6.4%, this accommodated an increase in volumes sold abroad which partially offset the price fall. Despite this, in the 2009-2014 period; exports grew by an average rate of over 5%.

Another important sector in Chilean exports is the manufacturing industry, with a share of 38.2% (2014) totaling US$28.9 billion. In 2014, it expanded by 6.8%, consolidating an annual average growth rate of 7.7% since 2009. In this sector, processed food shipments represented 32.4% of industrial exports. In 2014, they increased by 12.9%, with salmon as the main export with a growth of 31.4%. Chemical products accumulated 7.3% of total exports (19.0% of industrial shipments), with an expansion of 3.1% during the last year. On the other hand, metal products, machinery and equipment exports, contributed 4.2% to total exports, 11.0% to the industrial sector and grew by 5.5% during last year. The next sector is wood pulp with an increase of 2.8% in 2014, followed by forestry and wood furniture with a growth of 12.6%. It may also be highlighted that bottled wine, exports increased by 4.2% in the last year.

Meanwhile, the agricultural, forestry and fishing sector also showed positive behavior in its external sales. They represented 7.6% of total exports, growing by 1.4% last year. Fruit's shipments, that represented 84.7% of sector exports, had an important role with a rise of 4.7% in 2014.

Considering the above, total exports (excluded mining and wood pulp) had an attractive development, reaching 42.4% of total shipments with a rate of 6.2% in comparison with the previous year.

Table 5: Chilean Exports, 2009 - 2014 (US$ Million and Percentages)

	2009	2010	2011	2012	2013	2014	Variation 2014/2013	Annual Average Growth 2009-2014	Share 2014
Exports (FOB)	55,463	71,109	81,438	77,791	76,477	75,675	-1.0%	6.4%	100.0%
Mining	31,877	44,552	49,083	46,259	43,776	41,041	-6.2%	5.2%	54.2%
Copper	29,695	41,361	44,670	41,955	40,019	37,872	-5.4%	5.0%	50.0%
Other mining	2,182	3,191	4,413	4,305	3,757	3,169	-15.7%	7.7%	4.2%
Agricultural, forestry and fishing	3,668	4,371	4,969	5,019	5,656	5,737	1.4%	9.4%	7.6%
Fruits	3,015	3,691	4,173	4,165	4,644	4,862	4.7%	10.0%	6.4%
Industry	19,918	22,186	27,386	26,513	27,045	28,897	6.8%	7.7%	38.2%
Processed foods	6,057	5,931	7,644	7,583	8,299	9,366	12.9%	9.1%	12.4%
Salmon	1,476	1,150	1,852	1,982	2,782	3,655	31.4%	19.9%	4.8%
Other than salmon	4,581	4,781	5,792	5,601	5,516	5,711	3.5%	4.5%	7.5%
Bottled wine	1,166	1,306	1,445	1,452	1,483	1,545	4.2%	5.8%	2.0%
Pulp*	1,840	2,205	2,538	2,296	2,514	2,585	2.8%	7.0%	3.4%
Forestry and wood furniture	1,555	1,883	2,225	2,122	2,262	2,548	12.6%	10.4%	3.4%
Chemicals	4,143	4,837	6,077	5,997	5,329	5,494	3.1%	5.8%	7.3%
Metals products, machinery and equipment	2,155	2,409	2,917	2,865	3,026	3,192	5.5%	8.2%	4.2%
Exports excluded mining and wood pulp products	21,745	24,351	29,817	29,235	30,187	32,049	6.2%	8.1%	42.4%

Source: Studies Department, DIRECON, based on data from Central Bank of Chile.

The ten main exports items of Chile in 2014, contributed 60.3% share to total exports, with commodities like copper, contributing 49%. The other products on the list include grapes, wine, wood pulp, other minerals as gold and iron, and coniferous lumber.

Even if copper export products decline, the performance of other export products is better than the global panorama of Chilean exports. For example, wine exports (in ctnr<=2l) grew 4.1% in comparison with 2013, coniferous pulp increased by 14.6% and coniferous lumber grew by 21.8%.

Table 6: Main Chilean Exports, 2014 (US$ Million and Percentages)

Subheading	Description	Value	Share	Variation 2014/2013
	Total exports	75,675	100.0%	-1.0%
	Subtotal ten main exports	45,640	60.3%	-4.9%
740311	Copper cathodes and sections of cathodes unwrought	17,776	23.5%	-5.6%
260300	Copper ores and concentrates	16,265	21.5%	-2.7%
740200	Copper unrefined, copper anodes for electrolytic refining	3,013	4.0%	-15.0%
220421	Grape wines nes,incl fort&grape must,unfermntd by add alc in ctnr<=2l	1,521	2.0%	4.1%
80610	Grapes, fresh	1,506	2.0%	-4.2%
470321	Chemical wood pulp,soda or sulphate,coniferous,semi-bl or bleached,nes	1,445	1.9%	14.6%
470329	Chemical wood pulp,soda/sulphate,non-coniferous,semi-bl/bleachd,nes	1,139	1.5%	-9.0%
260111	Iron ores&concentrates,oth than roasted iron pyrites,non-agglomerated	1,000	1.3%	-14.5%
710812	Gold in unwrought forms non-monetary	989	1.3%	-26.5%
440710	Lumber, coniferous (softwood) 6 mm and thicker	985	1.3%	21.8%

Source: Studies Department, DIRECON, based on data from Central Bank of Chile.

During 2014, trade between Chile and Africa reached US$954 million and it doubled over the previous year. This dynamism was mainly due to increased imports from Africa, which were four times higher (297%) and due to an increase in exports of 37%. Chilean exports to Africa totaled

US$406 million in 2014 and were sent fundamentally to South Africa (33%), Namibia (23%) and Nigeria (21%), while imports amounted to US$548 million, mainly from Angola (71%), because of its oil shipments to Chile and followed by South Africa (14%) and Equatorial Guinea (10%).

In line with the global economic environment, including falling prices and rising exchange rate, investment and consumption have influenced the decline in imports during the past year.

Imports have a high participation of intermediate goods, representing 55.3% in 2014. This kind of products had a contraction of 5.6% in 2014, although in the last six years they showed an increment by 10.1% annual average. Oil meant 15.1% of these imports, and 8.4% of the total Chilean imports, exhibiting an average increase by 8.9% in the 2009-2014 period.

With a share of 27.7% in total imports, consumption goods had an important contraction by 7.8% in 2014, although an average increase by 14.7% since 2009. Capital goods represented the 16.9% of total in 2014, with the biggest decrease by type of imports (-19.8%).

Table 7: Chilean Imports, 2009 - 2014 (US$ Million and Percentages)

	2009	2010	2011	2012	2013	2014	Variation 2014/2013	Annual Average Growth 2009-2014	Share 2014
Imports (CIF)	42,806	59,000	74,695	80,073	79,249	72,159	-8.9%	11.0%	100.0%
Intermediate Goods	24,721	32,554	42,187	43,706	42,307	39,931	-5.6%	10.1%	55.3%
Oil	3,975	4,341	6,496	6,108	6,633	6,041	-8.9%	8.7%	8.4%
Consumption Goods	10,056	15,568	18,666	19,812	21,692	19,999	-7.8%	14.7%	27.7%
Capital Goods	8,028	10,877	13,842	16,555	15,250	12,230	-19.8%	8.8%	16.9%

Source: Studies Department, DIRECON, based on data from Central Bank of Chile.

The ten leading import subheadings contributed 27.9% of total imports, showing a higher diversification than exports. However, there's a high contribution of fuel and energy goods, like petroleum, gas and coal, which contributed 16.8% of total imports in 2014. Also, in the list there are cars, mobiles, bovine cuts and aircrafts. Even if every product shows a decline in growth from the previous year, there is one exception: natural gas experienced a 15.4% growth during the same period.

Table 8: Main Chilean Imports, 2014 (US$ Million and Percentages)

Subheading	Description	Value	Share	Variation 2014/2013
	Total imports	**72,159**	**100.0%**	**-8.9%**
	Subtotal ten main imports	**20,162**	**27.9%**	**-14.0%**
270900	Petroleum oils and oils obtained from bituminous minerals, crude	6,041	8.4%	-8.9%
271019	Other petroleum oils and preparations	5,617	7.8%	-13.8%
870323	Automobiles w reciprocatg piston engine displacg > 1500 cc to 3000 cc	1,868	2.6%	-16.9%
851712	Telephones for cellular networks mobile telephones or for other wirele	1,364	1.9%	-24.8%
271111	Natural gas, liquefied	1,154	1.6%	15.4%
870421	Diesel powered trucks with a GVW not exceeding five tonnes	911	1.3%	-23.9%
270112	Bituminous coal, whether or not pulverised but not agglomerated	883	1.2%	-14.6%
20130	Bovine cuts boneless, fresh or chilled	819	1.1%	-1.5%
870322	Automobiles w reciprocatg piston engine displacg > 1000 cc to 1500 cc	767	1.1%	-18.8%
880240	Aircraft nes of an unladen weight exceeding 15,000 kg	738	1.0%	-40.4%

Source: Studies Department, DIRECON, based on data from Central Bank of Chile.

2.3.3 Origin and Destination of Exports and Imports at 6 digit (HS6)

In 2014, 94% of shipments abroad were earmarked to economies with which Chile has trade agreements in force. Nearly 69% of Chilean exports are explained by the relative importance of the top five market destinations, although with a contraction of 3.1% in 2014, while exports to the rest of partners with which Chile has agreements increased by 3.6% from the previous year.

Meanwhile, 6.2% of exports were sent to other markets with which Chile has no commercial agreements in force. Together they totaled US$4.7 billion and experienced an increase of 5.1%. Among them is Taiwan, which contributed 2.4% of Chilean total exports to the world and Russia which accounted for 1%. The annual growth rates in shipments to these economies were outstanding, which together with Thailand, Bahrain and South Africa exhibited growth rates between 10% and 22% in 2014.

Table 9: Chilean Exports by Main Markets with and without Trade Agreement, 2013 - 2014 (US$ Million and Percentages)

Year of entry into force [1]	Trade Partner	Exports					
		Ranking		Value		Var. %	Share 2014
		Agreement	Total	2013	2014	2014/2013	
2006	China	1	1	19,088	18,438	-3.4%	24.4%
2003	European Union	2	2	11,110	10,913	-1.8%	14.4%
2004	United States of America	3	3	9,734	9,275	-4.7%	12.3%
2007	Japan	4	4	7,507	7,532	0.3%	10.0%
1996	Mercosur	5	5	6,153	5,748	-6.6%	7.6%
2004	South Korea	6	6	4,174	4,691	12.4%	6.2%
2007	India	7	7	2,223	2,640	18.7%	3.5%
2009	Peru	8	8	1,861	1,849	-0.7%	2.4%
1993	Bolivia	9	10	1,712	1,627	-5.0%	2.2%
1999	Mexico	10	11	1,313	1,305	-0.6%	1.7%
1997	Canada	11	12	1,421	1,232	-13.3%	1.6%
2009	Colombia	12	13	865	902	4.3%	1.2%
2009	Australia	13	14	801	897	11.9%	1.2%
2004	EFTA [2]	14	-	1,116	893	-20.0%	1.2%
2010	Ecuador	15	17	519	514	-1.1%	0.7%
(2)	Central America [3]	16	-	481	502	4.5%	0.7%
1993	Venezuela	17	18	521	463	-11.1%	0.6%
2014	Viet Nam	18	19	307	382	24.1%	0.5%
2011	Turkey	19	20	367	354	-3.6%	0.5%
2014	Hong Kong	20	23	174	233	33.9%	0.3%
2008	Panama	21	25	118	179	51.6%	0.2%
2012	Malaysia	22	26	227	173	-23.5%	0.2%
2006	P4 [4]	23	-	156	170	9.0%	0.2%
2008	Cuba	24	43	29	36	21.8%	0.05%
Total exports to markets with agreement				**71,978**	**70,946**	**-1.4%**	**93.8%**
	Taiwan		9	1,642	1,803	9.8%	2.4%
	Russian Federation		16	638	768	20.3%	1.0%
	Thailand		21	241	288	19.4%	0.4%
	Indonesia		24	230	209	-9.1%	0.3%
	United Arab Emirates		27	148	146	-1.6%	0.2%
	Bahrain		28	121	135	11.6%	0.2%
	South Africa		29	109	134	22.2%	0.2%
	Philippines		30	153	121	-21.1%	0.2%
Total exports to markets without agreement				**4,499**	**4,729**	**5.1%**	**6.2%**
TOTAL EXPORTS OF CHILE				**76,477**	**75,675**	**-1.0%**	**100%**

Source: Studies Department, DIRECON, based on data from Central Bank of Chile.

Table 10: Chile's Destination of Exports at HS6 Level (US$ Million and Percentages)

Subheading	Description	Value	Share	Three main export destinations	
	Total exports	75.675	100,0%	China	24,4%
				USA	12,3%
				Japan	10,0%
	Subtotal 20 main exports	52.601	69,5%		
740311	Copper cathodes and sections of cathodes unwrought	17.776	23,5%	China	42,8%
				USA	12,9%
				South Korea	8,0%
260300	Copper ores and concentrates	16.265	21,5%	China	31,9%
				Japan	27,3%
				India	14,1%
740200	Copper unrefined, copper anodes for electrolytic refining	3.013	4,0%	China	40,1%
				Australia	20,3%
				South Korea	14,2%
220421	Grape wines nes, incl fort & grape must, unfermntd by add alc in ctnr<=2l	1.521	2,0%	USA	12,8%
				UK	11,7%
				Japan	8,5%
080610	Grapes, fresh	1.506	2,0%	USA	45,4%
				China	11,4%
				South Korea	8,2%
470321	Chemical wood pulp, soda or sulphate, coniferous, semi-bl or bleached, nes	1.445	1,9%	China	59,2%
				Italy	6,3%
				South Korea	5,1%
470329	Chemical wood pulp, soda/sulphate, non-coniferous, semi-bl/bleachd, nes	1.139	1,5%	Netherlands	22,6%
				China	20,1%
				South Korea	11,8%
260111	Iron ores & concentrates, oth than roasted iron pyrites, non-agglomerated	1.000	1,3%	China	84,9%
				Bahrein	13,0%
				Japan	1,2%
710812	Gold in unwrought forms non-monetary	989	1,3%	Switzerland	68,2%
				Canada	22,4%
				USA	8,8%
440710	Lumber, coniferous (softwood) 6 mm and thicker	985	1,3%	China	23,7%
				USA	14,6%
				South Korea	11,7%
261310	Molybdenum concentrates, roasted	976	1,3%	Japan	35,0%
				Netherlands	19,7%
				South Korea	11,6%
030441		903	1,2%	USA	91,3%

	Fresh or chilled fillets of Pacific salmon, Atlantic and Danube			Brazil	2,9%
				Canada	1,3%
080810	Apples, fresh	775	1,0%	USA	19,2%
				Colombia	9,7%
				Taiwan	8,3%
280120	Iodine	680	0,9%	Belgium	30,3%
				USA	23,2%
				China	14,4%
080929	Fresh cherries (excl. sour cherries)	655	0,9%	China	72,7%
				USA	7,9%
				Hong Kong	5,3%
030481	Frozen fillets, Pacific salmon, Atlantic and Danube	650	0,9%	Japan	20,4%
				USA	19,8%
				Mexico	10,6%
030313	Frozen Atlantic salmon and Danube salmon	627	0,8%	Russian Fed.	38,4%
				China	11,2%
				South Korea	8,2%
030312	Frozen Pacific salmon other than red salmon	598	0,8%	Japan	80,3%
				Russian Fed.	7,6%
				China	3,0%
081040	Cranberries, bilberries and other fruits of the genus Vaccinium, fresh	571	0,8%	USA	61,4%
				Netherlands	12,4%
				UK	8,8%
030214	Fresh or chilled, atlantic salmon and Danube salmon	526	0,7%	Brazil	80,6%
				USA	8,3%
				Argentina	5,6%

Source: Studies Department, DIRECON, based on data from Central Bank of Chile.

On the other hand, last year 91% of Chilean imports came from markets with which Chile had existing trade agreements, for an amount equivalent to US$65.7 billion. It is noted that in 2014 supplies from these markets suffered a contraction of 10%, in line with the international economic situation. The top three international suppliers of Chile: China, the United States and the European Union accounted for 55.1% of total imports in 2014, and the top ten amounted to 85.3%.

Table 11: Chilean Imports by Main Markets with and without Trade Agreements, 2013 - 2014 (US$ Million and Percentages)

Year of entry into force [1]	Trade Partner	Imports					
		Ranking		Value		Var. %	Share 2014
		Agreement	Total	2013	2014	2014/2013	
2006	China	1	1	15,767	15,096	-4.3%	20.9%
2004	United States of America	2	2	16,040	14,257	-11.1%	19.8%
2003	European Union	3	3	12,975	10,404	-19.8%	14.4%
1996	Mercosur	4	4	9,816	9,480	-3.4%	13.1%
1999	Mexico	5	5	2,525	2,439	-3.4%	3.4%
2010	Ecuador	6	6	2,515	2,438	-3.1%	3.4%
2007	Japan	7	7	2,441	2,322	-4.9%	3.2%
2004	South Korea	8	8	2,761	2,306	-16.5%	3.2%
2009	Peru	9	9	1,764	1,541	-12.6%	2.1%
1997	Canada	10	10	1,544	1,267	-17.9%	1.8%
2009	Colombia	11	12	1,721	1,131	-34.3%	1.6%
2007	India	12	14	740	662	-10.6%	0.9%
2004	EFTA [2]	13	-	427	396	-7.2%	0.5%
2014	Viet Nam	14	17	282	381	35.2%	0.5%
2009	Australia	15	18	418	292	-30.2%	0.4%
2012	Malaysia	16	20	260	260	0.1%	0.4%
2011	Turkey	17	22	264	238	-9.8%	0.3%
2006	P4 [4]	18	-	194	190	-2.2%	0.3%
(2)	Central America [3]	19	-	231	188	-18.5%	0.3%
1993	Bolivia	20	23	140	148	5.6%	0.2%
2014	Hong Kong	21	29	121	86	-29.2%	0.1%
2008	Panama	22	31	84	80	-4.9%	0.1%
1993	Venezuela	23	32	133	78	-41.2%	0.1%
2008	Cuba	24	53	7	6	-19.3%	0.01%
Total imports from markets with agreement				**73,170**	**65,686**	**-10.2%**	**91.0%**
	Thailand		13	765	795	3.9%	1.1%
	Taiwan		15	466	393	-15.8%	0.5%
	Indonesia		21	191	242	26.7%	0.3%
	South Africa		33	115	76	-33.7%	0.1%
	Philippines		34	43	61	43.1%	0.1%
	Russian Federation		36	63	60	-4.9%	0.1%
	United Arab Emirates		44	26	16	-37.1%	0.02%
	Bahrain		69	0.2	0.6	216.3%	0.001%
Total imports from markets without agreement				**6,078**	**6,473**	**6.5%**	**9.0%**
TOTAL IMPORTS OF CHILE				**79,249**	**72,159**	**-8.9%**	**100%**

Source: Studies Department, DIRECON, based on data from Central Bank of Chile.

Meanwhile, 9.0% of imports came from markets with which Chile does not have trade agreements in force. Together they totaled US$6.5 billion, which meant an expansion of 6.5% in 2014. Among them is Thailand, which accounted for 1.1% of Chilean imports. The most dynamic imports were Philippine and Indonesian products, whose expansions were 43.1% and 26.7%, respectively.

Table 12: Chile's Origin of Imports at HS6 Level (US$ Million and Percentages)

Subheading	Description	Value	Share	Three main import suppliers	
	Total imports	72.159	100,0%	China	20,9%
				USA	19,8%
				Brazil	7,9%
	Subtotal 20 main imports	25.571	35,4%		
270900	Petroleum oils and oils obtained from bituminous minerals, crude	6.041	8,4%	Brazil	43,8%
				Ecuador	35,7%
				Angola	6,4%
271019	Other petroleum oils and preparations	5.617	7,8%	USA	78,9%
				Japan	4,2%
				Argentina	0,7%
870323	Automobiles w reciprocatg piston engine displacg > 1500 cc to 3000 cc	1.868	2,6%	Japan	34,4%
				South Korea	22,0%
				Mexico	10,5%
851712	Telephones for cellular networks mobile telephones or for other wirele	1.364	1,9%	China	94,1%
				South Korea	4,0%
				Hong Kong	0,9%
271111	Natural gas, liquefied	1.154	1,6%	Trinidad & Tobago	89,7%
				Guinea Ecuatorial	4,5%
				Qatar	3,1%
870421	Diesel powered trucks with a GVW not exceeding five tonnes	911	1,3%	Thailand	48,6%
				South Korea	19,9%
				France	8,5%
270112	Bituminous coal, whether or not pulverised but not agglomerated	883	1,2%	Colombia	59,4%
				USA	24,2%
				Australia	11,6%
20130	Bovine cuts boneless, fresh or chilled	819	1,1%	Brazil	33,5%
				Paraguay	32,1%
				Argentina	21,3%
870322	Automobiles w reciprocatg piston engine displacg > 1000 cc to 1500 cc	767	1,1%	South Korea	40,2%
				China	21,8%
				Japan	12,0%
880240	Aircraft nes of an unladen weight exceeding 15,000 kg	738	1,0%	France	63,2%
				USA	36,8%
				-	-
271112	Propane, liquefied	668	0,9%	USA	80,5%
				Argentina	17,8%

				Peru	1,7%
852872	Reception apparatus for television, colour, whether or not incorp.	651	0,9%	Mexico	77,1%
				China	22,0%
				South Korea	0,5%
847130	Portable digital computers <10kg	625	0,9%	China	89,7%
				USA	4,3%
				Mexico	1,9%
300490	Medicaments nes, in dosage	595	0,8%	USA	12,5%
				Germany	10,8%
				France	7,2%
870899	Motor vehicle parts nes	573	0,8%	USA	6,5%
				Japan	2,1%
				China	2,0%
401120	Pneumatic tires new of rubber for buses or lorries	532	0,7%	China	23,5%
				Brazil	5,2%
				Japan	4,2%
271012	Light petroleum oils and preparations	463	0,6%	USA	74,4%
				Netherlands	17,1%
				Finland	6,8%
870332	Automobiles with diesel engine displacing more than 1500 cc to 2500 cc	456	0,6%	South Korea	47,7%
				France	15,3%
				Germany	9,0%
851762	Machines for the reception, conversion and transmission or regeneration	456	0,6%	China	34,8%
				USA	30,3%
				Malaysia	4,0%
870210	Diesel powered buses with a seating capacity of > nine persons	390	0,5%	Brazil	65,3%
				China	13,0%
				South Korea	6,0%

Source: Studies Department, DIRECON, based on data from Central Bank of Chile.

2.3.4 South Africa

South Africa's total trade with the rest of the world totalled US$190.5 billion in 2014. Total exports amounted to US$90.6 billion and total imports amounted to US$99.9 billion in 2014. During the same period, the top 10 trade partners were: China accounting for 13% of South Africa's total trade, followed by Germany (8%), USA (7%), Japan (5%), India (5%), Saudi Arabia (4%), United Kingdom (4%), Nigeria (3%), Botswana (3%), and Namibia (3%). Chile ranked 68th as a trade partner for South Africa; accounting for 0.114% of the country's total trade.

2.3.5 Composition of Exports at 6 digit (HS6)

According to the International Trade Centre's Trade Map, South Africa's exports to the rest of the world (RoW) mainly consisted of minerals (processed and unprocessed), machinery (automobiles and capital equipment) and chemicals. Since 2010, the top 20 exports have remained mainly in the mineral, automotive and chemical sectors. Noteworthy is that coal, gold and iron ore have been the major commodity exports since 2011. However, mineral exports have decreased in the period (2010 – 2014).

Table 13: Composition of Top 20 Exports from South Africa to the World at HS6 Level (US$' 000)

Code	Product label	Exported value in 2010	Exported value in 2011	Exported value in 2012	Exported value in 2013	Exported value in 2014	% Share in 2014
TOTAL	**All products**	**82 625 557**	**107 946 318**	**98 872 228**	**95 111 531**	**90 612 104**	
	Other Products	47 553 675	53 824 968	49 499 815	47 238 990	47 840 004	52.8%
'270112	Bituminous coal, whether or not pulverised but not agglomerated	5 302 245	7 239 468	6 583 226	5 671 830	4 988 983	5.5%
'710813	Gold in oth semi-manufactd form n-monetary(inc gold platd w platinum)	384	10 371 578	8 657 750	6 613 928	4 726 847	5.2%
'260112	Iron ores & concentrates, other than roasted iron pyrites,agglomerated	5 087 900	6 687 915	5 427 141	5 781 651	4 449 860	4.9%
'720241	Ferro-chromium containing by weight more than 4% of carbon	3 340 146	3 323 530	2 615 516	2 706 466	3 118 368	3.4%
'271012	Light petroleum oils and preparations	0	0	3 259 844	3 025 705	2 943 993	3.2%
'711019	Platinum in other semi-manufactured forms	3 537 839	4 097 067	3 330 245	3 838 694	2 706 259	3%
'870323	Automobiles w reciprocatg piston engine displacg > 1500 cc to 3000 cc	2 647 350	2 611 041	2 750 875	2 322 404	2 488 472	2.7%
'870421	Diesel powered trucks with a GVW not exceeding five tonnes	1 055 852	1 507 756	2 289 485	2 283 770	2 377 533	2.6%
'260111	Iron ores & concentrates, oth than roasted iron pyrites,non-agglomerated	373 952	2 317 476	2 321 804	2 674 534	2 284 101	2.5%
'711011	Platinum unwrought or in powder form	3 143 657	3 797 252	2 672 708	2 508 274	1 944 427	2.1%
'842139	Filtering or purifying machinery and apparatus for gases nes	2 050 455	2 721 939	1 991 583	1 902 469	1 798 970	2%
'260200	Manganese ores and concentrates etc	1 419 927	1 217 210	1 199 184	1 567 428	1 643 106	1.8%
'710231	Diamonds non-industrial unworked or simply sawn, cleaved or bruted	1 185 340	1 230 439	1 265 546	1 284 860	1 535 300	1.7%
'760110	Aluminium unwrought, not alloyed	1 201 928	1 307 173	938 207	1 080 501	1 109 384	1.2%
'261000	Chromium ores and concentrates	1 097 863	1 556 866	1 139 783	1 341 932	1 073 709	1.2%
'870322	Automobiles w reciprocatg piston engine displacg > 1000 cc to 1500 cc	1 098 400	1 162 486	806 296	828 458	741 906	0.8%
'470200	Chemical wood pulp, dissolving grades	595 569	778 467	574 275	610 407	739 763	0.8%
'710239	Diamonds non-industrial nes excluding mounted or set diamonds	643 043	785 414	630 393	698 876	739 000	0.8%
'711021	Palladium unwrought or in powder form	738 652	1 064 027	783 004	884 236	691 913	0.8%

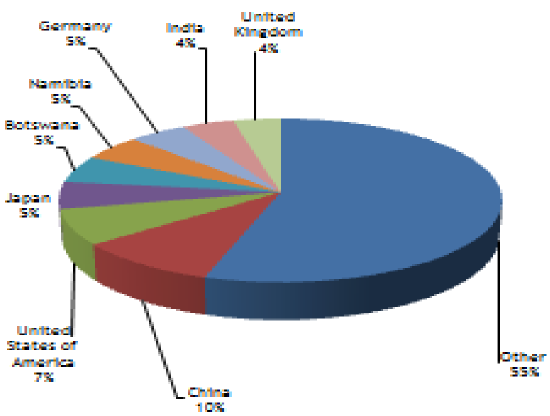
Code	Product label	Exported value in 2010	Exported value in 2011	Exported value in 2012	Exported value in 2013	Exported value in 2014	% Share in 2014
TOTAL	All products	82 625 557	107 946 318	98 872 228	95 111 531	90 612 104	
'870332	Automobiles with diesel engine displacing more than 1500 cc to 2500 cc	551 380	344 246	135 548	246 118	670 206	0.7%

Source: Trade Map

2.3.6 Origin and Destination of Exports and Imports at 6 digit

In 2014, the value of South Africa's exports decreased slightly by 4.7% amounting to US$90.61 billion. The top destinations for exports from South Africa were China accounting for 9.6% of total exports from the Rest of the World, closely followed by the United States (7.1%), Japan (6%), Botswana (5.3%), Namibia (5%), and Germany (4.7%). In the same period, South Africa's top export markets from Latin America were; Brazil (16%), Argentina (12%), Mexico (5%) and Chile (3%)[27].

Table 14: South Africa's Leading Import Partners (2014)



Rank	Country	US$
	World	90.6 billion
1	China	8.6 billion
2	United States of America	6.4 billion
3	Japan	4.8 billion
4	Botswana	4.7 billion
5	Namibia	4.5 billion
6	Germany	4.2 billion
7	India	3.7 billion
8	United Kingdom	3.4 billion
73	Chile	70.1 million

Source: Trade Map

In 2014, imports decreased slightly by 3.4% to reach US$99.89 billion. The top import destinations for South Africa were China accounting for 15.5% of total imports, closely followed by Germany (10%), Saudi Arabia (7.5%), United States (6.6%) and Nigeria (5.1%) in 2014.

Table 15: South Africa's Leading Export and Import Partners in the Americas (2014)

	RSA Export Partners in the Americas			RSA Import partners in the Americas		
Rank	Export Country	US$	Country Share to RSA Exports to the Americas	Import Country	US$	Country Share to RSA Imports from the Americas
	World	**99.9 billion**		**World**	**90.6 billion**	
	Rest of Americas	**10.1 billion**		Rest of Americas	**8.5 billion**	
1	United States of	6.6 billion	65.2%	United States of	6.4 billion	75.9%

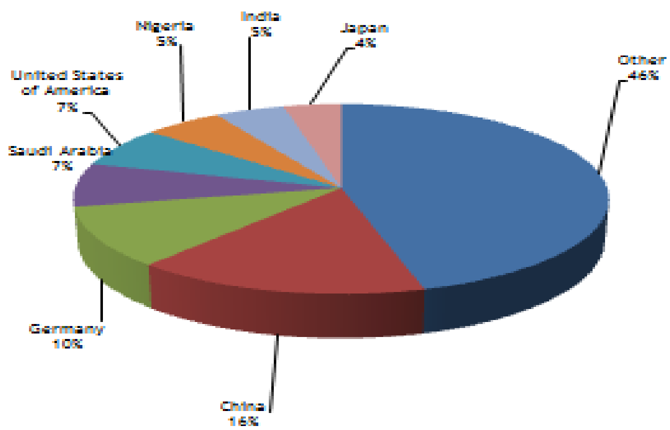
[27] Trade Map

	America			America		
2	Brazil	1.4 billion	13.5%	Brazil	631.8 million	7.5%
3	Mexico	530.6 million	5.2%	Canada	631.7 million	7.5%
4	Argentina	522.9 million	5.2%	Argentina	213.6 million	2.5%
5	Canada	420.7 million	4.2%	Mexico	162.4 million	1.9%
6	Colombia	232.3 million	2.3%	Chile	70.1 million	0.8%
7	Chile	130.0 million	1.4%	British Virgin Islands	47.0 million	0.6%
8	Panama	99.3 million	1.0%	Colombia	42.6 million	0.5%
9	Ecuador	36.2 million	0.4%	Panama	40.0 million	0.4%
10	Uruguay	32.7 million	0.3%	Peru	37.3 million	0.4%
11	Others	143.3 million	1.4%	Others	163.1 million	1.9%

Source: Trade Map

In the same period, South Africa's major destinations for exports to the Americas were: USA (65%), Brazil (13%), Mexico (5.2%), Argentina (5.2%), Canada (4.2%), Colombia (2.3%) and Chile (1.4%). South Africa's major sources of exports from Americas were: USA (76%), Brazil (7.5%), Canada (7.5%), Argentina (2.5%), Mexico (1.9%) and Chile (0.8%).

Table 16: South Africa's Leading Export Partners (2014)



Rank	Country	US$
	World	99.9 billion
1	China	15.5 billion
2	Germany	10.0 billion
3	Saudi Arabia	7.1 billion
4	United States of America	6.6 billion
5	Nigeria	5.1 billion
6	India	4.6 billion
7	Japan	3.8 billion
8	United Kingdom	3.3 billion
62	Chile	138,0 million

Source: Trade Map

In 2014, major imports in South Africa globally include machinery and transport equipment including mineral fuel and lubricants. South Africa largely imports machinery and other inputs such as auto parts to use in the manufacturing process.

Table 17: South Africa's Origin and Destination of Exports and Imports at HS6 Level (US$' 000)

RANKING	Product Code	Destination of Exports				Product Code	Origin of Imports			
		Product label	Share 2014	Exported value in 2014	3 Main export destination in 2014		Product label	Share 2014	Imported value in 2014	3 Main import suppliers in 2014
		All products	**100%**	**90 612 104**	**China 9.6% United States 7.1% Japan 6%**		**All products**	**100%**	**99 892 738**	**China 16% Germany 10.1% Saudi Arabia 7.5%**
1	**'270112**	Bituminous coal, whether or not pulverised but not agglomerated	6%	4 988 983	India 38% Netherlands 14% Turkey 5%	**'270900**	Petroleum oils and oils obtained from bituminous minerals, crude	16.2%	16 212 059	Saudi Arabia 38% Nigeria 32% Angola 12%
2	**'710813**	Gold in oth semi-manufactd form n-monetary (inc gold platd w platinum)	5%	4 726 847	Area Nes[28] 100%	**'999999**	Commodities not elsewhere specified	6.6%	6 607 932	Germany 38% Japan 20% Thailand 12%
3	**'260112**	Iron ores & concentrates,other than roasted iron pyrites, agglomerated	5.5%	4 449 860	China 57% Japan 15% Korea 9%	**'271012**	Light petroleum oils and preparations	5.8%	5 771 319	India 28% Singapore 22% UAE 8%
4	**'720241**	Ferro-chromium containing by weight more than 4% of carbon	5.2%	3 118 368	China 36% USA 10.3 Japan10%	**'851712**	Telephones for cellular networks mobile telephones or for other wirele	2.0%	1 968 267	China 60% Vietnam 27% Mexico 3%
5	**'271012**	Light petroleum oils and preparations	4.9%	2 943 993	Botswana 32% Area Nes 13% Swaziland 8%	**'870323**	Automobiles w reciprocatg piston engine displacg > 1500 cc to 3000 cc	1.5%	1 520 869	Germany 40% Korea 17% Japan 13%
6	**'711019**	Platinum in other semi-manufactured forms	3.4%	2 706 259	Switzerland 27% Japan 23% UK 22%	**'300490**	Medicaments nes, in dosage	1.3%	1 268 630	India 23% Germany 11% USA 10%
7	**'870323**	Automobiles w reciprocatg piston engine displacg > 1500 cc to 3000 cc	3.2%	2 488 472	USA 45% Japan 9% Australia 8%	**'870322**	Automobiles w reciprocatg piston engine displacg > 1000 cc to 1500 cc	1.1%	1 087 021	India 50% Germany 17% Korea 10%
8	**'870421**	Diesel powered trucks with a GVW not exceeding five tonnes	3.0%	2 377 533	UK 13% Belgium 12% Germany 11%	**'847130**	Portable digital computers <10kg	1.0%	1 038 175	China 32% Malaysia 13% USA 10%
9	**'260111**	Iron ores & concentrates, oth than roasted iron pyrites, non-agglomerated	2.7%	2 284 101	China 78% Japan 4.3% Italy 4%	**'870332**	Automobiles with diesel engine displacing more than 1500 cc to 2500 cc	0.8%	792 659	Germany 46% Korea 10% India 9%
10	**'711011**	Platinum unwrought or in powder form	2.6%	1 944 427	Japan 26% Germany 23% UK 17%	**'851762**	Machines for the reception, conversion and transmission or regeneration	0.8%	768 736	China 32% Malaysia 13% USA 10%
11	**'842139**	Filtering or purifying machinery and apparatus for gases nes	2.5%	1 798 970	Germany 42% USA 15% UK 9%	**'870333**	Automobiles with diesel engine displacing more than 2500 cc	0.6%	563 547	USA 36% Japan 23% UK 16%
12	**'260200**	Manganese ores	2.1%	1 643 106	China 45%	**'870410**	Dump trucks	0.5%	481 595	USA 47%

[28] Areas Nes (not elsewhere specified) can be used: (a) for low value trade and (b) if the partner designation was unknown to the reporting country or if an error was made in the partner assignment

RANKING	Product Code	Destination of Exports				Product Code	Origin of Imports			
		Product label	Share 2014	Exported value in 2014	3 Main export destination in 2014		Product label	Share 2014	Imported value in 2014	3 Main import suppliers in 2014
		All products	**100%**	**90 612 104**	**China 9.6% United States 7.1% Japan 6%**		**All products**	**100%**	**99 892 738**	**China 16% Germany 10.1% Saudi Arabia 7.5%**
		and concentrates etc			India 17% Japan 9%		designed for off-highway use			UK 13% Japan 11%
13	**'710231**	Diamonds non-industrial unworked or simply sawn, cleaved or bruted	2.0%	1 535 300	Botswana 43% Belgium 25% Israel 14%	**'844399**	Parts and accessories of printers, copying machines and facsimile mach	0.5%	481 266	Japan 35% China 32% Ireland 6%
14	**'760110**	Aluminium unwrought, not alloyed	1.8%	1 109 384	Japan 31% Switzerland 19% Korea 10%	**'281820**	Aluminium oxide nes	0.5%	477 519	Australia 94% Germany 3% France 1%
15	**'261000**	Chromium ores and concentrates	1.7%	1 073 709	China 62% Mozambique 5% Switzerland 4%	**'870324**	Automobiles with reciprocating piston engine displacing > 3000 cc	0.5%	473 785	Germany 42% USA 24% UK 14%
16	**'870322**	Automobiles w reciprocatg piston engine displacg > 1000 cc to 1500 cc	1.2%	741 906	Germany 42% Japan 33% Australia 11%	**'100199**	Wheat and meslin (excl. seed for sowing, and durum wheat)	0.5%	461 330	Russian Federation 55% Germany 14% Ukraine 11%
17	**'470200**	Chemical wood pulp, dissolving grades	1.2%	739 763	China 41% Indonesia 19% India 7%	**'710231**	Diamonds non-industrial unworked or simply sawn, cleaved or bruted	0.4%	447 614	Area Nes 43% Botswana 36% Namibia 9%
18	**'710239**	Diamonds non-industrial nes excluding mounted or set diamonds	0.8%	739 000	Switzerland 23% Belgium 21% Isreal 20%	**'850239**	Electric generating sets	0.4%	440 373	Italy 64% Spain 17% Germany 12%
19	**'711021**	Palladium unwrought or in powder form	0.8%	691 913	USA 54% Japan 27% UK 9%	**'843149**	Parts of cranes, work-trucks, shovels, and other construction machinery	0.4%	421 709	USA 35% Germany 10% China 10%
20	**'870332**	Automobiles with diesel engine displacing more than 1500 cc to 2500 cc	0.8%	670 206	India 38% Netherlands 14% Turkey 5%	**'870421**	Diesel powered trucks with a GVW not exceeding five tonnes	0.4%	420 427	Germany 24% Japan 21% Korea 17%

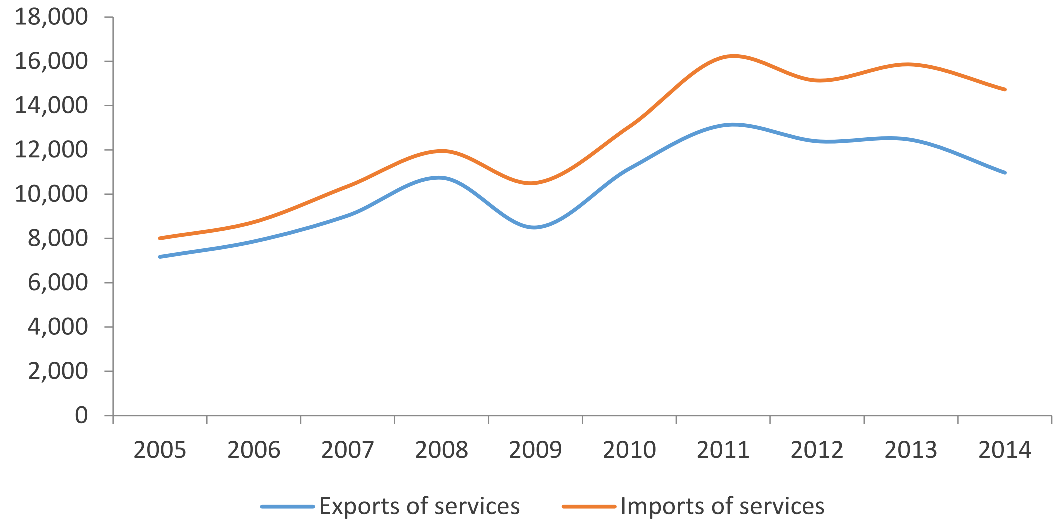
Source: Trade Map

2.4 Trade in Services

2.4.1 Origin, Destination and Total Chilean Exports and Imports Services

In the last decade, Chilean trade in services has grown at an annual average rate of 6.0%: exports increased by 4.8%, while imports also increased at a rate of 7.0%. Thus, in 2005 services exports were US$7.2 billion, and in 2014 they reached US$11.0 billion. It should be noted that after the international economic slowdown, in 2014 the export of services recorded their lowest amount since 2009, while services imports recorded the lowest amount in the last four years.

Figure 4: Services Trade Evolution, 2005 - 2014 (US$ Million)

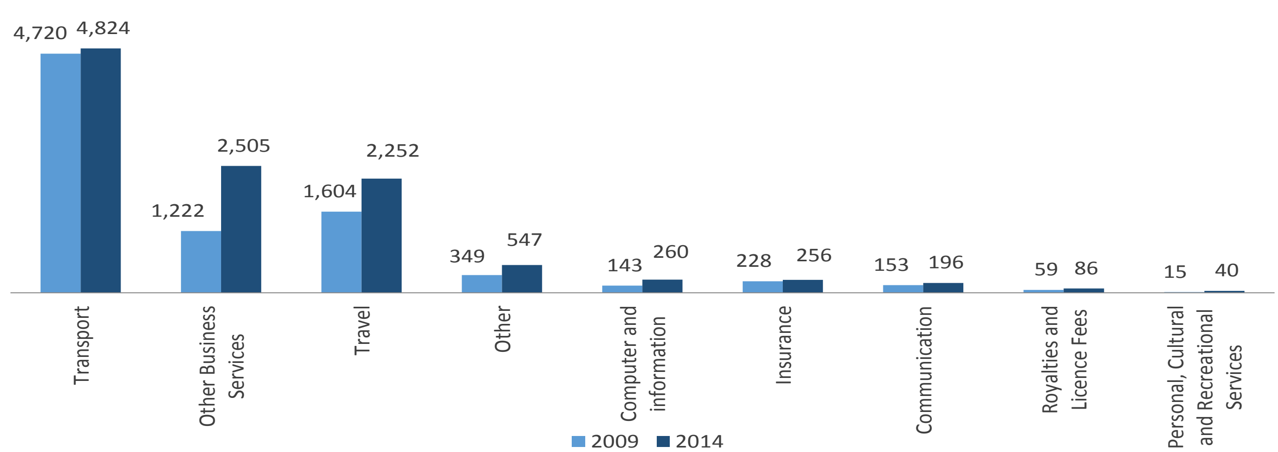


Source: Studies Department, DIRECON, based on data from Central Bank of Chile.

The main types of services imports and exports were: transport and other business services. During 2014, these three services accounted for 87% of exports and 72% of imports.

Transport services exports have grown smoothly at a rate of 0.4% in the 2009-2014 period, pushed upward mainly by the expansion of non-maritime transport (5.4%), whereas maritime transport (accounting for 53% of the total external sales of transport services) contracted by 3.0%. Analyzing the sector "other business services", indicates that exports grew at a rate of 15% on annual average. Travel service exports, expanded by 7.0% in the 2009-2014 period. About, 71% corresponded to personal travel, which grew at an annual rate of 7.9%. There are highly dynamic areas of services. For example, the exports of service that grew the most between 2009 and 2014 were the computer and information services (27%), followed by personal, cultural and recreational services (22%).

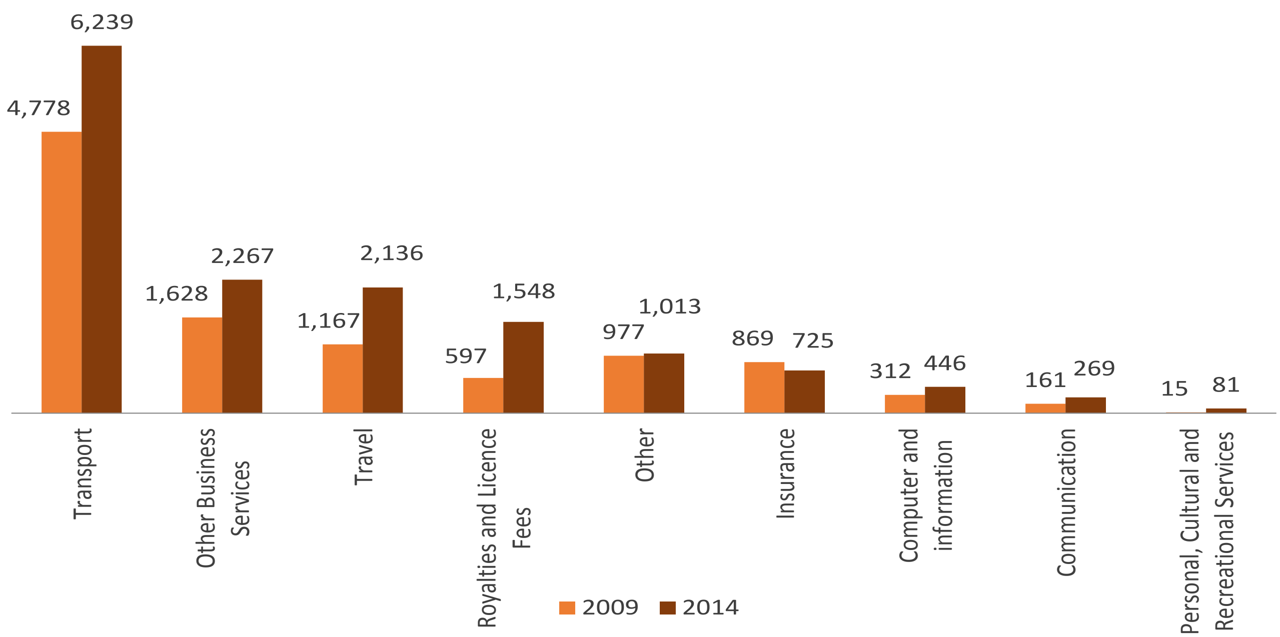
Figure 5: Exports by Type of Service, 2009 - 2014 (US$ Million)



Source: Studies Department, DIRECON, based on data from Central Bank of Chile.

On the other hand, imports of transport services increased at an average annual rate of 5.5% in the 2009-2014 period. Maritime transport accounted for 69% with an average rise of 4.1%. Meanwhile, imports of "other business services" grew by 6.8% annually in that period. Imports of travel services grew on average by 13% annually, highlighting personal travel with 70% share and an annual growth of 13% too, similar to the business travels which expanded by 12%. The largest increases were experienced in the personal, cultural and recreational services (41%) and royalties and license fees (21%).

Figure 6: Imports by Type of Service, 2009 - 2014 (US$ Million)



Source: Studies Department, DIRECON, based on data from Central Bank of Chile.

The Central Bank of Chile provides services trade data following the methodological framework of the International Monetary Fund in its *fifth edition of the Balance of Payment Manual*. The first item includes exported and imported transport services, whose data is obtained from the National Customs Service of Chile and from reports of transport agencies/operators. The next item considers travel services built on data from the National Tourism Service of Chile and International Police. Finally, there is also information about other traded services such as communication, insurance, computing, royalties and license fees, personal, cultural and recreational services and other business services, amongst others. These figures originate from various sources in the public sector (National Customs Service, Banks Superintendency, Pensions Superintendency, the Revenue Service of Chile and other sources) and from business surveys.

Nonetheless, these data are recorded for the Balance of Payment and do not include a breakdown by country for each item. Chilean information for services by countries is available for 74% of service exports and 57% of service imports. In fact, service exports are classified in transport, travel, computing, and technical, professional and business services (the latter as part of Other Business Services) while service imports are presented only for transport and travel.

During the last three years, United States has been the largest partner in services with a share in exports of 15.8% and 17.5% in imports in 2014. While, the neighboring countries like Argentina, Brazil and Peru, for both exports and imports of services are the second largest market for Chilean services.

In the abovementioned services, Chilean exports have grown by 3.2% annually in the 2009-2014 period. The countries which have experienced the largest increases in Chilean exports of services are Mexico (11%), Switzerland (10%) and Brazil (5.6%).

On the other hand, import services have expanded by 7.1% per year since 2009. Among the main sources of services imports, it may be highlighted the expansion in the last five years of Switzerland (20%), Peru (15%) and Panama (10%), compared to the decline of Germany (-1.7%) and Spain (-0.3%).

Table 18: Main Exports Destinations of Chilean Services*, 2009 - 2014 (US$ Million and Percentages)

	Country	2009	2010	2011	2012	2013	2014	Variation 2014/2013	Annual Average Growth 2009-2014	Share 2014
	Total*	6,960	8,990	10,529	9,572	9,394	8,133	-13.4%	3.2%	100.0%
1	United States of America	1,216	1,324	1,543	1,352	1,278	1,282	0.4%	1.1%	15.8%
2	Brazil	690	808	955	1,237	1,269	906	-28.6%	5.6%	11.1%
3	Argentina	690	682	720	929	915	798	-12.8%	3.0%	9.8%
4	China	476	1,423	1,426	1,005	825	564	-31.7%	3.4%	6.9%
5	Peru	391	560	668	563	544	511	-6.1%	5.5%	6.3%
6	Spain	358	379	394	388	465	376	-19.3%	0.9%	4.6%
7	Germany	390	399	489	392	369	368	-0.5%	-1.2%	4.5%
8	Switzerland	136	171	244	236	239	224	-6.3%	10.4%	2.7%
9	Mexico	130	250	272	248	257	223	-13.1%	11.5%	2.7%
10	France	165	215	212	175	210	207	-1.5%	4.7%	2.5%

Source: Studies Department, DIRECON, based on data from Central Bank of Chile.
* Includes Transport, Travel, Computing and Technical, Professional and Business Services, the latter as part of Other Business Services.

Table 19: Main Import Origins of Chilean Services*, 2009 - 2014 (US$ Million and Percentages)

	Country	2009	2010	2011	2012	2013	2014	Variation 2014/2013	Annual Average Growth 2009-2014	Share 2014
	Total*	5,945	7,955	9,830	9,166	8,974	8,375	-6.7%	7.1%	100.0%
1	United States of America	918	1,233	1,432	1,453	1,485	1,469	-1.1%	9.9%	17.5%
2	Germany	1,015	1,310	1,649	1,169	1,007	932	-7.4%	-1.7%	11.1%
3	Argentina	626	689	807	897	711	714	0.4%	2.7%	8.5%
4	Brazil	373	503	723	635	607	583	-4.0%	9.3%	7.0%
5	Peru	172	238	294	347	360	342	-4.8%	14.8%	4.1%
6	Japan	259	333	419	365	329	341	3.8%	5.7%	4.1%
7	Switzerland	110	228	304	452	350	268	-23.4%	19.6%	3.2%
8	France	185	308	255	283	257	251	-2.2%	6.3%	3.0%
9	Spain	253	256	262	221	224	250	11.8%	-0.3%	3.0%
10	Panama	151	206	258	200	246	246	0.1%	10.2%	2.9%

Source: Studies Department, DIRECON, based on data from Central Bank of Chile.
* Includes Transport and Travel Services.

2.4.2 Origin, Destination and Total South African Exports and Imports Services

According to the SARB, in 2014, South Africa's services exports amounted to R182.8 billion (US$13.1 billion) while imports accounted for R184.8 billion (US$13.3 billion). As can be seen from the table below, South Africa exports mobile telecommunication services, engineering services (mining and construction), financial services, transportation services, professional services and information services (call / service centres). South Africa's main imports were in travel (tourism), transportation services, telecommunications, computer related services, creative art (movie and television productions) and financial services.

There is currently no statistical information on the origin or destination of these imports and exports. However, it is widely contended that South Africa exports services across the globe. Moreover, based on industry consultations it appears that South Africa is a significant exporter of services into Africa, especially in ITC, Finance, Professional, and Retail Services.

Table 20: South Africa's Services Exports and Imports

Services	2014			
	Exports		Imports	
(In ZAR Million and US$ Million)[29]	ZAR	US$	ZAR	US$
Transportation	32 908	2 364	81 686	5 868
Passenger fares	12 431	893	34 068	2 447
Other	20 477	1 471	47 618	3 421
Travel	**101 477**	**7 290**	**34 349**	**2 468**
Business	8 356	600	9 303	668
Other	93 091	6 688	25 046	1 799
Other services	**48 459**	**3 481**	**68 793**	**4 942**
Manufacturing services on physical inputs owned by others	34	2		
Repairs and maintenance services on movable goods n.i.e	960	69	83	6
Financial and insurance services	12 113	870	7 709	554
Charges for the use of intellectual property	1 260	91	18 791	1 350
Telecommunications, computer and information services	6 564	472	11 380	818
Personal, cultural and recreational services	1 576	113	222	16
Other business and miscellaneous services of which:	25 952	1 864	30 608	2 199
Legal services	4 858	349	972	70
Accounting services	1 546	111	1 441	104
Advertising and market research services	1 226	88	1 614	116
Architectural, engineering and other technical services	7007	503	11 991	861
Total Services	**182 814**	**13 133**	**184 828**	**13 278**

Source: South African Reserve Bank Quarterly Review 2014.

2.5 Trade Agreements Negotiated by Each Party

2.5.1 Chile

Chile has 24 trade agreements in force with 63 economies specified in the following table, representing 63% of global population and 85% of world GDP. In fact, 94% of Chilean exports go to markets with such agreements, while 91% of imports come from these economies.

The agreements have been negotiated in a pragmatic way, taking in account the interests of the other party and therefore signing trade agreements with different depths. Given this, Chile has

[29] Figures are in South African Rands Only, Dollars used for references: OANDA, accessed 06 November 2015.

fifteen Free Trade Agreements, five Economic Complementation Agreements with Latin-American countries, three Economic Association Agreements and a Preferential Trade Agreement. Most agreements leave some products excluded from the bilateral benefits, giving both parties space to protect sensitive areas, as in the cases of Canada, Japan, European Union, Peru, China, amongst others. In some trade agreements, only a limited list of products have reduced tariffs while the rest of the goods maintain general customs conditions.

As it is detailed in chapter 5, other issues are included in the agreements, such as Trade in Services, Investment and Government Procurement, amongst others.

Table 21: List of Trade Agreements of Chile, 2015

N° Agreements	N° Economies	Economy	Agreement	Effective date
1	1	Australia	FTA CHILE - AUSTRALIA	March 6, 2009
2	2	Bolivia	ECONOMIC COMPLEMENTATION AGREEMENT N°22 CHILE - BOLIVIA	April 6, 1993
3	3	Canada	FTA CHILE - CANADA	July 5, 1997
4	4	Colombia	FTA CHILE - COLOMBIA	May 8, 2009
5	5	South Korea	FTA CHILE - SOUTH KOREA	April 2, 2004
6	6	Cuba	ECONOMIC COMPLEMENTATION AGREEMENT N°42 CHILE - CUBA	June 27, 2008
7	7	Ecuador	ECONOMIC COMPLEMENTATION AGREEMENT N°65 CHILE - ECUADOR	January 25, 2010
8	8	United States of America	FTA CHILE - UNITED STATES OF AMERICA	January 1, 2004
9	9	Hong Kong	FTA CHILE - HONG KONG	October 9, 2014
10	10	India	PREFERENTIAL TRADE AGREEMENT CHILE - INDIA	August 17, 2007
11	11	Japan	ECONOMIC ASSOCIATION AGREEMENT CHILE - JAPAN	September 3, 2007
12	12	Malaysia	FTA CHILE - MALAYSIA	February 25, 2012
13	13	Mexico	FTA CHILE - MEXICO	July 31, 1999
14	14	Panama	FTA CHILE - PANAMA	March 7, 2008
15	15	Peru	FTA CHILE - PERU	March 1, 2009
16	16	China	FTA CHILE - CHINA	October 1, 2006
17	17	Turkey	FTA CHILE - TURKEY	March 1, 2011
18	18	Venezuela	ECONOMIC COMPLEMENTATION AGREEMENT N°23 CHILE - VENEZUELA	July 1, 1993
19		MERCOSUR	ECONOMIC COMPLEMENTATION AGREEMENT N°35 CHILE - MERCOSUR	October 1, 1996
	19	Argentina		
	20	Brazil		
	21	Paraguay		
	22	Uruguay		
20		EFTA	FTA CHILE - EFTA	December 1, 2004
	23	Iceland		
	24	Liechtenstein		
	25	Norway		

	26	Switzerland		
21		Central America	FTA CHILE - CENTRAL AMERICA	February 14, 2002
	27	Costa Rica		
	28	El Salvador		
	29	Guatemala		
	30	Honduras		
	31	Nicaragua		
22	32	Viet Nam	FTA CHILE - VIET NAM	January 1, 2014
23		P4	ECONOMIC ASSOCIATION AGREEMENT P4	November 8, 2006
	33	Brunei		
	34	Singapore		
	35	New Zealand		
24		European Union	ASSOCIATION AGREEMENT CHILE - EUROPEAN UNION	February 1, 2003
	36	Austria		
	37	Belgium		
	38	Bulgaria		
	39	Croatia		
	40	Cyprus		
	41	Czech Republic		
	42	Denmark		
	43	Estonia		
	44	Finland		
	45	France		
	46	Germany		
	47	Greece		
	48	Hungary		
	49	Ireland		
	50	Italy		
	51	Latvia		
	52	Lithuania		
	53	Luxembourg		
	54	Malta		
	55	Netherlands		
	56	Poland		
	57	Portugal		
	58	Romania		
	59	Slovakia		
	60	Slovenia		
	61	Spain		
	62	Sweden		
	63	United Kingdom		

Source: Studies Department, DIRECON.

The following table includes coverage of existing agreements that Chile has for the disciplines of trade in goods, trade in services, investments, and government procurement considering that each agreement may include more disciplines presented here.

Table 22: Coverage of Chilean Trade Agreements, 2015

N° Agreements	Economy	Trade in Goods	Trade in Services	Investment	Government Procurement
1	Australia	✓	✓	✓	✓
2	Bolivia	Short list for products from Chile			
3	Canada	Products exclusion list	✓	✓	✓
4	Colombia	Tariff quotas	✓	✓	✓
5	South Korea	Products exclusion list and tariff quotas	✓	✓	✓
6	Cuba	Short list			
7	Ecuador	Products exclusion list			
8	United States of America	✓	✓	✓	✓
9	Hong Kong	✓	✓		✓
10	India	Short list			
11	Japan	Products exclusion list and tariff quotas	✓	✓	✓
12	Malaysia	Products exclusion list, tariff quotas and products included in the tariff elimination schedule			
13	Mexico	Products exclusion list	✓		✓
14	Panama	Products exclusion list	✓		
15	Peru	Products exclusion list	✓	✓	
16	China	Products exclusion list	✓	✓	
17	Turkey	Products exclusion list and tariff quotas			
18	Venezuela	Products exclusion list			
19	MERCOSUR	✓	✓		✓ (Uruguay)
20	EFTA	Products exclusion list	✓		✓
21	Central America	Products exclusion list (by country) and tariff quotas (Guatemala and Honduras)	✓		✓
22	Viet Nam	Products exclusion list			
23	P4	✓	✓		✓
24	European Union	Products exclusion list and tariff quotas	✓		✓

✓ Trade in Goods: This means that the preferences cover the entire tariff universe. In the remaining particularities of each agreement as specified: exclusion list, tariff quotas, etc.
Source: Studies Department, DIRECON.

2.5.2 South Africa

South Africa[30] is part of the Southern Africa Customs Union (SACU), which is the world oldest customs union. SACU is a perfect customs union with a common external tariff. Article 31 of the 2002 SACU Agreement directs SACU member's states to have a common negotiating position when negotiating any trade agreements that involve tariffs, i.e. free trade agreements (FTA), preferential trade agreement (PTA), World Trade Organization (WTO) rescheduling, etc. However, prior to the 2002 SACU agreement entering into force, SACU countries were free to enter into trade agreements as individual countries. Hence, South Africa concluded an FTA with European Union through a Trade, Development and Cooperation Agreement (TDCA) in 1999. The TDCA entered into force effectively

[30] http://www.thedti.gov.za/trade_investment/ited_trade_agreement.jsp

from 1 May 2004. South Africa is also part of the Southern African Development Community (SADC) Trade Protocol with 85% of trade duty free.

SACU currently has a FTA with European Free Trade Association (EFTA). SACU also concluded a Preferential Trade Agreements (PTA) with Southern Common Market (MERCOSUR). SACU is also involved in negotiations towards a PTA with India. On 12 June, 2015, the Heads of State and Government of the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and the Southern African Development community (SADC) met and signed a declaration launching negotiations for the establishment of the COMESA-EAC-SADC Trilateral Free Trade Area (FTA). On 25 July 2015, the African leaders also launched negotiations towards a Continental FTA.

South Africa and SACU have concluded trade agreements that covers solely trade in goods.

Table 23: Trade Agreements Negotiated by South Africa

	Type of Agreement	Countries Involved	Entry into force	Products Coverage
Customs Union				
Southern African Customs Union (SACU)	Customs Union	South Africa, Botswana, Lesotho, Namibia and Swaziland	1 March 1970	Trade in goods
Free Trade Agreements (FTAs)				
Southern African Development Community (SADC) FTA	Free Trade Agreement	Between 15 SADC Member States	August 2008	Trade in goods
Trade, Development and Cooperation Agreement (TDCA)	Free Trade Agreement	South Africa and the European Union (EU)	1 May 2004	Trade in goods
EFTA-SACU Free Trade Agreement (FTA)	Free Trade Agreement	SACU and the European Free Trade Association (EFTA) -Iceland, Liechtenstein, Norway and Switzerland	1 May 2008	Trade in goods
SADC-EU EPA	Economic Partnership Agreement	SADC and EU	Ratification	Trade in goods
SADC-EAC-COMESA Tripartite FTA	Free Trade Agreement	26 countries with a combined GDP of US$860 billion and a combined population of approximately 590 million people	Negotiations	Trade in goods
Continental FTA[31]	Free Trade Agreement		Negotiations	
Preferential Trade Agreements (PTAs)				
SACU-Southern Common Market (MERCOSUR) PTA	Preferential Trade Agreement	SACU and MERCUSOR (Argentina, Brazil, Paraguay, Uruguay and Venezuela)	1 April 2016	Trade in goods
SACU – India PTA	Preferential Trade Agreement	SACU and India	Negotiations	Trade in goods
Non-reciprocal Trade Arrangements				

[31] http://www.tralac.org/resources/by-region/cfta.html

	Type of Agreement	Countries Involved	Entry into force	Products Coverage
Generalised System of Preferences (GSP)	Unilateral preferences granted under the enabling clause of the WTO that are not contractually binding upon the benefactors	Offered to South Africa as developing country by the EU, Norway, Switzerland, Russia, Turkey, the US, Canada and Japan	Extended until 31December 2017	Trade in goods
Africa Growth and Opportunity Act (AGOA)	Unilateral assistance measure	Granted by the US to 39 Sub-Saharan African (SSA) countries	Extended until 30September 2025	Trade in goods
Other Agreements				
Trade, Investment and Development Cooperation Agreement (TIDCA)	Cooperative Framework Agreement	SACU and US		Trade in goods
Trade and Investment Framework Agreement (TIFA)	Bilateral Cooperation Agreement	South Africa and US	18 February 1999	None

Source: **the dti**

3. ECONOMIC RELATIONS BETWEEN CHILE AND SOUTH AFRICA

3.1 Chile

3.1.1. Bilateral Trade in Goods

In the last six years, trade between Chile and South Africa has grown by 8.8% annual average growth. In 2014 it reached US$210 million (0.14% of Chilean global trade) although it declined to 6.4% in comparison with 2013.

Since 2007, exports have taken the lead, generating a surplus in trade balance. The above is explained by a best behavior of exports, growing up by 15.4% average in the last six years, while imports have increased 1.0% in the same period. Last year exports grew 22.2% and imports decreased 33.7%, however, last year behavior, can be explained as a response to global factors.

Table 24: Chilean Trade with South Africa, 2009 - 2014 (US$ Million and Percentages)

	2009	2010	2011	2012	2013	2014	Variation 2014/2013	Annual Average Growth 2009-2014
Trade Exchange	138	172	194	240	224	210	-6.4%	8.8%
Exports (FOB)	65	84	106	138	109	134	22.2%	15.4%
Imports (CIF)	72	88	88	102	115	76	-33.7%	1.0%
Imports (FOB)	65	80	81	93	108	70	-35.3%	1.4%
Trade Balance (FOB)	0.2	4	25	45	2	64		

Source: Studies Department, DIRECON, based on data from Central Bank of Chile.

3.1.2. Exports at HS6

South Africa is the 29th market for Chilean exports, representing 0.18% of total exports to the world in 2014. Exports are concentrated in industrial sector with 97.1% share.

Industrial exports expanded by 20.5% in 2014. Chemical products are the main item of exports with US$109 million, 81.7% of total exports and showing an expansion by 35.0% in 2014, having an annual average growth of 26.8% since 2009.

Other industrial products to stand out are metals products, machinery and equipment with a 5.6% share, although exports decreased in 2014 (-22.7%). Meanwhile, processed food exports fell 54.2% in the last year, reaching a share of 2.6%. Despite the falls of last year, there are marked expansions in exports of bottled wine (24.5%) in the 2009-2014 period.

Agricultural, silviculture and fishing exports, with a low share in total exports (2.3%), had the highest sectorial growth in 2014, increasing more than seven times last year.

Mining exports had a share of 0.6%, with a 39.3% contraction last year, however accumulating an annual average increase of 53.8% since 2009. Most of it is non-copper mining, which had a reduction of 38.2% in 2014.

It's important to mention that 99.4% of total exports to South Africa comprises no mining or wood pulp products, with an annual average expansion of 15.3% since 2009 and a growth of 22.9% in 2014.

Table 25: Chilean Exports to South Africa, 2009 - 2014 (US$ Million and Percentages)

	2009	2010	2011	2012	2013	2014	Variation 2014/2013	Annual Average Growth 2009-2014	Share 2014
Exports (FOB)	65	84	106	138	109	134	22.2%	15.4%	100.0%
Mining	0.1	0.5	0.6	1.2	1.2	0.7	-39.3%	53.8%	0.6%
Copper	-	-	-	-	0.03	0.01	-78.2%	-	0.01%
Other mining	0.1	0.5	0.6	1.2	1.2	0.7	-38.2%	53.5%	0.6%
Agricultural, forestry and fishing	2.3	0.7	0.6	0.5	0.4	3.1	654.6%	5.9%	2.3%
Fruits	0.04	0.1	0.1	-	-	-	-	-100.0%	0%
Industry	63	83	105	136	108	130	20.5%	15.6%	97.1%
Processed foods	9.1	7.6	7.4	7.9	7.6	3.5	-54.2%	-17.6%	2.6%
Salmon	1.6	0.6	0.4	0.2	0.3	0.1	-71.1%	-45.4%	0.1%
Other than salmon	7.5	6.9	7.0	7.7	7.3	3.4	-53.5%	-14.7%	2.5%
Bottled wine	0.2	0.4	0.8	0.3	0.5	0.5	-1.8%	25.8%	0.4%
Pulp*	0.04	-	0.1	0.1	-	-	-	-100.0%	0%
Forestry and wood furniture	2.5	1.3	3.8	2.5	2.6	1.9	-27.7%	-5.1%	1.4%
Chemicals	33	59	72	101	81	109	35.0%	26.8%	81.7%
Metals products, machinery and equipment	14	6	11	11	10	8	-22.7%	-11.4%	5.6%
No mining or pulp exports (FOB)	65	83	105	137	108	133	22.9%	15.3%	99.4%

Source: Studies Department, DIRECON, based on data from Central Bank of Chile.

In 2014, the ten main exported subheadings to South Africa reached 88.2% of exports, which shows a strong concentration. Chemicals lead the list with 68.5% of total exports, including potassium chloride (31.3%) and potassium nitrate (27.6%). Except for potassium chloride which fell 0.9% last year, chemicals showed high expansions in exports: potassium nitrate grew more than two times, sodium nitrate increased almost seven times, while potassium sulphate didn't have exports in 2013. Molybdenum concentrates and ferro-molybdenum may also be highlighted, while the first one had a contraction in their exports of 32.7%, the second one experienced a growth of 7.6% compared to 2013. On the other hand, the biggest expansion was in maize seeds exports, which multiplied by more than 31 times.

Table 26: Main Chilean Exports to South Africa, 2014 (US$ Million and Percentages)

Subheading	Description	Value	Share	Variation 2014/2013
	Total exports to South Africa	133.7	100.0%	22.2%
	Subtotal ten main exports	117.9	88.2%	36.2%
310420	Potassium chloride, in packages weighing more than 10 kg	41.8	31.3%	-0.9%
283421	Potassium nitrate	36.9	27.6%	149.9%
261310	Molybdenum concentrates, roasted	12.1	9.0%	-32.7%
310250	Sodium nitrate, in packages weighing more than 10 kg	10.8	8.1%	597.8%
720270	Ferro-molybdenum	5.9	4.4%	7.6%
100510	Maize (corn) seed	2.7	2.0%	3095.1%
380892	Fungicides	2.1	1.6%	40.4%
310430	Potassium sulphate, in packages weighing more than 10 kg	2.1	1.6%	-
870790	Bodies for tractors, buses, trucks and special purpose vehicles	1.9	1.4%	57.4%
843143	Parts of boring or sinking machinery, whether or not self-propelled	1.5	1.1%	-16.7%

Source: Studies Department, DIRECON, based on data from Central Bank of Chile.

3.1.3. Imports at HS6

During 2014, imports reached US$76 million. Imports declined by 33.7% last year, imports exhibited an annual increase of 1.0% in the last six years.

With a share of 77.5%, intermediate goods imports have grown 4.2% annually since 2009, although they decreased 13.4% in 2014.

With a share of 16.9%, imports of capital goods also decreased in 2014 by 70.7%. Meanwhile, with a growth of 51.9%, consumption goods imports experienced their biggest amount in last six years, growing up 11.5% annual in the 2009-2014 period.

Table 27: Chilean Imports from South Africa, 2003 - 2014 (US$ Million and Percentages)

	2009	2010	2011	2012	2013	2014	Variation 2014/2013	Annual Average Growth 2009-2014	Share 2014
Imports (CIF)	72	88	88	102	115	76	-33.7%	1.0%	100.0%
Intermediate Goods	48	65	73	62	68	59	-13.4%	4.2%	77.5%
Consumption Goods	2.5	2.7	3.3	4.2	2.8	4.3	51.9%	11.5%	5.6%
Capital Goods	22	21	12	36	44	13	-70.7%	-10.2%	16.9%

Source: Studies Department, DIRECON, based on data from Central Bank of Chile.

The ten main import items of Chile from South Africa contributed 44.3% share of imports in 2014, showing concentration but less than with exports. The largest imports are chemical/allied industry preparations had a share of 7.5%, followed by pineapple juice (6.4%) and chromium ores and concentrates (5.4%). These three subheadings expanded over 40% last year. Another notable expansion over the past year took place with jams and fruit jellies, whose imports expanded by more than 133 times, and mineral waxes which grew more than five times.

Table 28: Main Chilean Imports from South Africa, 2014 (US$ Million and Percentages)

Subheading	Description	Value	Share	Variation 2014/2013
	Total imports from South Africa	76.0	100.0%	-33.7%
	Subtotal ten main imports	33.7	44.3%	19.5%
382490	Chemical/allied industry preparations/prods nes	5.7	7.5%	49.6%
200949	Pineapple juice, unfermented, Brix value > 20 at 20°C, whether or not	4.8	6.4%	60.5%
261000	Chromium ores and concentrates	4.1	5.4%	42.5%
842833	Continuous action elevators/conveyors for goods/mat, belt type nes	3.5	4.6%	-56.4%
200799	Jams, fruit jellies, fruit/nut purée&paste, ckd prep, sugard, sweetend/not	3.2	4.2%	13277.4%
848350	Flywheels and pulleys, including pulley blocks	2.6	3.5%	-25.4%
283329	Sulphates of metal nes	2.6	3.4%	56.9%
721934	Flat rolled prod, stainless steel, cr,w>/=600mm,0.5mm<=thick <1mm	2.4	3.2%	-12.1%
271290	Mineral waxes nes and similar products obtained by synthesis etc	2.3	3.1%	463.6%
360300	Safety/detonatg fuses; percussn/detonatg caps; igniters; elec detonatrs	2.3	3.1%	15.8%

Source: Studies Department, DIRECON, based on data from Central Bank of Chile.

3.1.4. Bilateral Trade in Services

Chilean Information of trade in services is limited to data on tourists, services considered exports and transport. In 2014 a total of 2,563 tourists from South Africa were registered in Chile, comprising 68% of tourists from Africa and 0.1% of total tourists. The number of tourists has been declining (in 2011, the figure was 3,391).

Services considered exports to South Africa reached to US$1.7 million in 2014. Transport cost of Chilean imports from South Africa reached US$4.4 million in 2014 (0.16% of total Chilean imports freight) and the cost of Chilean export transport to South Africa reached US$8.5 million in the same year (0.43% of total Chilean export freight).

Potential in expanding exports in services to South Africa may be envisaged in mining in the areas of information and communication technologies, construction, and architectural services. There is also potential in tourism; and in the areas of aquiculture and environment services. In education, may be explored the area of English and Spanish languages learning and exchange of teachers and students; and also in other disciplines (as mining).

3.1.5. Bilateral Investments

a) Chilean Investment in South Africa

There are Chilean investments in South Africa in commerce and industry, but its amounts are not available[32].

[32] Source: Department of Chilean Foreign Investments, DIRECON.

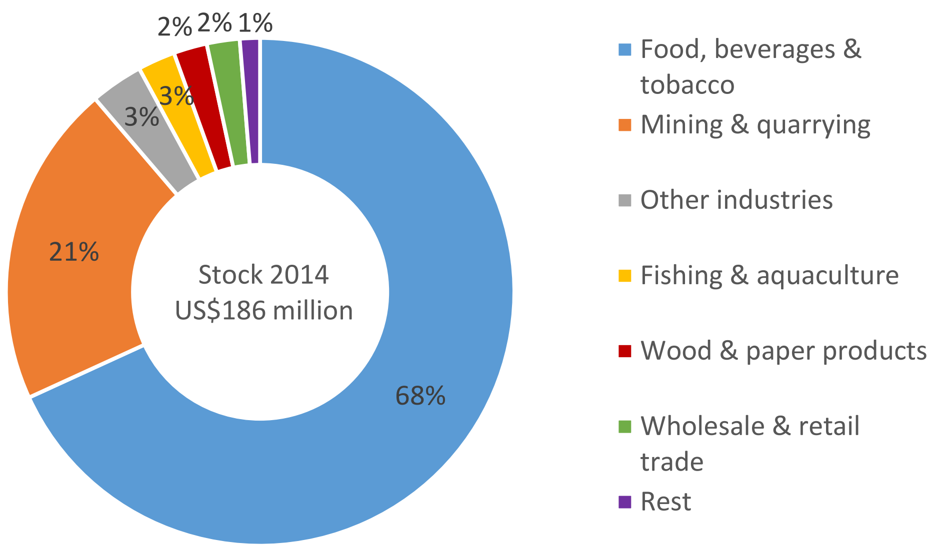
b) South African Investment in Chile33

At 2014 the accumulated stock of South African investment in Chile reached US$186 million, representing 0.17% of total.

Stock invested by South Africa in Chile represents 89% from the African continent. The last flow of investment accounted for US$18 million, occurred in 2013.

The main sectors of South African investment in Chile are food, beverages and tobacco (68%), followed by mining and quarrying (21%). The food, beverages and tobacco investment of South Africa represents a 3.5% of FDI in that sector, followed by fishing and aquaculture with a share of 1.4%.

Figure 7: South African investment in Chile By Sector, 1974 - 2014 (Percentages)



Source: Studies Department, DIRECON, based on data from Foreign Investment Committee of Chile.

3.1.6. Joint participation in multilateral forums: matching topics of interest (WTO, G77, other)

Chile and South Africa are founding signatories of the GATT and later founding members of the WTO. At the WTO both countries share a common position in their interest to advance the agricultural negotiations of the Doha Round, and also the G20 (Agriculture Group), not to be confused with the G-20 group of finance ministers and central bank governors, and its recent summit meetings[34], as well as in the Cairns Group.

The G20 according to the definition in the WTO website is a "Coalition of developing countries pressing for ambitious reforms of agriculture in developed countries with some flexibility for developing countries Members: Argentina, Bolivia, Brazil, Chile, China, Cuba, Ecuador, Egypt,

[33] Referred to investment registered under DL 600.
[34] Website: www.g-20.mre.gov.br

Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Peru, Philippines, South Africa, Tanzania, Thailand, Uruguay, Venezuela, Zimbabwe.

The Cairns Group is also looking for the liberalization of trade in agriculture and exists before the WTO, and includes developed and developing nations. In the WTO website, the Group is a "Coalition of agricultural exporting nations lobbying for agricultural trade liberalization[35]. Members: Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Pakistan, Paraguay, Peru, Philippines, South Africa, Thailand, Uruguay, Vietnam.

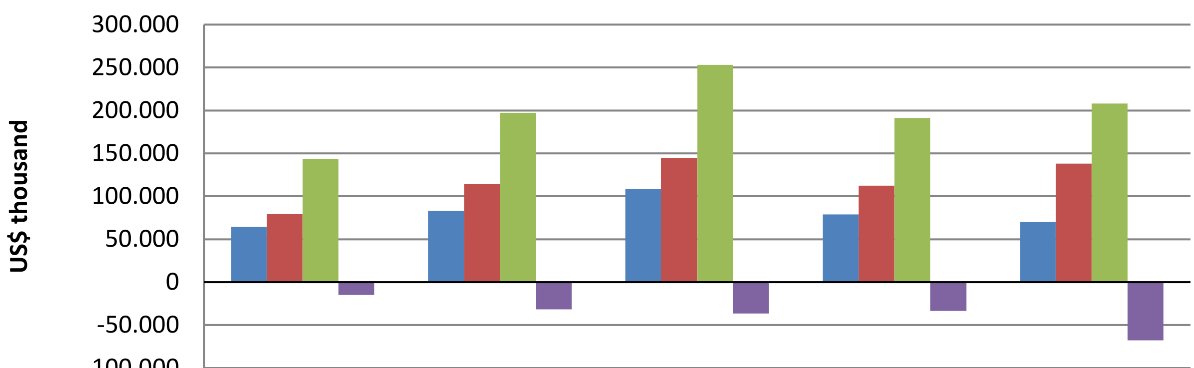
3.2 South Africa

3.2.1 Bilateral Trade in Goods

Trade between South Africa and Chile was on an upward trend from 2010 to 2012, but slowed down in 2013, then continued upwards in 2014. In 2014, total trade between South Africa and Chile increased to US$208 million, an average increase of 13% from US$144 million in 2010. In 2014, South Africa exported US$70 million worth of goods to Chile, an 11% decline from US$78 million exported in 2013. On average, exports to Chile have increased by 5% between 2014 and 2010.

In 2014, South Africa imported US$137 million worth of goods from Chile, an annual increase of 23% from US$112 million in 2013. On average, imports from Chile have increased by 18% between 2014 and 2010. A matter of concern is that South Africa has experienced a trade deficit against Chile for the past 5 years and the trade deficit increased on average by 55% between 2010 and 2014.

Table 29: Bilateral Trade in Goods between South Africa and Chile (2010 – 2014)



	2010	2011	2012	2013	2014
Exports	64.243	82.844	108.175	78.765	70.128
Imports	79.274	114.516	144.803	112.362	137.971
Total Trade	143.517	197.360	252.978	191.127	208.099
Trade Balance	-15.031	-31.672	-36.628	-33.597	-67.843

Source: Trade Map

3.2.2 Exports at HS6

The top five South African exports to Chile include vehicles, fruit juice, cobalt and chromium. These

[35] Website: www.cairnsgroup.org

products contributed a combined percentage share of 33% of total exports to Chile in 2014. Noteworthy is that South African exports to Chile are mostly manufactured or value added products, in line with the South African Industrial Policy Action Plan (IPAP).

Table 30: South Africa's Exports to Chile at HS6 Level (US$' 000)

Products	2010	2011	2012	2013	2014	Rank	
						14	13
870421: Diesel powered trucks with a GVW not exceeding five tonnes	0	0	4 506	5 736	8 344	**1**	**14**
200949: Pineapple juice, unfermented, Brix value > 20 at 20°C, whether or not	1 977	3 367	3 354	3 109	4 308	**2**	**1**
290519: Saturated monohydric acyclic alcohols nes	1 333	2 370	1 648	3 076	4 026	**3**	**13**
810520: Cobalt mattes and other intermediate products of cobalt metallurgy; un	2 650	1 873	1 883	1 658	3 812	**4**	**32**
261000: Chromium ores and concentrates	1 734	3 061	1 473	2 749	2 989	**5**	**15**

Source: Trademap

3.2.3 Imports at HS6

South Africa’s imports from Chile are concentrated in the chemical industries, with the top 5 constituting 75% of total imports from Chile in 2014.

Table 31: South Africa's Imports from Chile at HS6 Level (US$' 000)

Products	2010	2011	2012	2013	2014	Rank	
						14	13
310420: Potassium chloride	24 476	35 835	44 649	45 870	40 662	**1**	**1**
283421: Potassium	11 042	19 186	26 338	14 142	30 433	**2**	**3**
261310: Molybdenum ores and concentrates	1 285	10 500	21 550	19 820	14 895	**3**	**2**
310250: Sodium nitrate	720	738	3 278	1 455	11 479	**4**	**6**
283410: Nitrites	0	0	0	0	6 155	**5**	**8**

Source: Trademap

3.2.4 Bilateral Trade in Services

There is currently no data available on trade flows in services between South Africa and Chile. Based on research done by the Embassy of South Africa in Santiago, there are 17 South African companies providing various services in Chile such as human resource recruitment; transport; consultancy (law, accounting, taxation, geology, engineering and surveying); hospitality and cosmetics.

3.2.5 Bilateral Investments

The foreign direct investments in South Africa more than doubled between 2010 and 2013 from US$3.6 billion to US$8.2 billion. Similarly, investments by South African companies abroad increased to US$5.6 billion in 2013. However, as a percent of GDP, FDI increased from 1 percent to 2.2 percent. The stock of investments in South Africa has been declining, from US$179.6 billion in 2010 to US$140 billion. The percent of stock of FDI to GDP decreased from 47.8 percent to 38.3 percent.

Table 32: Foreign Direct Investment flows and stock, 2008 - 2013

	2008	2009	2010	2011	2012	2013
	(US$ million)					
Flow						
Direct investment in South Africa	9,209	7,502	3,636	4,243	4,559	8,188
Direct investment abroad	-3,134	1,151	-76	-257	2,988	5,620
Stock						
Direct investment in South Africa	83,649	138,751	179,564	159,391	163,510	140,047
Direct investment abroad	49,439	70,296	83,248	97,051	111,780	95,760
	(% of GDP)					
Flow						
Direct investment in South Africa	3.2	2.5	1.0	1.0	1.1	2.2
Direct investment abroad	-1.1	0.4	0.0	-0.1	0.8	1.5
Stock						
Direct investment in South Africa	29.2	46.9	47.8	38.3	41.1	38.3
Direct investment abroad	17.2	23.8	22.2	23.3	28.1	26.2

Source: SACU Trade Policy Review Document.

According to the Financial Times' FDI Markets website, the following are the recorded outward and inward investments from South Africa[36] to Chile. Noteworthy is that South Africa has a diverse range of outward investment in Chile.

Table 33: South Africa's Outward Investment to Chile

South Africa's outward investment to Chile	Estimated Capital Investment (US$)	Sector	South African Company / Institution Involved	Date Reported / stated
UMP	34 million	Plastics	**Urethane Moulded Products** Specialist polyurethane product manufacturer Urethane Moulded Products (UMP) is a South African manufacturing company that serves the mining, infrastructure and engineering industries. UMP is pursuing pipelining opportunities in Chile and has received a grant from **the dti** and Manufacturing Competitiveness Enhancement Programme, which has allowed the company to grow further.	Dec 2013
AEL Latin America	0.9 million	Chemicals	**AECI**	Feb 2011
Anglo American	1.7 billion	Mining	**Anglo American** Anglo American has been in Chile for over 30 years. In 2007, Anglo American got approval of the Los Bronces Copper development project in Chile. The Los Bronces development project entails an investment of US$1.7bn to build new grinding facilities in the Confluencia sector and a new floatation plant at Las Tórtolas 2. Anglo American completed the sale of two copper mines	2011

[36] SARB does not publish specific data on investment relations with Chile.

South Africa's outward investment to Chile	Estimated Capital Investment (US$)	Sector	South African Company / Institution Involved	Date Reported / stated
			in Chile in a deal worth $US300 million. Anglo sold the open-pit Mantos Blancos and Mantoverde mines to UK-based investment firm Audley Capital.	
Cosira Group	2.1 million	Metals	**Silva Group Holdings**	Oct 2009
Softnet Logicalis	18.7 million	Communications	**Datatec**	Sep 2006
Semillas Marinas	2 million	Food & Tobacco	**Irvin & Johnston (I&J)**	Jun 2004
Murray & Roberts		Mining	**Murray & Roberts** It has an existing operation and controlling shareholding in two mining contract companies, Terracem and Cementation Sudamerica. Part of M&R team rescued Chilean trapped miners at San Jose mine. The Rotary Vertical Drilling System technology, co-developed by Murray & Roberts, was also applied to accurately drill a pilot hole to reach the trapped miners.	
San Francisco Investment SA	200 million	Hospitality	**Sun International**[37] **Sun International** won regulatory approval to purchase a 40 percent stake in Chilean entity **San** Francisco **Investment SA** that holds a 15 year casino licence in Region Six of Chile. The project is expected to cost a $200 million. Sun International considers this to be the premium casino opportunity.	N/A
Skandia - Irvin-Johnson,		Finance	**Old Mutual** With the acquisition of Skandia - Irvin-Johnson, Old Mutual now has operations in a large number of additional countries, including Chile. Skandia's UK operation is the Skandia Group's largest business. Skandia UK's product offerings include unit-linked assurance, mutual funds and protection. Skandia owns 81% of Bankhall, a UK provider of services to independent financial advisers. Skandia also operates an offshore company, Royal Skandia, based on the Isle of Man, which offers products to international investors and expatriates.	N/A
Carozzi		Retail	**Tiger Brands** It had an acquisition of 24% of the stake in the Chilean company called Carozzi about 11 years ago. Carozzi is a food company leading manufacturing, marketing and distribution activities in Chile is a market leader in most of the sectors in which it operates.	N/A
Dust-a-Side		Construction	In 2010 DUST-A-SIDE PTY consolidated a strategic alliance with BAILAC SAN LTDA and forged a common path of technological development and innovation for dust-free paths in an operational environment more efficient and productive for the vast Mining.	2010

Source: fdi markets

The data indicating the presence of Chilean companies in South Africa is limited. However, available data indicates that there are only two companies from Chile investing in South Africa.

[37] http://www.highbeam.com/doc/1G1-180066389.html

Table 34: South Africa's Inward Investment from Chile

South Africa's inward investment from Chile	Estimated Capital Investment (US$ Million)	Sector	South African Company / Institution Involved	Date Reported / stated
Vina Concha y Toro	23.4	Beverages	Vina Concha y Toro	Feb 2012
SQM	Unknown	Chemical	Mineag SQM Africa (Pty) Ltd, SQM Africa (PTY) Ltd	2003

Source: fdi markets

3.2.6 Joint participation in multilateral forums: matching topics of interest (WTO, G77, other)

South Africa is a strong proponent of multilateralism, and has historically played an active part in the GATT/WTO, including in the ongoing DDA negotiations where it is a key member of various configurations under the agriculture and NAMA areas of the negotiations. In South Africa's view, the DDA negotiations offer WTO Members an opportunity to strengthen the rules-based trading system in a manner that reduces imbalances and inequalities, and supports development-related issues, which had not been an integral part of any previous multilateral trade negotiation under the GATT/WTO.

In the G77, South Africa supports the work of the Committee on Trade in resolving to implement strategic actions to consolidate, strengthen and deepen South-South trade. It considers that galvanizing South-South trade is timely against the backdrop of a new geography of trade and economic relations in which the South is making important contributions. Three interconnecting issues being supported by South Africa in this regard are namely:

- strengthening developing countries' capacity for trade negotiations,
- networking among regional integration groupings, and
- enhancing South-South cooperation and trade, especially in commodities.

South Africa through BRICS renewed its openness to increasing engagement with other countries, particularly developing countries and emerging market economies, as well as with international and regional organizations, with a view to fostering cooperation and solidarity in its relations with all nations and peoples. To that effect, during the 6th Summit in Brazil, BRICS members held a joint session with the leaders of the South American nations, under the theme of the Sixth BRICS Summit, with a view to furthering cooperation between BRICS and South America. BRICS reaffirmed its support for the South American integration processes, and recognize in particular the importance of the Union of South American Nations (UNASUR) in promoting peace and democracy in the region, and in achieving sustainable development and poverty eradication. BRICS believe that strengthened dialogue among BRICS and South American countries can play an active role in enhancing multilateralism and international cooperation, for the promotion of peace, security, economic and social progress and sustainable development in an interdependent and increasingly complex, globalizing world.

4. ANALYSIS OF ENHANCEMENT OF TRADE AND INVESTMENT BETWEEN CHILE AND SOUTH AFRICA

4.1 Chile

4.1.1 Bilateral Trade in Goods

4.1.1.1. Current Trade

The following exercise is a hypothetical case to estimate the potential benefits for both Chile and South Africa of a reduction on trade tariffs. Therefore, it does not represent the reality of a proposal for a bilateral agreement, but it is an economic approach to analyze gains under that scenario.

To analyze the effects of tariff reductions on bilateral trade, both exports and imports, partial equilibrium models are used which aim to determine the likely changes on currently traded goods (2014) between Chile and South Africa. It is important to consider that, as the models are based on already traded products, can generate underestimated results, because only those tariff lines with trade in the period analyzed are considered, i.e., greater than zero. Being partial equilibrium models, each market is separately analyzed without considering the relationships between these markets and the world, nor the resource constraints in the economy. Partial equilibrium models are quite used to generate these estimates.

i. Effects on Chilean Exports to South Africa

Using the methodology described in Annex 1, for the impact in current Chilean exports to South Africa, it is considered that the addition of the change in every single export item would reflect the total increase in Chilean exports to that country in the hypothesis that all customs items would simultaneously face a zero tariff. The above-mentioned implies that the obtaining of the result requires of a certain period, determined by the tariff reduction terms negotiated among the parties.

Regarding the effect on exports, 197 products were taken, corresponding to the total of the products that Chile exports to South Africa in 2014. Of these, 108 are taxed, i.e., have a tariff higher to zero, and therefore, constitute the set of goods on which an increase of Chilean exports is estimated in the hypothetical scenario of liberalization. This 108 products represented 7% of total Chilean exports to South Africa in 2014, thus the estimated results will be eventually small. The table below shows those products with the higher variation in exports amount, considering that calculated totals' shown represent impact on the 108 products analyzed.

The estimate indicates that Chile's exports to South Africa could increase by US$3.1 million, an increase of 2.3% from the current scenario. More than 50% of that growth is given by the three first products of the table: other bodies (including cabs) for the motor vehicles (29%), purees and tomato juices (17%) and not organic dry prunes (6%). Among the largest estimated variations include puree and tomato juices (86.6%), frozen edible offal of fowls (61.6%) and a variety of wines (58.5%).

Analyzing variations by sector, there are some of them for which exports would grow more than 50%: clothing accessories (64%), meat and meat preparations (62%), footwear (61%), vegetables and fruit (59%), beverages (59%) and fish and molluscs (53%).

Table 35: Changes in Chilean Exports to South Africa by Tariff Reductions (US$ Million and Percentages)

HS Code	Description	Tariff (%)	Exports value (US$ millions)	Exports variation (US$ millions)	Growth rate (%)
87079099	Other bodies (including cabs) for the motor vehicles	20.0	1.9	0.9	46.8
20029012	Purees and tomato juices, dry weight >= 7% extract, Brix value between 30% and 32%	37.0	0.6	0.5	86.6
8132090	Dry prunes, not organic	10.0	0.5	0.2	35.6
38089299	Other fungicides presented as preparations or articles such as tapes / strands / candles	3.3	2.1	0.2	7.8
82071990	Other useful for drilling or probing, including parts	7.5	0.7	0.1	17.6
22042161	Cabernet Sauvignon made with non-organic grapes	25.0	0.2	0.1	58.5
3031420	Trout topped and gutted ("HG") without livers and roes, frozen	25.0	0.2	0.1	58.5
73211990	Other cooking appliances and plate warmers, even of solid fuels, cast / iron / steel	15.0	0.2	0.1	35.1
12060010	Sunflower seeds, whether or not broken, for sowing	9.4	0.2	0.1	33.5
21021000	Active yeasts	15.0	0.1	0.1	35.1
22042162	Merlot made with non-organic grapes	25.0	0.1	0.1	58.5
85372090	Other Tables / panels / consoles / cabinets / other bases, equipped to control or distribution of electricity, for a voltage> 1000V	12.5	0.1	0.04	29.3
44119220	Other fibreboard of wood or other ligneous materials, density > 0.8 g/cm3, mechanically worked and surface coating	10.0	0.2	0.04	23.4
22042141	Sauvignon blanc made with non-organic grapes	25.0	0.1	0.04	58.5
22042163	Carmenere made with non-organic grapes	25.0	0.1	0.04	58.5
2071430	Edible offal of fowls, frozen	26.3	0.1	0.03	61.6
73218900	Other non-electrical appliances, including solid fuel, cast / iron / steel	15.0	0.1	0.03	35.1
87082990	Other parts and accessories of bodies of motor vehicles, tractors and other land vehicles	20.0	0.1	0.03	46.8
44219090	Other articles of wood	10.0	0.1	0.03	23.4
22042991	Other wine, capacity> 2L, red	25.0	0.04	0.03	58.5
	Total		**133.7**	**3.1**	**2.3**

Source: Studies Department, DIRECON, based on data from TradeMap and WTO.

ii. Effects on Chilean Imports from South Africa

The estimated imports from South Africa are obtained after adding the results of trade creation and trade diversion (see methodology in Annex 2). The scenario assumes a tariff of 6% for South Africa before an agreement and zero after it, but for trade deviation it also includes a tariff of 0.92% for the rest of the world (effective applied tariff[38]). Regarding trade diversion, it is important to consider that if it involved higher imports from South Africa, does not mean increasing the total Chilean imports, because is just about a substitution. In total, the 580 products imported were estimated, and the following table shows those with the biggest amount variation.

Analyzing current imports from South Africa, it concludes that trade creation would amount in a range of US$5.16 – US$6.54 million, while trade diversion would total in a range of US$4.3 – US$5.25

[38] Imports Effective Applied Tariff is the average of effectively applied rates weighted by the product import shares.

million. Overall, total Chilean imports from South Africa would grow in a range by 12% - 16%; this is between US$9.46 and US$11.79 million.

Industrial products of the next table like: other elevators and conveyors, flywheels and pulleys, parts of pumps for liquids, parts intended for lifting, other parts of machines for earth work, other washing machines and other machinery/mechanical appliances having individual functions would have increases by more than 20%. In a general view, sectors with the largest estimated variations would be: equipment for telecommunications and sound recording and playback (23%), plastics in non-primary forms (22%), rubber manufactures (21%), non-ferrous metals (21%), and different types of machinery in a range between 21% and 23% like industrial equipment in general, electrical machinery, specialized machinery for particular industries and office machines.

Table 36: Changes in Chilean Imports from South Africa by Tariff Reduction (US$ Million and Percentages)

HS Code	Description	Imports value (US$ millions)	Trade creation range (US$ millions)	Trade diversion range (US$ millions)	Imports variation range (US$ millions)	Growth rate range (%)
84283310	Other elevators and conveyors, continuous action, band or belt, mining	3.5	0.4 - 0.4	0.38 - 0.38	0.78 - 0.78	22%
84835000	Flywheels and pulleys, including pulley blocks	2.6	0.3 - 0.3	0.27 - 0.27	0.57 - 0.57	22%
72193400	Flat stainless steel, width> = 600mm, cold rolled, of a thickness between 0.5mm and 1mm	2.4	0.21 - 0.21	0.17 - 0.17	0.38 - 0.38	16%
84139100	Parts of pumps for liquids	1.4	0.15 - 0.15	0.15 - 0.15	0.3 - 0.3	22%
38249049	Other preparations for the concentration of minerals	5.1	0.15 - 0.35	0.12 - 0.29	0.27 - 0.64	5% - 13%
20094900	Other pineapple juice, Brix value> 20, unfermented and not alcohol, even sweetened	4.8	0.22 - 0.38	0.05 - 0.08	0.27 - 0.47	6% - 10%
84313910	Parts intended for lifting / conveying apparatus continuous action, for goods	1.2	0.13 - 0.13	0.13 - 0.13	0.26 - 0.26	22%
72193300	Flat stainless steel, width> = 600mm, cold rolled, of a thickness between 1mm and 3mm	1.6	0.14 - 0.14	0.12 - 0.12	0.25 - 0.25	16%
95089090	Roundabouts, shooting stands, other fairground	1.2	0.14 - 0.14	0.1 - 0.1	0.24 - 0.24	19%
84749090	Other parts of machines for earth work, stone or solid mineral	1.0	0.11 - 0.11	0.11 - 0.11	0.23 - 0.23	23%
84741090	Other washing machines	1.1	0.12 - 0.12	0.11 - 0.11	0.23 - 0.23	21%
72193200	Flat stainless steel, width> = 600mm, cold rolled, 3mm thickness between 4.75mm	1.3	0.11 - 0.11	0.1 - 0.1	0.21 - 0.21	16%
84798990	Other machinery / mechanical appliances having individual functions	0.9	0.1 - 0.1	0.1 - 0.1	0.2 - 0.2	23%
84295190	Other front-end loaders load	1.1	0.13 - 0.13	0.06 - 0.06	0.19 - 0.19	17%
90230000	Instruments, apparatus and models designed for demonstrational purposes, unsuitable for other uses	1.1	0.08 - 0.08	0.07 - 0.07	0.15 - 0.15	13%
20079911	Peach pulp (peaches)	2.1	0.1 - 0.17	0.05 - 0.09	0.15 - 0.25	7% - 12%
73063000	Other tubes, pipes and hollow profiles, welded, of circular cross section, of iron / non-alloy steel	0.8	0.07 - 0.07	0.07 - 0.07	0.13 - 0.13	16%
28332910	Cobalt sulfate	2.6	0.07 - 0.18	0.05 - 0.13	0.13 - 0.31	5% - 12%
36030040	Electric detonators	2.3	0.07 - 0.16	0.06 - 0.15	0.13 - 0.3	5% - 13%
26100000	Chromium ores and concentrates	4.1	0.12 - 0.23	0.01 - 0.01	0.12 - 0.25	3% - 6%
	Total	**76**	**5.16 - 6.54**	**4.3 - 5.25**	**9.46 - 11.79**	**12% - 16%**

Source: Studies Department, DIRECON, based on data from TradeMap.

4.1.1.2. Potential Opportunities

i. Potential Chilean Exports to South Africa

Besides increasing the exchange of products actually traded between Chile and South Africa, it is important to analyze the potential products. Potential exports from Chile to South Africa are defined as the products that Chile exports to the world but not to South Africa; and South Africa also imports but not from Chile. The analysis of potential products are complementary to models based on products actually traded, and whose results may be underestimated because they do not measure goods that have potential opportunities facing a trade liberalization. Chilean goods have potential marketing opportunities in South Africa and may currently not be exported for reasons such as tariff and non-tariff barriers, amongst others.

The methodology used, which is explained in Annex 3, provides an interesting support when the number of traded products between two countries is small, a situation that means that any assessment of the trade impact restricted only to that group of traded goods is not sufficient to capture the potential expansion of trade.

In 2014, Chile exported to the world 3,403 subheadings (6 digits), while South Africa imported 4,871 from the world. At the intersection, i.e. products that Chile exports to South Africa during the last year, they included 164 subheadings. The remaining, 2,930 subheadings, corresponds to the Chilean potential exports to South Africa, which represented 34.6% of Chilean exports and 58.2% of total imports of South Africa in 2014.

Several goods may be identified, and what is presented in this Report is the result of screening this universe taking into account its dynamism and the importance in Chilean export basket. Thus, a table with 20 selected subheadings according to a high stake in Chilean export basket, imports of South Africa over US$10 million, plus a high dynamism of South African imports (between 2010 and 2014) and a tariff applied by South Africa greater than zero.

In this product group may be highlighted the following industrial products. Plywood is especially notorious because its world export share (8%) and the dynamism in South African imports (34.7%). Other high dynamic behaviors are found in containers imports (42.8%), coffee preparations (43.3%) and machines and mechanical appliances (18.1%). Also, it is worth noting that several products have tariffs greater than 15% such as sanitary towels and napkins (26.7%); coffee preparations (22.5%); and chocolate preparations (17%).

Table 37: Potential Chilean Exports to South Africa (US$ Million and Percentages)

Subheadings	Description	Chile's exports value (US$ millions)	World export share	South Africa's imports value (US$ millions)	South Africa's Imports Annual Average Growth 2010-2014	Tariff (%)
441239	Plywood consisting solely of sheets of wood <= 6 mm thick	327	8.0%	29	34.7%	10
847989	Machines & mechanical appliances nes having individual functions	162	0.1%	282	18.1%	5
870840	Tansmissions for motor vehicles	152	0.4%	58	0.4%	10
392010	Film and sheet etc, non-cellular etc, of polymers ofethylene	47	0.3%	62	4.7%	10
854449	Electric conductors, for a voltage not exceeding 80 V, nes	42	0.2%	125	6.2%	15
961900	Sanitary towels (pads) and tampons, napkins and napkin liners for babies, and similar articles	32	0.3%	131	-	26.667
391990	Self-adhesive plates, sheets, film etc, of plastic nes	29	0.2%	116	10.0%	5
761290	Container, alum, cap <300L	24	0.5%	35	42.8%	5
392061	Film and sheet etc, non-cellular etc, of polycarbonates	23	1.3%	11	14.4%	10
392350	Stoppers, lids, caps and other closures of plastics	20	0.2%	36	7.2%	5
110710	Malt, not roasted	18	0.7%	36	16.7%	1; Non AV Duty: [0,85c/kg] [2,75c/kg]
870410	Dump trucks designed for off-highway use	17	2.8%	482	10.3%	5
481141	Self-adhesive paper and paperboard, surface-coloured, surface-decorate	16	0.4%	50	16.4%	1
830990	Stoppers, caps, lids, seals & other packing accessories of base metal, nes	16	0.2%	35	7.6%	9.5
491199	Printed matter, nes	15	0.4%	18	3.2%	7.5
381230	Anti-oxidisg prep & other compound stabilizers for rubber or plastics	13	0.4%	26	12.7%	3.33
210112	Coffee preparations based on extract/essence/conc.	13	1.0%	16	43.3%	22.5
180690	Chocolate and other food preparations containing cocoa nes	12	0.1%	57	16.2%	17
392020	Film and sheet etc, non-cellular etc, of polymers of propylene	11	0.2%	74	6.8%	6.25
480300	Paper,household/sanitary,rolls of a w >36 cm,sheets one side >36 cm	10	0.3%	14	3.4%	5

Source: Studies Department, DIRECON, based on data from TradeMap and WTO.

ii. Potential Chilean Imports from South Africa

Potential Chilean imports from South Africa are defined as the products that South Africa exports to the world but not to Chile; and Chile imports but not from South Africa. South African goods have potential marketing opportunities in Chile and may currently not be exported for reasons such as tariff and non-tariff barriers, among others.

In 2014, Chile imported from the world 4,701 subheadings (6 digits), while South Africa exported 4,950 to the world. Thus, products that Chile imported from South Africa last year were 511 subheadings, and using the methodology described in Annex 3, there are 3,977 subheadings Chilean potential imports from South Africa, which represented 65.1% of Chilean imports and 63.5% of total South African exports.

The following table lists a selection of the subheadings in which Chilean imports are greater than US$10 million, showing a positive dynamism in the last five years, with a tariff bigger than zero, and have an important role in the South African exports basket.

Among potential Chilean imports from South Africa bituminous coal may be highlighted, because of its relevance in South African exports (also represented a 6.0% share in world exports in 2014) and Chilean imports value with a growth of 10.2% in the 2010-2014 period. Highest dynamism in Chilean imports is given by other ores and concentrates, increasing almost four times since 2010, subheading in which South Africa led world exports in 2014 (83.7% share). Besides maize and wheat, most of all, the list includes industrial subheadings like motor vehicles to transport people, plates and aluminum alloys (with a share of 2% world export), and others that are important because of their dynamic behavior in Chilean imports like propylene copolymers (12.4%) and other portland cement (22.2%).

Table 38: Potential Chilean Imports from South Africa (US$ Million and Percentages)

Subheadings	Description	South Africa's exports value (US$ millions)	World export share	Chile's imports value (US$ millions)	Chile's Imports Annual Average Growth 2010-2014	Tariff (%)
270112	Bituminous coal, whether or not pulverized, non-agglomerated	4,989	6.0%	878	10.2%	6
870323	Motor vehicle to transport people, cylinder capacity: >1500cm3 =<3000cm3	2,488	0.9%	1,885	2.4%	6
870322	Motor vehicle to transport people, cylinder capacity: >1000cm3 =<1500cm3	742	1.0%	773	5.5%	6
870332	Motor vehicle to transport people with piston engine, cylinder capacity: >1500cm3 =<2500cm3	670	0.5%	460	28.7%	6
760612	Plates and aluminum alloys, square or rectangular strips	450	2.0%	59	7.2%	6
100590	The other maizes	449	1.5%	309	22.1%	6
261790	Other ores and concentrates	237	83.7%	13	290.3%	6
840820	Piston engines of compression ignition (diesel or semi)	202	0.6%	94	1.0%	6
852871	Monitors and projectors, not incorporating television reception apparatus	167	1.3%	122	5.0%	6
870333	Motor vehicle to transport people with piston engine, cylinder capacity: >2500cm3	160	0.4%	115	8.2%	6
870321	Other vehicles powered reciprocating piston, cylinder capacity: =<1000cm3	154	0.8%	126	2.3%	6
390230	Propylene copolymers, in primary forms	136	0.8%	57	12.4%	6
870422	Trucking motor vehicles of total laden weight: >5t, =<20t	135	0.6%	230	3.1%	6
721049	Other products of iron or galvanized steel otherwise	132	0.6%	108	9.7%	6
940190	Parts of chairs and wooden seats	131	0.5%	10	1.6%	6
291612	Acrylates	127	3.7%	18	5.9%	6
252329	Other portland cement	111	1.5%	51	22.2%	6
220710	Undenatured ethyl alcohol of an alcoholic strength =>80% by volume	108	1.9%	28	4.9%	6
280920	Phosphoric acid and polyphosphoric acids	92	2.3%	13	1.1%	6
100199	Wheat and meslin (excl. seed for sowing and durum wheat)	87	0.2%	233	-	6

Source: Studies Department, DIRECON, based on data from TradeMap and WTO.

4.1.2 Opportunities for production linkages

A co-operation between South Africa and Chile is an opportunity to link Africa and Latin America, two developing regions. This would improve participation of these countries in global value chains.

Chile is in a unique position to advance their participation in productive linkages with other economies. While Chile is located in the so-called "downlink", with exports concentrated in natural resources, the trade agreements it has with 63 countries provide an excellent foot to improve access of goods and services, promote investment, boost competition and intellectual property protection of inventions and production processes.

Aware of the potential of Chile in agriculture, mining, aquaculture and astronomical services, Chile is turning in the development of its human capital, and recognize the centrality of innovation, the need to inject more resources to research and development, and the incorporation of new technologies.

Therefore, the important role that the services have in world trade and the development of global value chains, coupled with the productive specialty and the opportunity to be a bridge between Latin America and Africa, set a promising future for productive integration of both countries.

4.1.3 Enhancement of Trade in Services

4.1.3.1. Analysis

In 2014, services in the Chilean economy represented 72% of total GDP. This sector has been very dynamic as it has experienced a higher than average rate of growth of its activity, measured in GDP, employment and investment. Between 1974 and 2014, Services accounted for 53% of direct foreign investment, concentrated in electricity, gas and water (18% of total) and financial services (10%).

As a consequence of Chile's long running privatization policies, State involvement in services is limited. The State remains the owner of a very few enterprises, including one company in financial services; the postal monopoly and railway services, and public television. The State also owns seaports and major airports; however, these have been increasingly given in concession to private operators. Involvement of the State in any of the sectors mentioned does not preclude private participation in any way.

4.1.3.2. Sectors opportunities

Further liberalization in the services sector between Chile and South Africa could have important effects on trade:

- Chilean service sales abroad have risen from US$5.1 billion in 2003 to US$12.6 billion in 2012. Services account for 14 percent of overall Chilean exports, and for as much as 34 percent of non-copper exports. The strong growth enjoyed by Chile in recent decades has helped build up a wealth of knowledge and experience in producing and exporting a wide array of services. These range from environmental, filmmaking and production and video game services to computer, architectural, engineering, audiovisual and professional services in general.
- Chile is a very attractive market for service providers, particularly in the energy, mining and telecommunications industries, where South African service providers can leverage the existing demand in the country for specialized services. Chile is an attractive destination for foreign firms that are investing for the first time in Latin America, given its political and economic stability and clarity of its business environment. Chile's telecommunications infrastructure is one of the most mature in Latin America, particularly in the broadband sector. This, and the robustness of Chile's political and economic institutions, makes the country an ideal base from which to supply services to other markets in the Latin American and Asia Pacific regions.

4.1.3.3. Conclusions

The strong growth experienced by the services sector in Chile in recent decades has helped to build up a wealth of knowledge and experience in producing and exporting a wide array of services. These range from environmental, filmmaking and production and video game services to computer, architectural, engineering, audiovisual and professional services in general.

Chile's economy provides an attractive and growing market where South African service providers can participate. Further liberalization of the service sector would offer South African providers an attractive and growing market in which they can participate. Chile is also an excellent platform for service delivery in the regions of Latin America and Asia Pacific.

4.1.4 Investment Opportunities

The Chilean experience has shown that improving trade relations with a partner has provided two main results. First, improve information between the two countries and, second, generates a better favorable environment for investors on both sides, given the greater knowledge that entrepreneurs gain of the counterpart, and identify new business opportunities.

4.2 South Africa

4.2.1 Bilateral Trade in Goods

4.2.1.1. Current Trade

The aim of the joint study is to serve as a form of information input for South Africa and Chile towards the formulation of joint collaborative work in the economic sphere; including discussions and recommendations to form mutually beneficial cooperative activity in areas such as non-tariff trade measures, technical barriers to trade, customs issues, promotion of two way trade and investment, industrial development, infrastructure development and exchange of information on services, amongst others.

This study is not meant to analyze the possibility of a free trade agreement or preferential trade agreement between South Africa and Chile. The study aims to identify potential areas of increasing bilateral trade and investment and then recommend a tool box on possible instruments to achieve that purpose. South Africa notes that Chile analyzed the effects of partial tariff elimination on two-way trade. For South Africa to engage or agree to negotiation of a trade agreement that involves tariff reduction the process is as follows:

- Either SACU or partner country need to express interest in writing to the SACU Executive Secretary;
- The matter will then be tabled for discussion at the SACU Council of Ministers for a decision
- In formulating the decision, individual SACU member countries have to consult their internal stakeholders, in case of South Africa stakeholders are consulted through NEDLAC.
- If the decision is no to the trade agreement negotiation, then the matter is closed
- If the decision is yes to explore the negotiation, SACU countries will be directed to conduct studies about the impact of such a trade agreement on the economy, jobs, government revenue, etc.
- Such studies assist in formulating offensive and defensive positions during the negotiations.

South Africa nor SACU have to date received a formal request for negotiation of PTA or FTA from Chile as a result comprehensive studies cannot be conducted as it will be pre-empting decision of the SACU Council of Ministers. Therefore, South Africa's analysis will focus on current potential trade as way to enhance bilateral trade.

Both South Africa and Chile exchanged information on the list of top 20 products that showed the highest potential to increase bilateral trade, production linkages or other joint cooperation initiatives. The 20 products of interested identified by South Africa were consolidated based on consultations with export councils and DAFF as well as feedback obtained from Investment and Trade Initiatives undertaken by **the dti** to Chile. South Africa has a strong indicative potential in machinery, chemicals and mining related equipment.

In addition, South Africa has an indicative potential in a number of agro-processed agricultural products. Rooibos, sparkling wines, spices and juice are agricultural products that have a potential. This is because these are unique South African products especially Rooibos. The 20 products of interest have the potential to increase trade between South Africa and Chile.

Table 39: Indicative Potential Trade between South Africa and Chile 2014 (US$' 000)

Product code	Product label	South Africa's exports to Chile			Chile's imports from world			South Africa's exports to world			Indicative potential trade		
		Value in 2012	Value in 2013	Value in 2014	Value in 2012	Value in 2013	Value in 2014	Value in 2012	Value in 2013	Value in 2014	Potential in 2012	Potential in 2013	Potential in 2014
'870421	Diesel powered trucks with a GVW not exceeding five tonnes	4506	5736	8344	1108295	946340	856729	2289485	2284727	2377533	1103789	940604	848385
'200949	Pineapple juice, unfermented, Brix value > 20 at 20°C, whether or not	3354	3109	4308	6339	3969	6201	12248	10468	10665	2985	860	1893
'290519	Saturated monohydric acyclic alcohols nes	1648	3140	4026	10055	10418	7441	16434	17016	17015	8407	7278	3415
'847790	Pts of mach f wrkg rubber/ plas/ for the mfr of prods from these mat nes	0	167	2922	46017	21865	18942	3273	5854	8932	3273	5687	6010
'721934	Flat rolled prod, stainless steel, cr,w>/=600mm,0.5 mm<=thick <1mm	2086	1756	2316	11057	15601	15243	95793	107919	117006	8971	13845	12927
'360300	Safety/detonatg fuses;percussn/detonatg caps;igniters;elec detonatrs	2433	1788	2298	45495	67919	55935	76228	73261	64591	43062	66131	53637
'721933	Flat rolled prod, stainless steel, cr, 600mm wide, 1mm <thick <3mm	2114	1299	1877	15859	8281	11342	144130	126660	155113	13745	6982	9465
'310520	Fertilizers cntg nitrogen, phosphorus& potassium in packs weighg <=10kg	1614	1538	1620	8845	12061	8784	77109	54443	38091	7231	10523	7164
'721932	Flat rolled prod, stainless steel, cr,w>/=600mm,3m m<=thick <4.75mm	1452	976	1542	30121	16746	14815	40530	36266	40104	28669	15770	13273
'843139	Parts of lifting, handling, loading or unloading machinery nes	9715	5430	1541	63432	128403	59140	86922	84485	57519	53717	79055	55978
'847490	Pts of sortg / screen / mixg / crushg / grinding / washing / a gglomeratg mach etc	8107	5986	1536	206858	202036	171699	354882	314560	296035	198751	196050	170163

Product code	Product label	South Africa's exports to Chile			Chile's imports from world			South Africa's exports to world			Indicative potential trade		
		Value in 2012	Value in 2013	Value in 2014	Value in 2012	Value in 2013	Value in 2014	Value in 2012	Value in 2013	Value in 2014	Potential in 2012	Potential in 2013	Potential in 2014
'848350	Flywheels and pulleys, including pulley blocks	2305	3313	1418	33998	32611	29925	20374	23856	26681	18069	20543	25263
'200870	Peaches nes,o/w prep o presvd whether o not sugard,sweetend o spiritd	72	817	1200	2299	7151	5770	72982	71565	73653	2227	6334	4570
'848180	Taps, cocks, valves and similar appliances, nes	830	1561	496	210969	222065	220921	119676	118756	128760	118846	117195	128264
'843149	Parts of cranes, work-trucks, shovels, and other construction machinery	879	957	277	298460	285244	234455	281538	276429	271741	280659	275472	234178
'841381	Pumps nes	440	72	118	37256	28778	29380	138725	112027	99747	36816	28706	29262
'091099	Spices nes	27	9	3	212	1824	230	40719	42617	42924	185	1815	227
'121299	Vegetable products nes used primarily for human consumption	6	5	0	173	146	138	24608	33094	34892	167	141	138
'220510	Vermouth &oth grape wines flav w plants o arom subst in ctnr <= 2 l	0	0	0	265	267	208	553	262	12569	265	262	208
'150910	Olive oil, virgin	0	0	0	2103	3093	2075	1869	2691	2523	1869	2691	2075

Source: Trade Map

4.2.1.2. Potential Opportunities

Chile provides opportunities in capital equipment as well as machinery and related products. This is indicative of South Africa's bilateral investment in Chile. The products of interest by South Africa to Chile are products that South Africa has a comparative advantage in producing and, or manufacturing domestically.

4.2.2 Opportunities for production linkages

The South African mining sector is well developed and provides an opportunity for cooperation with Chile. Its strengths include a high level of technical and production expertise; including comprehensive research and development activities. South Africa is also a world leader of new technologies.

South Africa can provide in the mining sector the typical forward linkage targeted by countries through value addition. A further forward linkage would be the retail of processed mined minerals, but as this tends to take place in the destination market, the retail end of this commodity value chain is normally tightly controlled by host-country companies, however, South Africa still struggles with value addition as most of the mined minerals are exported as raw material. The second choice is backward linkages, which involve the local production of inputs into the extraction process. This can encompass the labour force involved, the tools used, the extraction methods deployed, surveying, or even something as simple as the leisure facilities available to the work force. What is important for both of these options is that a national economy can use its internationally competitive advantage in natural resources as a platform from which to link to other production processes, ideally ones with higher skills requirements, and thus higher wages.

Areas identified by South Africa for cooperation include:

- Mining
- Blue Economy (Operation Phakisa)
- Green Economy
- Aquaculture

4.2.3 Enhancement of Trade in Services

4.2.3.1. Analysis

There does not appear to be any statistical data available on services trade between South Africa and Chile. In addition, the data on both South Africa and Chile's services exports and imports is at a highly aggregate level.

4.2.3.2. Sectors opportunities

Due to the lack of data it is difficult to assess where opportunities may lie. However, there appears to be opportunities for South Africa to export services in the mining industry as well as hospitality.

4.2.3.3. Conclusions

The lack of data on trade in services creates significant difficulties in seeking to identify strategic services sector in which to promote trade and investment between the two countries. As a result, data collection and analysis would offer an important starting point in developing ties in trade in services. It would therefore be of great value if relevant trade in services officials from both South Africa and Chile were to forge stronger bilateral ties. Officials could interact in undertaking data collection and analysis of strategic sectors and thereafter begin discussions on how trade in these sectors may further be developed.

4.2.4 Investment Opportunities

Following consultations with the relevant South African authorities with expertise in their respective fields, South Africa has identified the following sectors with potential investment opportunities:

- Oil and Gas

Chile has oil and gas reserves and production. This means there may be potential for South African companies to supply capital equipment, including consulting in research and development.

- Ocean Economy

Chile is a top ranked global exporter of marine products and services. South Africa plans to enhance its ocean economy under Operation Phakisa. There are various cooperation opportunities with Chile given expertise in the sub-sector could provide learning opportunities and knowledge sharing with South Africa.

- Renewable Energy

Approximately 35% of Chile's electricity production comes from hydro power with a very small percentage from wind generation capacity. Currently, the total installed capacity for renewables is 591 megawatts. However, research shows that Chile has plans to grow their renewable energy sector significantly with a projected 5 fold increase in installed capacity. This could bring the Chilean market much closer to South Africa's expected renewables capacity in the next 2-5 years. It is possible that there could be some opportunities to export solar components (PV panels from South Africa).

- Biotechnology

Chile has moved rapidly in taking up bio-similars than most of the developing countries although they are yet to establish regulatory guidelines for bio-similars. South Africa is still in an infancy stage of bio-similars and co-operation in this regard may enhance and speed up South Africa production of bio-similars. Local production of bio-similars will increase access to medicine as they are regarded as cheaper than conventional generics. There are opportunities for research institutions like the Council for Scientific and Industrial Research (CSIR) and universities to work with the Fraunhofer Institute for Biomedical Engineering to develop novel biomedical technologies which always result into massive investments.

- Nanomaterials

Chile is advanced in developing nanomaterials for different applications whereas South Africa is still behind in other applications. Chile has technologies for developing carbon nanotubes, nano membranes, Lithium battery technology for stationary energy storage and nano-porous hydrogen storage materials for fuel cells. South Africa through the CSIR and private companies are hard at work developing nanomaterials but there are no massive investments yet in this area except Stellenbosch Nanofiber in the wound tissue regeneration. Therefore collaboration in advanced materials in general will be highly encouraged.

the dti has established a fuel cell/battery committee to look at technologies and investments in the fuel cells, therefore cooperation is encouraged.

5. TRADE AND INVESTMENT POLICIES

5.1. Chile

5.1.1 Measures affecting Exports of Interest (as identified in 4.1)

5.1.1.1. Tariffs

i. General Tariffs

As a result of the Uruguay Round, Chile lowered its bound tariffs from 35 to 25 percent, except for those applicable to dairy products, wheat, wheat flour, sugar and vegetable oils, which were reduced to 31.5 percent. Currently, tariffs in Chile stand at 6 percent (from 1 January 2003), the result of a five-year reduction schedule established by Law N° 19,589, which was enacted on 14 November 1998. Chile has a flat MFN custom tariff of 6% for most products, which makes up over 98% of tariff lines. However, there are some exceptions for sugar, wheat and wheat flour, which are subject to a *price band system* (and thus to a specific duty). On the other hand, some products are duty free, including fire-fighting vehicles, helicopters, aircraft, and cargo and fishing vessels.

Chile has lowered its effectively applied tariff rate [39] to 0.92 percent (the 2014 average), as compared to 5.42 percent [40] in 2001 through the implementation of additional FTAs and other forms of trade agreements. In accordance with Chile's approach, in every FTA most products have been included in immediate or short run tariff reduction lists. The products subject to special treatment (included in long term lists or not subject to tariff elimination) are few in number and generally the same between FTAs, reflecting the importance of those products to Chile. However, certain additional products are also protected in some FTAs on the request of our counterpart. Products that have received special treatment in all agreements are sugar, wheat and wheat flour and to a lesser extent dairy products, rice and others.

Imported second-hand goods are subject to tariffs applicable to new goods plus a 50 percent surcharge, except for capital goods and goods subject to the exemptions established in section 0 of the Chilean Customs Tariffs (diplomats, armed forces, charities, and others). The second type of goods can have total or partial tariff exemptions. Most goods included in this Section are duty-free, but others are subject to ad valorem duties of 6 percent, which apply only when they are less than the duties established in customs tariffs for the same goods [41]. In addition, these goods will have their delivery facilitated.

Additionally, imports of goods that are classified as capital goods are subject to 0% tariff established in Law N° 20,269 taken into force in June 27, 2008 [42].

A 10 percent tariff on added value applies to repairs or work done to domestic products that temporally are abroad for these purposes. This tax is established in article 116 of decree N° 175 of the Finance Ministry published on February 5, 1974.

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

Chile does not apply tariff quotas, except in cases of reciprocity (Article 88 of the Central Bank Law) or in the framework of free trade agreements.

Table 40: Tariffs Affecting South African Products of Interest

[39] That is, including preferential tariffs granted in FTAs.

[40] Source: DIRECON, based on Chilean Customs Service.

[41] Some second hand goods have a tariff higher than 6%, being thus benefited with the 6% treatment in this case.

[42] According to the Ministry of Finance´s Decree No 365 of 2012, a few examples for capital goods are: certain types of drill pipes for the extraction of oil, certain types of engines for marine propulsion, boilers (including hybrid boilers), hydraulic turbines up to 1,000 kW, bakery ovens, irrigation systems for agriculture or horticulture, etc.

Subheading	Description	Tariff
200949	Pineapple juice, unfermented, Brix value > 20 at 20°C, whether or not	6%
847790	Pts of mach f wrkg rubber/plas/for the mfr of prods from these mat nes	6%
721934	Flat rolled prod, stainless steel, cr,w>/=600mm,0.5mm<=thick <1mm	6%
360300	Safety/detonatg fuses;percussn/detonatg caps;igniters;elec detonatrs	6%
721933	Flat rolled prod, stainless steel, cr, 600mm wide, 1mm <thick <3mm	6%
310520	Fertilizers cntg nitrogen,phosphorus&potassium in packs weighg <=10kg	6%
721932	Flat rolled prod, stainless steel, cr,w>/=600mm,3mm<=thick <4.75mm	6%
843139	Parts of lifting, handling, loading or unloading machinery nes	6%
847490	Pts of sortg/screeng/mixg/crushg/grinding/washing/agglomeratg mach etc	6%
848350	Flywheels and pulleys, including pulley blocks	6%
200870	Peaches nes,o/w prep o presvd whether o not sugard,sweetend o spiritd	6%
848180	Taps, cocks, valves and similar appliances, nes	6%
843149	Parts of cranes,work-trucks,shovels,and other construction machinery	6%
841381	Pumps nes	6%
150910	Olive oil, virgin	6%
870421	Diesel powered trucks with a GVW not exceeding five tonnes	6%
290519	Saturated monohydric acyclic alcohols nes	6%
91099	Spices nes	6%
121299	Vegetable products nes used primarily for human consumption	6%
220510	Vermouth&oth grape wines flav w plants o arom subst in ctnr <= 2 l	6%

Source: Studies Department, DIRECON.

ii. Specific Tariffs

Chile imposes specific duties as a result of the application of price bands, which are mechanisms established with the aim of stabilizing domestic prices. Such specific duties apply to sugar, wheat, and wheat flour (41 tariff lines of HS 2012 to eight digits). Thus, the administrative authority is allowed to apply, at regular intervals, a specific duty (expressed in US dollars) or a reduction of the applied MFN tariff (currently 6 percent), according to the evolution of international prices. However Chile does not apply seasonal tariffs.

iii. Preferential Tariffs

Since February 28, 2014, Chile grants zero tariffs for all products originating in Least Developed Countries (LDCs), except in the case of wheat, wheat flour and sugar[43].

5.1.1.2. Non-tariff Measures

i. Taxes and Duties

[43] Law 20,690 of September 28, 2013.

Most imports are subject to the 19 percent Value-Added Tax (VAT), which is also applicable to domestic products. VAT is calculated on CIF value plus import duty. Capital goods imported for investment purposes may be VAT exempt when imported under the Chilean Foreign Investment Law (Law N° 20,848 of 2015)[44]. For domestic investment projects, the exemption of the VAT, applies when there is no local production of the capital goods to be imported, together with other requirements that have to be complied all together.

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

ii. Prohibited Imports

The Central Bank Law provides for the free importation of goods45. Nonetheless, there still are some import prohibitions. For example, importation of second-hand vehicles is prohibited on sanitary and environmental grounds, i.e. pursuant to measures established by the authorities to combat air pollution in the main cities. However, such prohibition does not apply to second-hand vehicles imported under section 0 of the Customs Tariffs or to those who may be imported under total or partial duty exemptions.

Import prohibitions also apply to goods that may offend public morals or affect sanitary and phytosanitary safety. For instance, the importation of fruit infected with fruit fly is prohibited. Pursuant to the Convention on International Trade in Endangered Species, ratified by Chile, the importation of endangered plants and animals is prohibited. However, these species may be imported with a special permit issued by the National Commission for Scientific and Technological Research.

The following items cannot be imported[46]:

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

iii. Quantitative Restrictions-Import Licenses, Quotas, etc.

[44] In www.leychile.cl/Navegar?idNorma=1078789 is the new law that regulates foreign investment in Chile. The updated list is in Decree 370/2006. Since the list is very exhaustive, it has only had two modifications to include two capital goods. To be in the list, the product must be a machinery or equipment-

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

[46] Original text is in Spanish. Further details in Spanish in www.aduana.cl

Chile applies a duty free quota of 60,000 tons for sugar within the framework of WTO, as a result of the renegotiation of its bound rate of tariff. Additionally there is a quota of 45,000 tons of sugar that are given to specific countries due to FTAs. Quotas in the case of sugar are as follows:

- Contingents[47]:
  1. Sugar HS code 1701.99.00: 60,000 ton (Argentina 21,000 ton, Guatemala 16,700 ton, Brazil 9,700 ton and any other origin 12,600)
  2. Sugar HS code 1701.91.00: 30,000 ton (Colombia 15,000 and any other origin 15,000)
  3. Sugar HS code 1701.91 and 1701.99: 15,000 ton (Bolivia 6,000, Colombia 6,000, Honduras 1,000 and any other origin 2,000)

The sugar imported under preferential tariff quotas should be used as input in the production of foodstuffs for the domestic market and this development must also involve a change in tariff heading. Each importer may make use of a maximum of 20% of the tariff quota total48. The quota allocation is proportional to the total sugar actually processed and used as input for the industrial processing of foods that have been prepared for the domestic market by each producer. Producers using 20% of total consumption of industrial sugar will have an allocation equal to 20% of the total quota, the maximum amount that can be allocated individually49.

- Duty out of quota for sugar

The applied duty when imports exceed the sugar quota is established 12 times a year as a specific duty or rebate, mechanism established by Law 19,897 and Finance Ministry Decree 831. The other products that are under a quota system are in the framework of specific concessions in trade agreements.

On the other hand, preferential duty free quotas to several products are being applied within the framework of the FTA, for example in goods such as beef, chicken, pork and dairy products.

- Price Band System

Chile applies a price band system based on international reference prices for imports of wheat, wheat flour and sugar. This system was modified in 2003, in conformance with the recommendations of the WTO. A new legislative piece introduced reforms for a more predictable, transparent and non-discretional system.

Article 1 of Law 19,897, that replaced Article 12 of Law 18,525 on the Rules on Importation of Goods, establishes specific duties in dollars of the United States of America per tariff unit and rebates on the amounts payable as ad valorem duties established in the Customs Tariff, which could affect the importation of wheat, flour of wheat and sugar, for the period between December of 2003 and December of 2014. In this last year the President of the Republic evaluated the modalities and conditions of application of the mechanism, considering the conditions of the international markets,

[47] Law 19,897 of September 25, 2003 online information viewed at: http://www.aduana.cl/aduana/site/edic/base/port/contingente.html; and information provided by authorities.
[48] Online information viewed at: http://www.aduana.cl/aduana/site/edic/base/port/contingente.html.
[49] Exempt Resolution N° 4062 of October 29, 2003 as amended by Resolution N ° 2897 of July 5, 2005.

the necessities of the industrial and productive sectors and the consumers, as well as our commercial obligations at that date, which could result in its elimination or in its modification. As a result of the evaluation, was established that the floor and ceiling for products subject to price bands are permanent; those governed since 2015 are those that were in effect in December 2014.

Under this system, and by applying a formula, when the reference price for the product in question is below the lower threshold ("floor") of the price band a specific duty to ad valorem MFN tariff is added, and when the reference price exceeds the upper threshold ("ceiling") of the band, no specific duty is applied and it triggers a rebate, which reduces the MNF tariff.

Specific duties on imports of wheat, refined sugar and raw sugar corresponding to the difference between the floor price and the reference price of each product, multiplied by a factor of one plus the tariff ad valorem[50]. The tariff reduction is the difference between the reference price and the ceiling value of each product multiplied by a factor of one plus the tariff ad valorem. Wheat flour to the rights or rebates determined for wheat multiplied by a factor of 1.56 applies.

The amount of such duties and rebates is established by the President through an executive decree issued by the Ministry of Finance six times for wheat by every annual period between the 16 of December and the 15 of December of the following year, and twelve times for sugar by every annual period between the 1 of December and the 30 of November of the following year, depending on the relationship between the average price in relevant markets and the values established in law 19,897. In some cases a specific duty may be applied, in others a rebate and finally in others there may be no specific duty in addition to the 6% ad valorem rate. The mechanism grants all exporters of the goods covered by this system an instrument that does not affect international trade in anyway.

5.1.1.3. Import Customs Procedures

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

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

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

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

5.1.1.4. Measures Affecting Exports

Export Subsidies

[50] Specific duty = (Floor value - reference price) * (1 + ad valorem tariff) (Decree Supreme N° 831, October 4, 2003).

Currently Chile does not provide and does not have plans to provide any export subsidies.

Chile notified the WTO of three mechanisms containing export subsidy components: i) the simplified system of customs duty refund; ii) the deferred payment system for customs duties, fiscal credits and other tax-related benefits; and iii) the automobile law.

Regarding the first two, the subsidy component was eliminated by January 2003 and December 1998, respectively. The third one was eliminated by November 2003.

Duties, local taxes and duty neutralization measures

Customs and Fiscal Allowances

i. Duty drawbacks

A General drawback system operates under Law 18,708, of May 13, 1988. This system is available to exporters who have used imported goods that are credited as incorporated in the production of exported goods. In that regard, all exporters may be reimbursed for import duties paid on all imports incorporated or consumed during the production process.

A Simplified duty drawback system operates under Law 18,480, of 19 December 1985, which benefits small exports. The drawback rate is 3% of FOB value of exports and products must have at least 50% of imported inputs to apply for this drawback, setting the return of 50% of the value of tariff, in order that the benefit is not greater than the import charges incorporated in the exported good inputs. Another requirement is that the product (8 digit- tariff code) must not be in the list of excluded goods. This list is updated annually with the products that exceed the maximum export limit the previous year.

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

Additionally, Decree 473, of August 28, 2003, allows the temporary admission of foreign goods without payment of import duties when these are to be transformed, armed, integrated, processed, refined or subjected to other finishing processes, with the sole purpose of making the subsequent export of the products resulting from such processes. This benefit is subject to a progressive rate, established in Article 107 of the Customs Ordinance, and users of this kind will be responsible for payment of duties, taxes and other charges, fines and penalties that may be accrued by the loss, theft or damages experienced goods admitted under this regime.

ii. Deferred payment of customs duties

Under Law 18,634, of August 5, 1987, the deferred payment of customs duties on imports of capital goods is allowed for up to seven years, payable in three installments. Also, purchasers of Chilean made-capital goods are entitled to a tax credit equivalent to 73% of the customs duty on the net invoice value of the goods. In both cases, the debt is subject to a market-based interest rate established by the Central Bank. Additionally, and according to Law 20,269, that entered into force in June 27, 2008, those goods that qualify as capital goods according to Law 18,634, are subject to 0% import duty.

iii. Value Added Tax

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

iv. Interest rates for exporters

Export activities have no access to prime rates. However, the Chilean Economic Development Agency (CORFO), through Chilean and foreign commercial banks, has two lines of financing available for this sector: One, offers financing of long term to foreign buyers of goods (Capital Goods, Durable Consumption Goods and Engineering and Consulting Services) of Chilean origin, and the other one provides financing to exporters enterprises, for the provision of inputs or the establishment of a commercial infrastructure abroad. CORFO provides the necessary funds for those credit lines through private financial institutions and does not compete against the private sector in connection with fund provisions

5.1.1.5. Technical Barriers to Trade

Legal Framework

The system for applying the drafting and application of technical regulations, standards and conformity assessment procedures in Chile is transparent and open. The measures are drafted on the basis of principles of non-discrimination and transparency and recourse to international standards. Through its regulatory agencies and in accordance with the Transparency Law, in force since 2008, Chile is required to publish on its website all the technical regulations and conformity assessment procedures in effect.

Chile's legislation on technical regulations includes: the Agreement on Technical Barriers to Trade (TBT Agreement), which came into force in Chile in May 1995 pursuant to Supreme Decree N° 16 of the Ministry of Foreign Affairs of 17 May 1995; Law N° 19,912 of 4 November 2003, which creates a mechanism for compliance with the notification commitments under the TBT Agreement; Decree N° 77 of the Ministry of the Economy of 14 June 2004, which lays down the requirements to be met by competent institutions when drafting, adopting and applying technical regulations and conformity assessment procedures; Decree N° 308 of February 15, 2008, amending the aforementioned Decree: and the series of RTAs signed by Chile. In this connection, most of the RTAs signed by Chile include a chapter on technical regulations, standards and conformity assessment procedures, covering rules in areas such as: transparency, equivalence, technical and regulatory cooperation and creation of a TBT committee.

Decree N° 77 of the Ministry of the Economy of 14 June 2004 constitutes the basic regulations for all agencies involved in preparing technical regulations and conformity assessment procedures and lays down the principles that should govern the drafting of technical regulations. They must, as far as possible, be based on domestic or international regulations, not create unnecessary barriers to trade, and be founded on operational criteria. MFN and national treatment principles also have to be taken into account when drafting technical regulations.

In 1997 the National Commission on Technical Barriers to Trade was created. The Commission is headed by the General Directorate of International Economic Affairs (DIRECON), Ministry of Foreign Affairs, and has played a fundamental role on dealing with the coordination between the different Government Agencies. By centralizing the process, and dealing with all the agents involved in the development of technical regulations, the Commission provides all the parties involved, with a common forum to express their concerns and expectations related to the nation's standardization agenda. The role of the National Commission on Technical Barriers to Trade is to comply with the commitments in the TBT Agreement and to coordinate Chile's position in the relevant trade negotiations among participating bodies51.

The Regulatory Department of DIRECON, within the Ministry of Foreign Affairs, is responsible for administering the TBT Agreement, acting as the enquiry point for matters relating to technical regulations and conformity assessment procedures and making notifications to the WTO.

The National Standardization Institute (INN) is in charge of drafting technical standards, applied on a voluntary basis.

Standards

The Chilean institution in charge of the development of standards is the INN. The INN is a Private non-profit-making Foundation set up by the Chilean Economic Development Agency (CORFO). In September of 1995, the INN accepted the Code of Good Practice for the Preparation, Adoption and Application of Standards of the Agreement on Technical Barriers to Trade of the World Trade Organization (WTO).

The internal procedure for drafting Chilean standards is set out in Chilean Standards NCh1, following criteria internationally accepted by the ISO and the International Electrotechnical Commission (IEC). In Chile, there has been a noticeable degree of standardization in the areas of construction, foodstuffs, health, safety, quality of life and risk prevention. The INN considers that, as a voluntary procedure, standardization has the advantage of lowering technical barriers to trade and making the best use of production resources in companies as they have better information available to choose the safest and most suitable products. Standards may also be of service to the regulatory authorities, which use them to complement technical regulations52.

Chile is member of the International Standardization Organization (ISO) through the INN and the Pan-American Standards Commission (COPANT). Moreover, Chile participates in the CODEX Alimentarius Commission and the International Electrotechnical Commission (IEC).

Both the INN and the public and private sectors may decide when it is necessary to draw up a

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[51] The National Commission on Technical Barriers to Trade is composed of: DIRECON in the Ministry of Foreign Affairs (which chairs the Commission); the Ministry of Agriculture through the Agriculture and Livestock Service (SAG), the Office for Agricultural Research and Policy Development (ODEPA) and the Chilean Food Quality and Safety Agency (ACHIPIA); the Ministry of Public Works and the Supervisory Authority for Sanitary Services (SISS); the Ministry of the Environment; the Ministry of the Economy through the Undersecretariat of the Economy, the National Consumer Service (SERNAC), the National Fisheries Service (SERNAPESCA) and the Undersecretariat of Fisheries (Subpesca); the Ministry of Energy and the Electricity and Fuels Supervisory Authority (SEC); the Secretariat General of the President's Office (SEGPRES); the Ministry of Defense; the Ministry of Health and the Public Health Institute (ISP); the National Standardization Institute (INN); the Ministry of Transport and Telecommunications; the Ministry of Housing; the Ministry of Mining; and the Chilean Copper Commission (Cochilco). This is not an exhaustive list and is open to other members.

[52] INN website: www.inn.cl

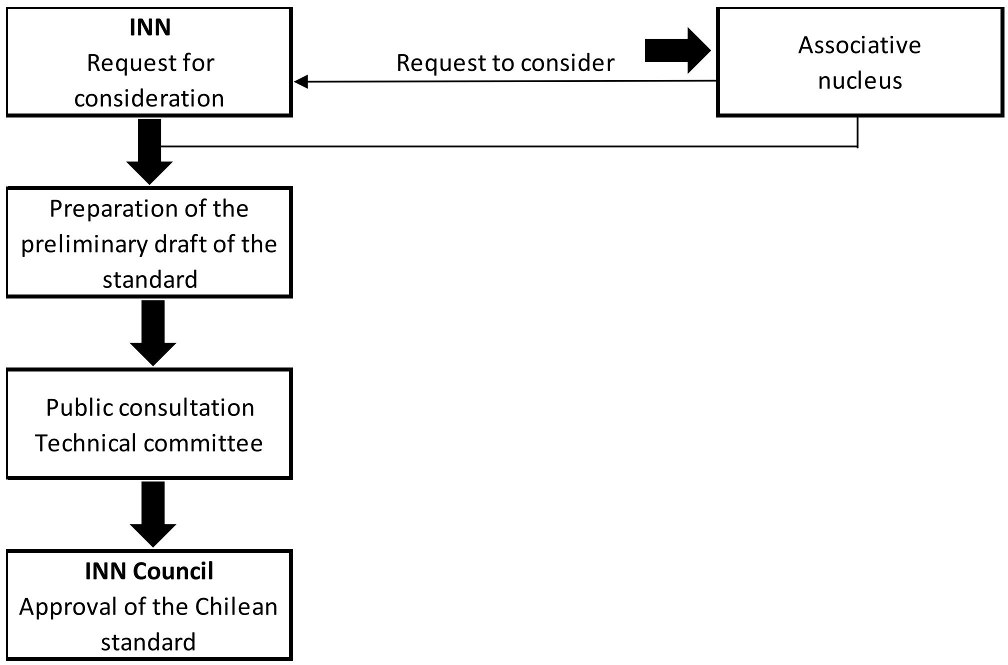
standard. Any government or private body may ask the INN to draw up one or more standards, using one of the following two procedures: the traditional and the associative nucleus procedures. In the traditional system, the INN remains responsible for the whole process of drawing up the standard, from preparation of the preliminary draft up to its approval by the INN Council. The cost of drafting a standard depends on the complexity of the subject. In the associative nucleus procedure, the body associated with the INN, with the latter's technical support, assumes responsibility for obtaining background material and preparing the preliminary draft of the standard, and finances some of the costs of the standardization procedure, from the public consultation stage up to approval of the standard by the INN Council.

Currently, there are about 3,494 standards with a non-mandatory compliance. The process of study of such standards is conducted according to widely accepted international criteria. An important number of the standards developed in recent years, are equivalent to international standards or present minor deviations from international standards in aspects that do not affect the technical content. However, in some cases the international standards have not been taken into account for the development of national standards, because they have been considered as inadequate for national application. Such is the case of seismic designs and structures because of local seismic conditions.

In the traditional system, when the necessary financing has been obtained, a technical committee is set up to prepare the preliminary draft of the standard. If international standards exist, they are adapted; if there are none, regional standards, those of other countries or companies in the same sector are consulted. Once the standard has been prepared, the draft is put up for public consultation and made available on the INN website[53]. Comments received as a result of the public consultation are again forwarded to the technical committee, which takes a decision and prepares the final text, and this is forwarded to the INN Council for approval. After approval, the Chilean Standard is sent to the competent ministry (ministries) for a decision on whether to include it among the technical regulations or to replace references to previous versions therein. Unless some legal provision makes it mandatory, the "officialized" standard is voluntary. In general, this is the case for standards whose main objective is to protect the health and/or safety of persons, goods, animals or plants.

Figure 8: Procedure for Adoption of a Standard

[53] (http://www.inn.cl)



Source: Online information from the National Standardization Institute (INN) [www.inn.cl]

Technical Regulations

Technical regulations are issued at Central Government level in the form of laws, decrees or resolutions. They are drafted by the government authorities responsible for regulating their respective areas of competence, for example, the Ministries of the Economy, Health, Agriculture, Transport and Telecommunications, Housing and Urban Planning, and the Superintendence of Electricity and Fuels (SEC). Those technical regulations in the form of laws have to be approved by Congress.

In accordance with the procedures set out in Decree N° 77 of 2004 of the Ministry of Economy and the amendments thereto in Decree N° 308 of 2010, state that the ministry or body having regulatory authority shall publish, in the form of a notice in the national media or on its website, the draft of the technical regulation or conformity assessment procedure that it intends to adopt. This notice shall include at least an extract from the draft technical regulation or conformity assessment procedure and shall state where the text can be consulted in full. At the same time, a copy of the extract and the draft regulation shall be sent to the Enquiry Point (DIRECON). The notice shall be published long enough in advance of the adoption of the measure to enable anyone to submit comments in writing during a period of at least 60 days, except in cases of emergency relating to safety, health, environmental protection or national security. Decree N° 77 also provides that, except in cases of emergency, the technical regulations and conformity assessment procedures notified to the WTO may only be issued by the competent authorities at the end of a period of at least 60 days following their notification to the WTO. The ministry or authority empowered to regulate must examine the comments and take into account the written comments received internally and from other WTO Members.

After they have been approved, technical regulations and conformity assessment procedures are published in the Official Journal and on the websites of the competent regulatory agencies. Technical regulations and/or conformity assessment procedures must provide for a period of at least six months between their adoption and their implementation. It is customary practice for the competent agencies to review technical regulations and conformity assessment procedures on a regular basis in order to amend or repeal them, as appropriate. All domestic and imported goods must comply with the corresponding technical regulations.

Technical regulations and/or conformity assessment procedures must include the following information, as appropriate:

a) identification of the product, including its classification in the Harmonized Commodity Description and Coding System (HS) and the purpose of the measure;
b) the specifications and characteristics of the product, method or process established in the regulation in accordance with its purpose;
c) conformity assessment methods;
d) the data and other information to be displayed on the products or else on their containers or packaging and their marking requirements;
e) the extent of their consistency with international standards and guidelines used as a basis in their formulation; and
f) mention of the institution or institutions responsible for enforcing the regulations. Any technical regulations and/or conformity assessment procedures adopted shall be substantiated by documentary support, for example, the technical grounds for the decision adopted; detailed information on the process for receiving comments; a description of the amendments made to the original proposal as a result of the comments received; and the replies to the comments received.

There should also be a description of the possible impact on the domestic market, the costs of implementation and the costs of supervision, as well as of the impact on small and medium-sized enterprises, as appropriate. This description should be at least in qualitative terms if it is not possible in quantitative terms.

Pursuant to the Transparency Law, every regulatory agency must publish its current technical regulations and conformity assessment procedures.

Conformity Assessment

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

As a general rule, for both imported and domestic products, compliance with technical regulations is verified after the products have been placed on the market. Nevertheless, for the import of certain products, mostly foodstuffs, beverages, medicines, weapons, radioactive substances, electrical goods and fuels, verification takes place at the border. In most cases, conformity assessment is the responsibility of bodies accredited by the INN, although in some cases, the ministry or government authority that issued the technical regulation performs the inspection using its own infrastructure. The government authorities which recognize INN accreditation include the Agriculture and Livestock Service (SAG), the Ministries of the Economy, Housing and Urban Planning, Labour and Social Welfare, the National Service for Women, the Public Health Institute (ISP), Sanitary Services Supervisory Authority (SISS), the National Customs Service, the National Training and Employment

Service (SENCE), the Undersecretariat of Fisheries and Aquaculture (SubPesca), the National Fisheries Service (SERNAPESCA) and the Electricity and Fuels Supervisory Authority (SEC). A declaration of conformity by the supplier is not acceptable.

The preparation and application of conformity assessment procedures defined by the competent regulatory authority follow the same stages and time-limits as technical regulations.

The INN, as the accreditation body, operates the national accreditation system, which accredits conformity assessment bodies that comply with internationally accepted requirements and the relevant regulations and directives. The different types of conformity assessment body which may request accreditation include bodies: certifying systems, products and persons, inspection bodies, testing laboratories, calibration laboratories, clinics and providers of proficiency tests. Accreditation is given for a four-year period. The INN keeps a list of bodies accredited and this is available on its website[54]. At December 2014, 1,268 accreditations were in effect.

Chile has no mutual recognition agreements (MRA) for technical regulations with its trading partners. The SEC does, however, recognize the results of tests and certification by a list of organizations from 14 countries (Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, Norway, Sweden, Switzerland, the United Kingdom and the United States). It also has multilateral recognition agreements (MLA/MRA) on accreditation of: quality management and environmental management systems certification bodies (MLA in the IAF and MLA in the InterAmerican Accreditation Cooperation-IAAC), testing laboratories, clinical and calibration laboratories (MRA in the ILAC and MLA in the IAAC). The INN is working on to be part of MLA to accreditation of products and inspection certification bodies through IAAC.

There is not a general procedure to ensure MRA in technical regulations or technical standards. Some regulatory agencies have stablished in their regulations, how to proceed in the case when they can recognize foreign certifications or to stablish MRA or similar procedures. It is not necessary to have a FTA to negotiate a MRA o Regulatory Cooperation Agreement; however the TBT chapter in FTAs facilitates this process, because there is a bilateral mechanism to improve the confidence between both Parties and their respective regulatory agencies, and there are obligations in Regulatory Cooperation matters, in order to evaluate this mechanism.

Metrology

In Chile, metrology is governed by Supreme Decree N° 215 of 2009 of the Ministry of the Economy, Development and Reconstruction (which recognizes the INN as the coordinating and supervisory body for laboratories designated as belonging to the National Metrology Network (RNM)), and Supreme Decrees N° 347 of 2007, N° 775 of 1999, N° 487 of 2000, N° 096 of 2001, N° 076 of 2003, N° 158 of 2010, N° 188 of 2010 and N° 116 of 2012, all issued by the Ministry of the Economy, Development and Reconstruction. These decrees specify the values for mass, temperature, force, length and pressure standards and designate the laboratories responsible for chemical metrology of minerals, electric metrology, liquid flow metrology, and for microbiology and food chemistry metrology.

The authority responsible for developing and maintaining national measurement standards is called

[54] http://acreditacion.innonline.cl/ (available only in Spanish)

the RNM and has been recognized by the State for the purpose of developing and administering the system of metrological guarantees to ensure that measurements made in Chile are comparable and traceable to the International System of Units (SI), and are accepted by other countries.

The RNM is built around the following bodies: the Ministry of the Economy, Development and Tourism (MEFT), the INN and the institutes appointed. The MEFT, representing the Chilean State, is responsible for appointing the laboratories composing the RNM, once they have met the requirements laid down by the INN, in their specific area of metrology. The INN is the coordinating and supervisory authority for laboratories belonging to the RNM so it also has the task of administering the public funds transferred for its development. The institutes appointed are those laboratories which, either on their own or as part of a larger structure, have been recognized as responsible for all or part of an area of metrology, by means of a supreme decree issued by the MEFT. Their function is to ensure that measurements made in Chile can be traced to the SI. Its main activities are: dissemination of the SI units to accredited laboratories, industry, education and lawmakers; undertaking research on metrology and developing new and improved measurement standards and methods; and participating in comparisons at the international level. The institutes appointed provide calibration models services to calibration laboratories and reference material to testing laboratories. They also act as pilot laboratories for proficiency testing at the national level[55].

5.1.1.6. Sanitary and Phytosanitary Measures

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

The Ministry of Health is the competent sanitary authority responsible for approving and controlling the installation and operation of establishments dedicated to the production, process, package, store, distribution and sale of food for internal market. In addition, the Ministry of Health has the authority over the import and marketing of all food intended for human consumption.

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

The legal powers of the Ministry of Health are established in the Sanitary Code, which is the main statute ruling all matters related to the promotion, protection and recovery of the health of the people. With regards to food safety, from the Sanitary Code derives the Food Health Regulation. This is the standard that establishes the sanitary conditions applicable to the production, import, process, package, store and sale of food for human consumption.

In order to enforce sanitary regulations, the Ministry of Health has a network of 15 Regional Ministerial Secretaries distributed throughout the country, which act as the local sanitary authority in the jurisdiction where each of them must manage and implement the food safety programs.

The Agriculture and Livestock Service (SAG), under the authority of the Ministry of Agriculture, is the

[55] Online information from the National Metrology Network (RNM) viewed at: http://www.metrologia.cl/link.cgi/Empresa/MarcoLegal/327.

competent authority responsible for regulating and enforcing regulations on sanitary (animal health) and phytosanitary (plant health) matters applied to the import and export of animals, plants and by-products. It is responsible for the sanitary and phytosanitary measures applied to reduce the risk of introducing animal borne diseases and plant pests, and to prevent their dissemination; it is also responsible for issuing the sanitary and phytosanitary export certificates for animal and plant products, including the certification of fitness for human consumption for primary products.

The fisheries and aquaculture sector is under the authority of the Ministry of Economy. This sector is regulated by the National Fisheries and Aquaculture Service (SERNAPESCA) and the Under-Secretary for Fisheries and Aquaculture (SUBPESCA). SERNAPESCA is the agency in charge of enforcing the Fishing Law and related regulations. While on the other hand SUBPESCA is in charge of the legislation and policies of the sector.

SERNAPESCA is the agency responsible for implementing national fishery policies and for the sanitary control and certification of all hydrobiological products for export. It is also responsible for establishing epidemiological surveillance systems aimed at preventing, controlling and eradicating diseases among aquatic animals.

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

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

The regulatory framework, drafting procedures, and adoption of the Sanitary and Phytosanitary Measures by Chile were reported to the Secretariat of the SPS Agreement in December 1995. Closely coinciding with the provisions established in the SPS Agreement of the WTO, drafting of new standards in Chile is based on scientific grounds, following the principles established in the WTO Agreement, promoting a balance between sanitary and phytosanitary protection and trade.

To apply this policy, Chile has an active participation in the multilateral fora for guidelines (WTO) and regulations or standards (OIE, IPPC, Codex Alimentarius Committee). At the bilateral level, Chile is constantly looking forward to achieving a better implementation of the SPS Agreement. The provisions established in an SPS Chapter allow better implementation of the SPS Agreement, whether it is through a committee, or through specific procedures when seeking to facilitate trade of SPS related products. A chapter on SPS measures has been included in the preferential trade agreements negotiated by Chile in the Trade Agreements signed with Mexico, Central America, the United States of America, Australia, India, Korea, P.R of China, Panama, Peru, Colombia, Turkey, Cuba, Ecuador, Malaysia, Vietnam, Thailand and Japan, and in the Association Agreements with the European Union and P4 (New Zealand, Singapore, Brunei Darussalam). On the other hand, the agreement signed with MERCOSUR confirms the rights and obligations of the parties under the WTO

Agreement on the Application of Sanitary and Phytosanitary Measures.

With the purpose of adequately implementing these SPS Chapters and the WTO SPS Agreement, efficiently solving trade problems and facilitating trade activities, SPS Committees have been established in 16 of these Agreements.

Import Policies

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

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

With regard to food imports, the Regional Health Offices of the Ministry of Health authorize food imports for human consumption based on the Sanitary Food Regulation (Decree 977/1996). The import process includes sanitary controls and laboratory analyses if necessary. Risk criteria and historical data on food safety are applied in the analyses, in order to define the recurrence and impact thereof.

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

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

From May 1996 to July 2015, Chile has submitted 507 notifications on sanitary and phytosanitary regulations and emergency measures to the Sanitary and Phytosanitary Committee (SPS Committee) of the WTO. The Agriculture and Livestock Service is the National Contact Point and Information Authority for SPS Measures.

Export Policies

With regards to exports, it is essential to guarantee the safety of the products and comply with all the sanitary regulations. Chilean institutions are dedicated to certifying in compliance with the requirements set by the destination markets.

The Regional Health Agencies of Chile (15 Regional Health Ministerial Secretariats), are responsible for certifying the products' compliance with local sanitary regulations, they approve and control the installation and operation of the food producing establishments.

The Ministry of Health issues certificates for Authorized Industry and Free Sale Product. The inspection and certification of the sanitary and phytosanitary condition of all animal and plant products and by-products for export, and the verification of compliance with the sanitary and phytosanitary requirements of the destination country is enforced by the Agriculture and Livestock Service, for animal and plant primary products.

The National Fisheries and Aquaculture Service, certifies health and safety for fish and fisheries' products.

Table 41: TBT and SPS Requirements for South African Products of Interest

Subheading	Description	Public Service in Chile	Observations	Measure
200949	Pineapple juice, unfermented, Brix value > 20 at 20°C, whether or not	MINSAL (Ministry of Health)	Food Sanitary Regulation; Decree N° 977/96	TBT and SPS
310520	Fertilizers cntg nitrogen,phosphorus&potassium in packs weighg <=10kg	SAG - DPAF (Agricultural and Livestock Service - Division of Agricultural and Forest Protection)	Exent Resolution N°1035 of the Agriculture and Livesotck Service (SAG); Law Decree N°3557 of the Ministry of Agriculture.	TBT and SPS
200870	Peaches nes,o/w prep o presvd whether o not sugard,sweetend o spiritd	MINSAL (Ministry of Health)	Food Sanitary Regulation; Decree N° 977/96	TBT and SPS
150910	Olive oil, virgin	MINSAL (Ministry of Health)	Food Sanitary Regulation; Decree N° 977/96	TBT and SPS
870421	Diesel powered trucks with a GVW not exceeding five tonnes	Ministerio de Transporte (Ministry of Transportation and Communications)	DFL N°1/2007 of the Ministry of Transport and Justice.	TBT
290519	Saturated monohydric acyclic alcohols nes		Law 18.455 of the Ministry of Agriculture; Regulation N°464.	TBT and SPS
91099	Spices nes	MINSAL (Ministry of Health)	Food Sanitary Regulation; Decree N° 977/96	TBT and SPS
121299	Vegetable products nes used primarily for human consumption	MINSAL (Ministry of Health) in terms of food safety, and SAG-DPAF (Agricultural and Livestock Service-Division of Agricultural and Forest Protection) as regards plant health, where appropriate.	Food Sanitary Regulation; Decree N° 977/96	TBT and SPS
220510	Vermouth&oth grape wines flav w plants o arom subst in ctnr <= 2 l	SAG - Subdepartamento de Vinos y Viñas (Agricultural and Livestock Service - Vineyards and Wines, Safety and Biotechnology Sub-department)	Law 18.455 of the Ministry of Agriculture; Regulation N°464.	TBT and SPS

Source: Regulatory Department, DIRECON.

5.1.1.7. Rules of Origin

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

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

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

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

- Change in tariff classification method

- When a rule of origin is based on a change in tariff classification, each of the non-originating materials used in the production of the goods must undergo the applicable change as a result of production occurring entirely in the RTA region. This means that the non-originating materials are classified less than one tariff provision prior to processing and classified under another upon completion of processing.
- Regional value content
- The rule of origin requires that a good have a minimum regional value content, meaning that a certain percentage of the value of the goods must be from the countries participating in the Agreement. There are different formulas for calculating the regional value content.

c. Goods incorporating exclusively originating materials

5.1.2 Services

5.1.2.1. Measures Affecting Services of Interest (as identified in 4.3)

i. Financial Services

The Chilean financial sector is large, considering the size of the economy. The system is characterized by a high degree of integration with the local, regional and international economy and has a significant level of foreign participation, both in banking and in insurance and pension funds. The degree of financial intermediation is high and bank credit represented approximately 85.5% of GDP in 2014. The assets of the financial system exceed 200% of GDP; banking sector assets were approximately 123% of GDP at the end of 2014, while pension fund assets amounted to 60% of GDP and those of the insurance companies to 20%.

The financial services market consists of the banking sector, insurance, the securities market and the pension funds. Access to the market is relatively free of restrictions, although some conditions or requirements are imposed in certain instances. For example, for reasons of national interest, approval is required for a person to acquire more than 10% of a bank's capital. Foreign banking and insurance enterprises must be set up as corporations or establish branches with separate capital to be able to provide services in Chile. Foreign insurance companies may also market international maritime transport, international commercial aviation and transit goods insurance directly, but only if they are established in countries with which Chile has an international treaty that allows such insurance to be effected.

Maximum interest rates (agreed maximum interest rate) are imposed on bank loans, in both local and foreign currency. The agreed maximum interest rate may not exceed by more than 50% the average interest paid by banks and finance companies established in Chile on transactions carried out in the country (current interest) in effect at the time of the agreement, no matter whether the rate is fixed or variable. It is for the Banks and Financial Institutions Supervisory Authority (SBIF) to determine current interest rates, with distinctions made depending on whether the loans are in local or foreign currency and are indexed or not. The averages are established in relation to the transactions made during each calendar month and the resulting rates are published in the Official Journal and by the Supervisory Authority. The imposition of maximum interest rates is designed to prevent the banks from adopting dominant position practices, as a result of concentration. All financial institutions that offer consumer loans, including credit card companies, must respect these maximum rates.

The regulation of the Chilean financial sector is the responsibility of the Central Bank of Chile. Chile employs an institutional or compartmental model of supervision, in which the legal status of the institutions supervised defines the supervisory functions and objectives of the sector's three existing Supervisory Authorities: the Banks and Financial Institutions Supervisory Authority (SBIF), the Securities and Insurance Supervisory Authority (SVS) and the Pensions Supervisory Authority. Coordination between these supervisory authorities is achieved through the Financial Stability Council (CEF), created by Supreme Decree of the Ministry of Finance No. 953 of 4 October 2011. The CEF aims to facilitate technical coordination and information exchange so as to prevent situations that could introduce a risk of crisis into the financial sector and constitutes the first collective body established in Chile to identify threats to financial stability and make it possible to implement integrated supervision. The CEF is composed of the Minister of Finance (who acts as its chairman), the Director of Securities and Insurance, the Director of Banks and Financial Institutions, and the Director of Pensions.

Under the General Law on Banks (LGB), banks must be established as corporations or agencies of foreign corporations in the case of branches. For a bank to establish itself in Chile, the authorization of the SBIF is required. To be able to obtain a banking license it is necessary to provide the SBIF with a prospectus, a business plan for the first three years and a guarantee of 10% of the capital of the proposed company. Under the legislation, an essential requirement for the approval of a license application is the verification of the solvency and integrity of the founding shareholders. To meet the solvency requirement, the founding shareholders of a bank must have consolidated net worth equivalent to the proposed investment, that is, a minimum of 800,000 Unidades de Fomento[56], approximately US$33 million. At the time when a bank is granted its charter or a branch of a foreign bank is authorized to operate, 50% of the minimum capital must have been paid up, there being no time-limit for paying up the balance. Until the bank has achieved the minimum capital of 800,000 UF, it must maintain an effective equity of not less than 12% of its risk-weighted assets, a proportion that is reduced to 10% when it has an effective equity of 600,000 UF. To meet the integrity requirement, the founding shareholders, in addition to their business experience, must be able to show that they have not engaged in any serious or repeated fraudulent or negligent behaviour that might jeopardize the stability of the institution it is proposed to establish or the security of its depositors. The SBIF verifies compliance with the above-mentioned criteria by examining the applications it receives on a case by case basis, while, in addition, the Central Bank may rule on the effects that the authorization of new banks might have on the stability of the financial system.

The Chilean legislation does not place any limits on the number of shares that an individual investor may own in a particular bank or on the number of banking system entities that an investor may control. However, for a person to acquire, directly or through third parties, more than 10% of a bank's capital the prior authorization of the SBIF is required[57]. In this case, the acquisition is subject to the same conditions as is the establishment of a new banking entity where integrity and solvency requirements are concerned.

Insurance

[56] The Unidad de Fomento (UF) is a Unit of account that is used in Chile. The exchange rate between the UF and the Chilean peso is constantly adjusted to inflation so that the value of the Unidad de Fomento remains constant on a daily basis during low inflation.

[57] Article 36 of the LGB

To start up an insurance company in Chile or engage in any insurance or reinsurance activity it is necessary to obtain the approval of the SVS (Securities and Insurance Supervisory Authority). Insurance companies may be established as corporations set up in Chile for that sole purpose, in accordance with the Insurance Law, or as branches of foreign insurance companies with separate capital, in accordance with the amendments to the Insurance Law introduced by Law No. 20.190 of 5 June 2007.

The Insurance Law establishes solvency margins that must be maintained by each type of insurance company. The main purpose of the solvency margin is to ensure that the company has the resources available to cover exceptional movements due to changes in risks. The solvency margin for general insurance companies corresponds to the greater of the result of calculating the solvency margin in terms of premiums and the result of calculating it on the basis of claims. The solvency margin for life insurance companies corresponds to the sum of the amounts that result from calculating the margin for accident, health and additional non-life insurance by applying the rules laid down for general insurance, the margin for life insurance that does not generate mathematical reserves, calculated on the basis of the ratio of self-preservation to total capital, and the company's total indebtedness margin calculated in accordance with certain parameters. There are also limits on investment per instrument. Moreover, the law authorizes insurance companies to invest in instruments and assets abroad up to a maximum of 20% of their technical reserves and risk capital

To operate as a broker it is necessary to be registered with the SVS and to obtain a license. Natural persons must be either Chilean or foreigners established in Chile, while legal persons must have been legally incorporated in Chile for the purpose. However, Law No. 20.190 allows international maritime and air transport insurance and insurance for goods in international transit to be intermediated in Chile by natural or legal persons established in a country with which Chile has an international treaty that permits such insurance to be effected from that country[58]. Foreign reinsurance brokers are subject to the same requirements with respect to registration and the issuance of insurance policies as domestic brokers and must be legal persons established in their country of origin, with the capacity to intermediate risks transferred from abroad and pay claims in convertible currency.

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

The Chilean legislation does not foresee any special treatment to the foreign or local enterprises, whether they are SMEs or Trans-National corporations. Furthermore, applicable measures related to domestic regulation requirements (zoning, environmental impact studies and construction permits, among others) are generally non-discriminatory.

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[58] Article 58 bis of Decree with Force of Law No. 251.

market stability.

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ii. Telecommunications

The Chilean telecommunications industry has expanded rapidly in recent years. The contribution of the communications sub sector to Chile's GDP grew 6.6% between 2009 and 2014[59]. Given its dominant share, mobile telephony activity represented the greatest contribution to sectoral growth. This increase is associated with the relevance that voice and messaging services via the Internet have had in recent years.

There are 20 fixed service providers, 12 providers of mobile services, and 19 companies providing international telecommunications services. Since the early 1990s, Chile's telecommunication sector has been fully privatized; the State is not involved in the provision of telecommunications services.

The telecommunication sector is regulated by the Undersecretariat of Telecommunications (Subsecretaría de Telecomunicaciones). The Undersecretariat is in charge of implementing and overseeing the application of the General Telecommunications Law (Law N° 18,168).

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

Domestically, the Chilean regulatory framework allows ample room for market development and only controls possible anticompetitive abuses, especially those arising from a dominant market position. Chile has implemented many competition enhancing measures, including the recent introduction of mobile virtual network operators (MVNO) and Network Neutrality Law. These measures have been highly effective in fostering competition in all services provided by this sector.

Telecommunications services licensing

A concession granted by Supreme Decree issued by the Ministerio de Transportes y Telecomunicaciones (Ministry of Transportation and Telecommunications) is required for the installation, operation and exploitation of the following telecommunications services: public telecommunication services; intermediate telecommunication services; and radio broadcasting telecommunications services.

A concession granted by a Resolution issued by the Consejo Nacional de Televisión (National Council of Television) is required for television broadcasting telecommunications services.

A permit issued by the Undersecretariat of Telecommunications is required for the installation, operation, and development of limited telecommunications services.

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[59] http://www.bcentral.cl/estadisticas-economicas/publicaciones-digitales/anuario_ccnn/pdf/ccnn_cierre2014.pdf

An official decision referred to compliance with the technical standards and non-alteration of the essential technical features of networks issued by the Undersecretariat of Telecommunications is required to render Complementary Telecommunications Services (value added services).

Juridical requirements

Only juridical persons duly constituted in Chile with domicile in the country may be the titleholders, or make use of concessions, for public telecommunications services, intermediate telecommunication services, and radio broadcasting telecommunications services.

Natural persons and juridical persons duly constituted in Chile with domicile in the country, may be the titleholders, or make use of permits, for limited telecommunications services.

Only juridical persons duly constituted in Chile with domicile in the country may be the titleholders or make use of permits for limited television services.

Nationality requirements

For radio broadcasting concessions, only Chilean natural persons may be presidents, managers, administrators, or legal representatives of the juridical persons at stake. Also, the majority of the members of the Board of Directors must be Chilean natural persons.

For limited television services permits and for television broadcasting telecommunications services concessions, only Chilean nationals may be presidents, directors, managers, administrators, and legal representatives of the juridical person.

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

This is a generally established measure under Annex I (Non-conforming Measures) of several Trade Agreements in which Chile reserves its right to regulate the participation of controllers of radio broadcasting telecommunications services.

This provision (Article 9 of Law No. 19.733 on the Freedoms of Opinion and Information and the Practice of Journalism) was established to introduce the reciprocity principle in radio broadcasting activities. The purpose of this provision was to set a standard where the requirements established in Chile for radio broadcasting operations were not more burdensome than those required to Chilean nationals abroad.

It is important to bear in mind that the requirement to prove reciprocity in the treatment accorded to Chilean nationals in the granting or acquisitions of broadcasting concessions is exceptional and is subject to a double limitation, both in terms of people affected by the limitation and in terms of the acts and conventions involved. Therefore, the requirement is only applicable to legal entities with participation of foreign capital above ten percent requesting broadcasting concessions or authorized to acquire a concession already granted. This limitation cannot be extended either to entities controlling the above mentioned legal entities with foreign capital participation nor to other acts or conventions different to the granting or acquisition of a concession.

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

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

Printed Media and News Agencies

Ownership of printed media and national news agencies is open to foreigners, who must, nevertheless, fulfil domicile requirements and be incorporated in Chile. There are also nationality and residency requirements for presidents, administrators, legal representatives and managers that apply to Chilean and foreign owned enterprises alike.

iii. Transportation

Maritime Transportation and Port Infrastructure

For Chile, building an efficient, modern and geographically extended port infrastructure has been a priority task in recent years, taking into account that more than 84% of trade is carried out by maritime transport.

More than 50% of State ports are handled by the private sector through concessions. Port Companies, successors to the now extinct EMPORCHI, manage state-owned ports. This was provided for in Law N° 19,542, which amended the administration system of State-owned ports and established the decentralization of port asset management, the creation of the above-mentioned independent companies and the concession of docks.

The State continues to exercises the regulatory function.

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

With regards to international trade, no discriminatory measures are applied to foreign vessels in connection with access to ports and port installations or their use.

International commercial maritime transport to and from Chile imposes no restrictions upon foreign commercial vessels, except for the provisions contained in the Maritime Transport Agreement between Chile and Brazil (1974) and the cargo reservation measure established through the application of the reciprocity principle detailed in article 3 of Decree Law N° 3,059 (1979) which regulates the National Merchant Marine.

Air Transportation

Because of its geographical situation, Chile requires expeditious, low-cost routes, both within and outside its borders. The development of a foreign-trade-based economy renders it necessary to have means of transportation suitable for the country's exportable bases; thus, the airfreight sector grew hand in hand with the development of exports, particularly export products such as seeds, fresh fish, fruit, vegetables, and in general, products that require rapid delivery to consumer markets.

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

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

Under this legal system, domestic traffic grew by 1,000 percent over the period 1979-1999, with more than 3.2 million passengers carried yearly. In the 90s alone, domestic air traffic grew at average annual rates of 18 percent. According to Chilean civil aviation authorities, by 2030 the annual number of passengers should be approximately 47 million passengers a year and 2050 would record over 70 million passengers a year[60].

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

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

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

5.1.2.2. International Commitments Related to Services of interest

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

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[60] http://www.jac-chile.cl/wp-content/uploads/2014/10/ESTUDIOS-020-HACIA-UNA-POL%C3%8DTICA-DE-DESARROLLO-AERON% C3%81UTICO.pdf

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

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

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

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

On the other hand, in pursuing its objectives, Chile has assumed different obligations or undertaken different initiatives that involve future negotiations aimed at further liberalizing services and investments with other countries or groups of countries. In this context, Chile is a member of the 'Trade in Services Agreement (TiSA) and also participates in other major regional FTA negotiations that include services and investment within its scope.

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

5.1.3 Foreign Investment Regimes

5.1.3.1 Treatment of Foreign Investment

Chilean economic policy reflects the importance given to foreign investors, which, once established in the country, receive an equal treatment to the one accorded to comparable Chilean companies[61].

Accordingly, one of the main objectives of Chile has been to ensure the establishment of clear investment rules, with a view to creating a wider and safer environment for investors. Furthermore,

[61] Chile's Constitution guarantees to all individuals, Chilean and foreigners, the right to develop any economic activity, provided that the applicable legislation is observed and such activities are not contrary to public morals and order, or to national security interests. There are no economic activities reserved for the State, notwithstanding the special provision established under constitutional regulations regarding mineral resources (mineral resources including hydrocarbon deposits and other fossil substances). Private property rights are fully protected under the Constitution. Property may only be expropriated pursuant to specific constitutional provisions: expropriations may only be executed by law (i.e. requires legislative approval) on grounds of public benefit or national interest and the expropriated parties have the right to compensation for patrimonial harm caused.

Chile has taken international commitments in order to gradually liberalize market access, as well as to strengthen the protection afforded to investors.

In Chile, the foreign investment regime is one of free entry of capitals. Thus, subject to domestic regulations, investors can materialize their investment freely.

The Central Bank of Chile's purpose is to provide stability of the currency and the normal functioning of external and internal payments. In this regard, the Bank Act confers to it broad legal powers to, amongst others exclusively issue regulatory provisions regarding foreign exchange matters. Therefore, the Bank is the exclusive entity empowered to establish and to amend the foreign exchange regime's components in force in Chile. Chapter XIV of the Central Bank's Compendium of Foreign Exchange Regulations establishes rules for foreign investment, capital contributions, and credit. Those operations shall be conducted through banking entities and be informed to the Central Bank. Currently, there are no restrictions (i.e. prior authorization, reserve requirement) applicable to transfers in or transfers out related to those operations.

Chile does not apply screening mechanisms of any sort to foreign direct investment in any sector of the economy; they are subject to the same domestic regulations and procedures for approval of investments as national investors (i.e. environmental impact studies when required).

However, Chile has in place special investment regimes that provide foreign investors better treatment than their domestic counterparts.

5.1.3.2 Special Investment Regimes and/or zones

i. Decree Law 600[62]

When investing in Chile, foreign investors have the option to do so through the special and voluntary regime of Decree Law 600 ("DL 600"). Under DL 600 investors enter into a legally binding contract with the Chilean State, which cannot be modified unilaterally by the State or by subsequent changes in the law. However, investors may, at any time, request the amendment of the contract to increase the amount of the investment, change its purpose or assign its rights to another foreign investor. The Foreign Investment Committee is the Government's agency responsible for administering this regime. The DL 600 regime does not provide special access to sectors where foreign investment is restricted.

DL 600 guarantees investors the right to repatriate capital one year after its entry and to remit profits at any time. In practice, the one-year capital lock-in has not represented a restraint since most productive projects in areas such as mining, forestry, fishing and infrastructure; require more than a one-year start-up period. Once all relevant taxes have been paid, investors are assured access to freely convertible foreign currency without any limits on the amount, for both capital and profit remittances. In addition, they are guaranteed the right of access to the formal exchange market. The repatriation of all capital invested is devoid of any tax, duty or charge up to the amount of the

[62] It should be noted that as from 1 January 2016, DL 600 will be replaced by Law 20,848 which entered into force on 25 June 2015. However, the new regulation provides that after 1 January 2016, for a maximum period of four years, foreign investors may apply for foreign investment authorizations pursuant to Article 3 of DL 600, subject to the rights and obligations laid down therein, but with a total tax invariability rate of 44.45%. Contracts signed before January 2016 will remain fully valid, all rights and duties acquired under DL 600 are ensured.

originally materialized investment. Only capital gains over that amount are subject to the general regulations contained in the income tax law.

It should be noted that although there are no foreign exchange restrictions currently in place, the Central Bank has the authority to impose restrictions to foreign exchange transactions, in order to preserve the stability of the currency or the financing of the balance of payments. However, DL 600 investors are exempt from these restrictions and their right to access the market in order to repatriate profits or capital is not affected. Notwithstanding the foregoing, DL 600 provides a specific regulation regarding capitals brought into the country consisting of credits associated with foreign investment. In such cases, the general rules, terms, interests, and other aspects involved in the negotiation of foreign loans, as well as the surcharges on the total cost are borne by the borrower for the use of foreign credits, including commissions, taxes and all expenses shall be those currently authorized or authorized in the future by the Central Bank.

The DL 600 contract acknowledges the following as foreign investment:

Freely convertible currency that can be exchanged at the most favorable rate that foreign investors can obtain from an entity authorized to operate in the Formal Exchange Market.

Tangible assets, in any form or condition brought into the country according to general import regulations, without exchange coverage. The value of these goods will be determined using general procedures applied to imports. These tangible assets include, amongst others, machinery or equipment used in productive processes.

Technology, in any form susceptible to be capitalized, which will be appraised by the Foreign Investment Committee according to its real international market value, within 120 days after the foreign investment application is submitted. If the appraisal is not carried out, the value assigned shall be that estimated by the investor in an affidavit. In previous cases, independent consultants have performed this task.

Credits associated to foreign investment. The general regulations, terms, interest and other modalities of foreign credit contracts, as well as surcharges related to total costs to be paid by the debtor, including commissions, taxes and expenses, shall be those authorized by the Central Bank of Chile.

Capitalization of foreign loans and debts, in freely convertible currency, whose contract has been duly authorized by the Central Bank. Under DL 600, investors can increase the capital of the company which received the investment through both the capitalization of credits made under Chapter XIV and the credits derived from current imports and pending payments.

Capitalization of profits transferable abroad. DL 600 allows capital increases of the company receiving the investment through the capitalization of transferable profits.

Foreign investors may request a maximum time limit of three years to materialize their contributions. Under Article 11 bis of DL 600, investments of not less than US$50 million for industrial or non-mining extractive projects can request a time limit of up to eight years. In the case of mining projects the time-limit is eight years but, if previous exploration is required, the Foreign Investment Committee may extend it to up to twelve years. Although Chile's Constitution is based on the principle of non-discrimination, DL 600 offers some tax advantages for foreign investors. These are not "tax breaks" or "tax holidays", but are intended to provide a stable tax horizon, acting as a form of "tax insurance". DL 600 offers several different tax options, but basically allows the investor to lock into the tax regime prevailing at the time an investment is made.

A foreign investor who wishes to invest through the DL 600 regime must submit an application to the Executive Vice-Presidency of the Foreign Investment Committee. Since June 6 of 2003, the minimum investment amount for a new project is US$5,000,000 (five million dollars) when investments consist of foreign currency and associated credits. The minimum amount is US$2,500,000 (two and a half million dollars) when the investment is in the form of tangible assets, technology, and capitalization of profits or capitalization of credits. The Foreign Investment Committee retains the right to modify both figures. Projects submitted to the Committee's consideration must involve a ratio between equity and associated credits of up to 25/75.

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

ii. Law 20,848

Law 20,848 that establishes the new framework governing foreign direct investment in Chile and the corresponding institutional framework, entered into force on 25 June 2015 and replaces DL 600.

This new regulation provides for the modernization of the legal framework governing foreign direct investment by providing guarantees on a non-discriminatory basis to foreign investors. The Law also establishes a new institutional architecture to promote and encourage foreign direct investment in Chile, comprising a Committee of Ministers to advise the President of the Republic on policy formulation and a Foreign Investment Promotion Agency, complying with OECD standards, to implement those policies.

The new institutional framework enables the new agency to channel foreign investment towards sectors with a strategic role in development and diversification of production, especially those sectors where Chile has clear competitive advantages, a greater need for knowledge and technology or the opportunity to spawn new industries. The framework also vests the agency with the powers it needs to act as the coordinating body for efforts to attract investment into Chile. These include establishing a strategy to promote and encourage foreign investment, linking investment to the development of production in Chile and the possibility of establishing a Consultative Advisory Council that includes representatives from the private sector who can bring their experience to improve the running of the agency.

In order to allow stakeholders to adjust to the change in the system for foreign investment, for a maximum period of four years, foreign investors may apply for foreign investment authorizations pursuant to Article 3 of DL 600, subject to the rights and obligations laid down therein, but with a total tax invariability rate of 44.45%.

The law also governs the effects of legal contracts entered into while DL 600 was in force, in order to ensure the full applicability of the rights and duties acquired by foreign investors under that legal regime.

Specifically, the law guarantees foreign investors access to the official exchange market and remittance of capital and earnings with full safeguards for the powers vested in the Central Bank of Chile in this area. It also guarantees that they shall not be subject to arbitrary discrimination. Additionally, steps are under way to modernize and update the procedure for exemption from sales and services tax on imports of capital goods by foreign investors for projects covered by DL 600. The amendment seeks to promote the execution in Chile of major investment projects whose profile implies a lengthy timescale and to prevent them from running up high costs in the preliminary and initial stages.

According to the new regime, Foreign direct investment shall be understood as capital transfers above UD$5.000.000. It also comprehends investments above that amount, transferred to the country and materialized through the acquisition or participation in a Chilean company or in the capital of a corporation, provided that such transfer grants the investor at least, 10% of the voting rights or capital participation. If the investment meets these requirements, a certificate can be requested by the foreign investor to the Investment Promotion Agency.

a. This certificate grants the following rights: Free Transfer: Investors can transfer to abroad the capital and profits generated by their investments, provided that they comply with domestic tax laws.
b. Access to the formal exchange market: Both to liquidate currencies and to obtain currencies to be transferred abroad.
c. Value Added Tax exemption: Only to import capital goods.
d. Non-arbitrary discrimination: Foreign investors shall not be subject to arbitrary discrimination, whether direct or indirectly, and shall be subject to the common regime applicable to Chilean investors.

Obtaining this certificate is voluntary but it is useful as a proof of the status of investor. However it does not grant more rights than those already established by law.

The new regime does not create a screening mechanism, therefore the Investment Promotion Agency (that will replace the current Foreign Investment Committee) cannot decide whether Foreign Direct Investment should be accepted or not.

iii. Chapter XIV of the Compendium of Foreign Exchange Regulations

Chapter XIV is an administrative record system that is managed by the Central Bank of Chile and sets forth the applicable regulations to foreign exchange transactions relating to credits, deposits, investments and capital contributions coming from abroad, along with those regarding other liabilities with foreign entities for a minimum amount of US$10,000. The foreign capital under Chapter XIV enjoys national treatment; but it does not provide the benefits granted by DL 600 or Law 20,848. Instead, the investment is subject to the regime applicable to national investment. The only conditions for adopting this mechanism are the obligation to report and to use the formal foreign exchange market.

iv. Foreign Investment Capital Funds (FICE in Spanish)

The investment regime of Law 18,657 on Foreign Investment Capital Funds (FCIF or FICE in Spanish) is a regime created to gain access to Chilean securities when capital controls where in place in Chile. Today, foreign investors who wish to invest in Chilean securities issued in Chile are not required to do it through this regime. The regime establishes a preferential tax treatment for foreign capital investment funds. FCIF are required to obtain a favorable report issued by the Chilean Superintendencia de Valores y Seguros (Superintendence of Securities and Insurance) in order to conduct business in Chile. FCIF may not remit capital for five years following the investment of such capital, although earnings may be remitted at any time. A FCIF may hold a maximum of 5% of a given company's shares, although this can be increased to a maximum of 10% if the shares are first-issue shares. Furthermore, no more than 10% of FCIF assets may be invested in a given company's stock, unless the security is issued or guaranteed by the Republic of Chile or the Central Bank. Altogether, no more than 25% of the outstanding shares of any listed company may be owned by FCIFs.

5.1.3.3 Investment Agreements

Chile's approach to investment protection agreements

Chile has pursued international investment agreements as a means to strengthen the investment environment by providing certainty regarding rights and obligations of investors. Bilateral investment treaties (BITs) and specific investment chapters in free trade agreements (FTAs) signed by Chile contain clauses regarding fair and equitable treatment, national treatment and most favored nation status. In addition, Chile has included investor-State dispute settlement mechanisms in these international agreements.

Chile initiated negotiations of BITs in the 1990's after adhering in 1991 to the 1965 Washington Convention on the Settlement of Investment Disputes between States and Nationals of Other States. Through BITs, Chile offers protection to investors and guarantees the free transfer of capital, of profits or interest generated by foreign investments, and, in general any transfer of funds related to investments, without affecting the regulatory powers of the Central Bank regarding foreign exchange transactions. These agreements establish investor-State dispute settlement mechanisms in case of disputes, to ensure that disputes will be settled through friendly consultations. If no agreement is reached, investors are entitled to opt for international arbitration, rather than submit the case before the Chilean tribunals. In most BITs, this jurisdictional option is final; once the investor has chosen one of the options, it cannot turn to the other.

Chile's current policy is to include specific investment chapters in FTAs and to have these replace existing BITs. Even though some FTAs have maintained in force previously signed BITs, it has been Chile's preference to have a self-contained investment chapter which regulates both investment in goods and in services in a negative list approach. Additionally most of the FTAs cover investment from the pre-establishment phase. These investment chapters provide the protection offered by the BITs and include additional provisions that increase the level of protection of investors, such as more developed rules on minimum standard of treatment and expropriation, as well as prohibition of certain performance requirements and of the imposition of nationality requirements on senior management and board members. As for investor-State dispute settlement, many of the FTAs have, compared to BITs, additional provisions that cover consolidation, amicus curiae, transparency, preliminary objections and the treatment of frivolous claims.

Finally, Chile's investment chapters contain, usually in an annex which modifies the obligation of free transfers in and out of the country, provisions that reserve the right of the Central Bank to impose restrictions on transfers and payments, in accordance with the provisions of the Constitutional Organic Law of the Central Bank, if and when such measures were needed in order to maintain the stability of the currency and the normal functioning of internal and external payments.

Agreements in force

Chile has thirty-nine BIT's currently in force.[63] In addition, it has signed, as of March 2015, 24 agreements with 63 partners that together account for 63% of the world's population, 85% of world GDP and close to 94% of Chilean shipments abroad. Eight of these treaties have investment chapters, and in 2014 the Supplementary Agreement on Investment of the China-Chile Free Trade Agreement entered into force.

5.1.4 Trade Remedies

Chile's legal framework for trade remedies investigations is contained in the following:

- Supreme Decree number 16 of the Ministry of Foreign Affairs dated 5 of January, 1995: The Decree adopted the Marrakech WTO agreements as law, which includes the Agreement on the implementation of Article VI of the GATT 1994, Subsidies and Countervailing Measures Agreement, Safeguard Agreement, Agriculture Agreement, and Article VI and XIX of the GATT 1994.
- Law number 18,525 and its modifications, specifically articles 7, 8 and 9, which contain the rules on importation of merchandises.
- Decree number 1,314 of the Ministry of Finance, published 22 of March, 2013, which adopts the rules of procedure regarding Law number 18,525.
- Trade agreements signed up to date.

The investigating authority in Chile is called the Commission in Charge of Investigating the Existence of Price Distortions on Imported Goods (hereafter, the Commission), which is a technical entity integrated by representatives of relevant public institutions.

The Commission is integrated by the following members:

- The Director of the National Economic Prosecutor Authority, who is also the chairman;
- Two representatives of the Central Bank, designated by its Board;
- One representative of the Ministry of Finance;
- One representative of the Ministry of Agriculture;
- One representative of the Ministry of Economics;
- The National Customs Director;
- One representative of the Ministry of Foreign Affairs

The Commission's function is to advise the President in all matters regarding the import of goods, at distorted prices, that cause or threaten to cause serious injury to domestic production, as well as

[63] BITs are in force between Chile and Argentina, Australia, Austria, Belgium and Luxembourg, Bolivia, China, Costa Rica, Croatia, Cuba, the Czech Republic, Denmark, Ecuador, El Salvador, Finland, France, Germany, Greece, Guatemala, Honduras, Island, Italy, Korea, Malaysia, Nicaragua, Norway, Panama, Paraguay, Peru, the Philippines, Poland, Portugal, Romania, Spain, Sweden, Switzerland, Ukraine, the United Kingdom, Uruguay, and Venezuela.

those situations of increased imports of such magnitude and conditions that they cause, or threaten to cause, serious injury to national production.

In cases where these conditions are met, the Commission proposes to the President, through the Minister of Finance, the application of ad valorem tariff surcharges, antidumping duties and countervailing duties, where applicable (Law 18.525, articles 7° and 8°).

5.1.4.1. Safeguards

Complaints can be submitted by any industry group or in the name of any industry group. The Commission may also conduct investigations on its own initiative, when it has access to information that justifies doing so.

Within ninety days from the initiation of an investigation, the Commission must decide whether the available information leads to the conclusion that imports of a product have increased in such quantities and under such conditions as to cause or threaten to cause serious injury to domestic producers of like or directly competitive product. If this is the case, it must adopt a Resolution recommending the application of tariff surcharges to the President [64]. Where the available information does not permit the establishment of a safeguard measure, the Commission must dictate a Resolution to end the investigation and transmit the decision to the Minister of Finance in order for it to be summarized and published in the *Official Gazette*.

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

Surcharges may be applied for a period of up to two years, including the period of provisional application of the measure, subject to an extension of one further period not exceeding two years, subject to a favorable report by the Commission. The Commission may at any time recommend that tariff surcharges in place should be modified or abolished before their expiry date. The Law does not provide for the imposition of quotas. The Commission’s decisions are by majority of the votes cast, and the application of a surcharge that increases the applied tariff rate above the WTO bound tariff rate, needs the approval of three quarters of the members of the Commission.

Since 1999, Chile has imposed eight definitive safeguard measures, out of fifteen investigations. In September 2015, provisional safeguard measures were imposed on imports of steel wire rod; the investigation is still open.

5.1.4.2. Anti-dumping Measures and Countervailing Duties

The Commission conducts an investigation if the complainant can provide evidence of a distortion (dumping or the existence of a subsidy) and the manner in which it causes or threatens to cause material injury to the Chilean industry. Just as in the case of safeguard investigations, complaints can be submitted by any industry group or in the name of any industry group and the Commission may

[64] In addition, there is no a time frame to approve the recommendations.

also conduct investigations on its own initiative when it has access to information that justifies doing so. The investigation must be conducted over a period of 9 months.

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

Any anti-dumping and countervailing duty proposed by the Commission must not exceed the margin of distortion, which is calculated by comparing dumped with non-dumped imports. The Commission may also recommend to the President of the Republic the application of provisional duties. Antidumping and countervailing duties can be imposed for a maximum of one year.

The last anti-dumping measure adopted by the Commission was imposed on the imports of hulled Maize (corn) from Argentina, on April 2013. As for countervailing duties, the last was applied in 2000 on imports of powder milk from the Czech Republic and Poland.

5.1.5 Government Procurement

Legal Framework

i. For goods and services[65]:

- Law on Terms and Conditions for Administrative Supply and Service Contracts N° 19,886. (Ley N° 19,886, Ley de Bases sobre Contratos Administrativos de Suministro y Prestación de Servicios).
- Regulations for Law N° 19,886 on Terms and Conditions for Administrative Supply and Service Contracts (Aprueba Reglamento de la Ley N°19.886 de Bases sobre Contratos Administrativos de Suministro y Prestación de Servicios).

ii. For construction services[66]:

- Ley Orgánica del Ministerio de Obras Públicas, DFL N° 850. (Public Works Law).
- Reglamento para Contratos de Obras Públicas, D.S. MOP N° 75. (Public Works Regulation).
- Reglamento para Contratación de Trabajos de Consultoría, Decreto MOP N°48. (Consultancy Regulation).
- Ley de Concesiones de Obras Públicas, (Decreto Supremo N° 900. (Concessions Law)
- Reglamento de la Ley de Concesiones, D.S. N° 956. (Concessions Regulation)

[65] English: http://www.chilecompra.cl/english/publications.html/ Spanish:http://www.chilecompra.cl/normative_legal.html

[66] http://www.mop.cl/documentacion.html

- Procurement Law N° 19,886 applies for additional provisions not considered by the laws and regulations mentioned above.

Main objectives of the System

Chile's Public Procurement System is regulated by the Law N°19,886, enacted on July 2003. The Procurement Law provides the contractual framework for the purchase of goods and services and establishes "ChileCompra", the electronic procurement platform, that seeks to build a more friendly and flexible State, oriented to serving people, businesses and public institutions.

The procurement of public works and concessions are ruled by independent regulations.

The strategic principles of the public procurement system in Chile, which have allowed it to grow and expand, are Free Access, Universality and Non-discrimination. The government procurement measures are applied:

- To achieve maximum transparency and efficiency in the Government Procurement market;
- To create an institutional framework to ensure those objectives;
- To preserve principles regarding equality before the law, competition, non-discrimination and due process;
- To cover a substantial proportion of buying entities, such as Central Government, Regional Governments (Intendencias and Gobernaciones), Local Governments (Municipalidades), some public enterprises, etc.;
- To establish open tendering as the general rule; and
- To use the electronic system for all public entities and procurement procedures.

Government Procurement Court

The Chilean System on government procurement contemplates a judicial authority in order to settle legal disputes in this area named Tribunal de la Contratación Pública (Government Procurement Court). This court does not depend on the Government or the administrative agencies. It began to work on September 27 of 2005 and it is composed of three lawyers (judges) and their corresponding alternates. This court has jurisdiction to try challenge actions against illegal or arbitrary acts or omissions occurred in the procurement administrative procedures with public agencies governed by the Government Procurement Act.

International Agreements regarding Government Procurement

Chile has negotiated Government Procurement chapters in its Free Trade Agreements with:

1. Central America
2. United States
3. South Korea
4. European Union
5. European Free Trade Association (EFTA)
6. P4 (New Zealand, Brunei, Singapore and Chile)
7. Japan
8. Canada
9. Mexico
10. Colombia
11. Australia

12. Uruguay
13. Hong Kong SAR

Under Negotiation: Pacific Alliance and Trans-Pacific Partnership.

At the multilateral level Chile is an observer (not signatory) of WTO's GPA.

Main elements to be considered in a GP Chapter

For Chile, the main elements to be considered in a GP Chapter are:

- To ensure non-discriminatory market access.
- Transparency.
- Procedural simplicity with open tendering as the default mechanism.
- Due process.
- Wide scope on procurement, with significant coverage in terms of entities, and thresholds.
- Challenge procedures.
- Facilitation of Small and Medium Enterprises in the procurement process.

5.1.6 Transparency

Transparency is one of the basic principles in Chilean Public law and under the Free Trade Agreements signed by Chile.

5.1.6.1 Transparency in the Administrative Law

Law N° 19,880, "Basis of Administrative Proceedings", published in the Official Gazette in 2003, sets the foundations of the administrative proceedings that rule the acts of the agencies of the executive branch of the government. This law establishes the general rules that govern the administrative proceedings. However, in case that any special law establishes another special proceeding, the latter shall prevail.

This law recognizes that Publicity and Transparency are the principles of the administrative proceedings. This means that the administrative proceedings shall allow and promote public knowledge, content and basis of the decisions adopted by agencies.

Therefore, unless the law or regulations establishes a special rule, the administrative acts and decisions of agencies are public, as well as their foundations and documents that sustain or complement them.

Moreover, the Law N° 19,880 establishes other principles of the administrative proceedings, such as: writing; gratuitousness; procedural economy; impartiality and refutability. One of the most important goals of these principles is to protect people´s rights in relation to agency´s acts.

Furthermore, this law establishes a group of specific rights that reinforce the performance of the law: the right of any person that has an interest in the proceeding to know at any time about the stage of the act; to obtain a legal copy of the documents that are part of the proceeding, to know the officials of any offices of the Administration that are in charge of the proceedings; to have access to the administrative acts (hearings or written orders or decisions) according to the law. The general principle in the Chilean constitution (Article 8, paragraph 2) establishes that acts and resolutions of the State´s agencies are public, and also their rationale and the procedures that are used. However, the Constitution provides that solely a quorum-qualified law may establish the secrecy or confidentiality of the acts and resolutions above mentioned if the publicity affects: the tasks of the State's agencies, fundamental rights, security of the nation or national interest.

Transparency and the fundamental right to access to information

Law 20,285 on Access to Public Information establishes that the only grounds for secrecy or confidentiality under which it may reject all or part access to information when their publicity, communication or knowledge affects the proper fulfillment of the functions of the State's agencies in particular:

a. if it affects the prevention, investigation and prosecution of a crime or offense or in the case of information necessary for legal and judicial defenses; in case of prior information to the adoption of a measure or policy deliberations, notwithstanding that those fundamentals shall be public once they are adopted; in the case of generic requirements, referred to a large number of administrative acts or their background, or in case that attending the request unduly distracts officials of the regular fulfillment of their normal work;
b. when their publicity, communication or knowledge affects the rights of people, particularly in the case of their safety, their health, their sphere of privacy or rights to commercial or economic nature;
c. When their publicity, communication or knowledge affects the security of the nation, particularly if it relates to national defense or the maintenance of public order or public safety; and
d. When their publicity, communication or knowledge affects the national interest, particularly if it relates to public health, or international relations and economic or commercial interest of the country.

5.1.6.2 Transparency in Trade Agreements

It should be noted that free trade agreements signed by Chile with Canada, Mexico, Central America, Korea, the United States, the European Union, EFTA, P4 (New Zealand, Singapore and Brunei Darussalam), China, Japan, Colombia, Ecuador, Panama, Peru, Australia, Malaysia, Hong Kong and Vietnam contain regulations concerning transparency.

The main purpose of the transparency rules in the free trade agreements is to facilitate communication between the Parties and to make available any information to the people about measures concerning any issue covered in the Agreement. From this perspective, transparency involves that Governments should provide the necessary means for individuals to become acquainted with the rules and thus allow compliance with them.

Transparency rules of free trade agreements establish that the governments have to publish laws, regulations, procedures and administrative rules of general application without delay and to the extent possible give the opportunity to the other party to make observations about the regulations. Additionally, the transparency chapters seek that, to the extent possible, each Party shall publish in advance any such measure that it proposes to adopt; and provide interested persons and the other Party a reasonable opportunity to comment on such proposed measures.

Also, free trade agreements establish that, to the maximum extent possible, each Party shall notify the other Party of any proposed or actual measure that the Party considers might materially affect the operation of this Agreement or otherwise substantially affect the other Party's interests under this Agreement.

Furthermore, these rules include provisions on due process in matters concerning administrative procedures, which may affect aspects covered in the Agreement with a view to facilitating communication between the Parties in matters concerning the Agreement.

5.1.7 Intellectual Property Rights

5.1.7.1. South Africa & Chile policy regarding the main IPR Treaties under the auspices of the WTO

Maintaining an adequate and balanced intellectual property system is a key issue for the Chilean economy. The Chilean legal and institutional framework for intellectual property rights (IPRs) grants protection to all categories of intellectual property included in the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS Agreement) of the World Trade Organization (WTO)[67], namely: copyright and related rights, trademarks, geographical indications, patents, industrial designs, layout designs (topographies) of Integrated Circuits and Protection of Undisclosed Information. Chile also confers protection to new plant varieties through a sui generis system. In addition to the standards in the TRIPS Agreement and those in the major World Intellectual Property Organization (WIPO) treaties[68], Chile has committed to even higher standards through bilateral trade agreements.

5.1.7.2. Chile's participation in international IPR agreements

Chile is a member of the World Intellectual Property Organization (WIPO) and has signed a number of WIPO-administered treaties including the WIPO Copyright Treaty (WCT), the WIPO Performances and Phonograms Treaty (WPPT), the Patent Cooperation Treaty (PCT) and the Trademarks Law Treaty (TLT) among others. It is also a member of the International Union for the Protection of New Varieties of Plants (UPOV). Recently Chile has signed two WIPO-administered treaties: the Beijing Treaty on Audiovisual Performances (24 June 2012) and the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled (28 June 2013). Also, Chile ratified the Budapest Treaty on International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure (2011), the Trademark Treaty (2011), and the Brussels Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite (2011). For the purposes of the Budapest Treaty, in 2014 the Chilean Microbian Genetic Resources Collection (CChRGM) was designated as the international authority.

The Chilean IPR regime has evolved significantly as a result of the incorporation of TRIPS commitments into national law. Also, several amendments have been made to comply with

[67] Chile has been a WTO member since 1 January 1995 and the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) came into force in 2000.
[68] Chile has been a member of the WIPO since June 1975.

international obligations derived from bilateral agreements (mainly with the European Union, the United States of America, European Free Trade Association, Central America, Canada, Mexico and Korea). New amendments will be incorporated into the Chilean IPR legislation because of the ratification of the WIPO Internet Treaties and the implementation of other bilateral IPR commitments.

The main domestic statutes for the protection of IPR in Chile are the Intellectual Property Law (Copyright Law), Law N° 17,336 of 2 October 1970 with its Regulation and the Industrial Property Law, Law N° 19,039, 25 January 1991, with amendments introduced by Law 19,996, of 1 December 2005 and Law 20,160, of 26 January 2007, Law N° 20,569 of 2012 and its Regulation. The protection of new varieties of plants is regulated through the New Plant Varieties Law, Law N° 19,342 of 3 November 1994. These statutes cover the major IPR areas referred to in the TRIPS Agreement and also by main WIPO treaties.

Industrial Property Rights

Historically, the Department of Industrial Property of the Ministry of Economy was in charge of granting industrial property rights (trademarks, patents, utility models, layout design of integrated circuits, industrial design), including the registry of geographical indications and appellations of origin. The Seeds Department of the Agriculture and Cattle Service is in charge of administrating the Chilean registry of new plant varieties. However, a new institutional framework for the industrial property administration was enacted and entered into force in January 2009 (Law N° 20,254). The reformed Industrial Property Office (INAPI, by its Spanish acronym) replaced the existing Chilean registry in order to improve registration services for trademarks, geographical indications, patents, utility models, industrial designs and layout designs of integrated circuits, by granting more human and financial resources. Moreover, the referred amendment provided INAPI with authority to apply such human and financial resources to conduct new capacity building activities in order to promote the use of industrial property rights. Also, as mentioned above, during 2005, the widest and most significant reform to the Industrial Property Act was conducted since its enactment in 1991 (Law N° 19,996).

This reform implemented pending commitments of the WTO TRIPS Agreement and incorporated provisions to protect undisclosed information related to pharmaceutical and agrochemical products for 5 and 10 years, respectively. Additionally, it established a special registry for geographical indications and appellations of origin, rules for assessment of damages for infringement of industrial property rights; and new civil actions and precautionary measures that provide the right holders with a wider range of tools to address judicial enforcement of their rights.

In 2007, the Industrial Property Act was amended (Law N° 20,160) in order to incorporate and protect sound, collective and certification trademarks. Additionally, it provided for a patent term extension to compensate for unjustified delays in the administrative process to obtain registration.

Thereof, currently Chilean national law provides protection for 10 years to trademarks right holders, but they may be renewed indefinitely. There are no requirements of use for registration or renewal of trademarks. Industrial designs that are novel are protected by 10 years from the date of filling. This period is non-extendable. Textiles designs and stampings may be protected at the same time under Copyright Law.

In the case of patents, they are protected in Chile for 20 years from the filling date of the patent application. Economic models and business plans, discoveries, scientific theories and mathematical methods, surgical, therapeutic or diagnostic methods, plant varieties, animals and software are not protected by patents or utility models. Patent system includes compulsory licenses in cases of:

i) monopoly abuse,
ii) national security, public health, and national emergencies,
iii) non-commercial public use, or
iv) cross licensing in relation with patented subject matters.

With regard to Plant Varieties, Chilean legislation is homologated to UPOV 1978 Act. Nevertheless, Chile is committed to adhere to UPOV 1991 and currently, a bill that enacts UPOV 91 standards is being drafted for Congress approval. Rights related to New Varieties of Plants must be pursued before civil courts. Industrial property right holders have both civil and criminal remedies and can collect costs and damages. Courts have, amongst others, the faculty to order the destruction of tools and implements used to produce the falsification or copy. The Customs Service has the authority to apply some ex officio measures regarding industrial property rights at the border. In addition, Law 19,039 establishes for international exhaustion of these rights. Consequently, parallel importations are allowed.

In 2012, Chile introduced changes to Law N° 19,039. These are mostly contained in Law N° 20,569 in order to harmonize and improve the procedure for filing applications for trademarks and patents. It also includes provisions for implementing the Patent Cooperation Treaty (PCT) in Chile, for example, with regards to time-limits for applications. In general, the Law provides that patent application procedures at the national phase should abide by the provisions in the Treaty. Law N° 20,569 also declares that the INAPI is the body responsible for receiving and processing international patent applications.

In October 2012, the INAPI was designated as an International Searching Authority (ISA)/International Preliminary Examination Authority (IPEA) for the purposes of the PCT. It commenced its activities as an ISA/IPEA[69] in October 2014. During the two years between its appointment as an ISA/IPEA in October 2012 and the commencement of operations in October 2014, the INAPI worked on setting up the databases and designing a quality control system for dealing with applications and examination of patents submitted under the international phase of the PCT. It also worked on implementing an online e-PCT system created by WIPO for access to international databases and for transmitting documents concerning international PCT applications electronically and on the creation of a PCT Department within the Patents Sub-directorate. The INAPI also drew up patent directives concerning INAPI criteria for technical, legal and procedural examination for registration of patent applications.

The INAPI signed a series of agreements or memorandums of understanding with similar bodies in other countries, including: Australia; Brazil; China; Colombia; the Dominican Republic; Ecuador; El Salvador; France; the Republic of Korea; Mexico; and Paraguay.

Copyrights and Related Rights

[69] It is an ISA's role to identify the published documents which may affect patentability of the invention and to issue a preliminary and non-binding written opinion on whether or not the invention appears to comply with patentability criteria, taking into account the results in the search report. An IPEA undertakes a second optional examination.

The Copyright Department of the Library, Archives and Museums Directorate is in charge of the Copyright Register. The main Copyright statutes are the Intellectual Property (Copyright) Law, Law N° 17,336 of 2 October 1970 with its Regulation (Supreme Decree N° 4,764 of January 8, 1985).

The term of protection for copyrights and related rights is 70 years after the author's death. In conformity with the Berne Convention, protection is automatically recognized once works are created, but a register is available for publicity measures. Additionally, register constitutes a legal presumption of ownership in favor of the person who is registered as right holder. According to the Copyright Law right holders have both civil and criminal remedies against infringers of rights. Once convicted, infringers may be forced to pay damages and fines and also be imprisoned. The Customs Service has the authority to apply some ex officio measures regarding industrial property rights at the border.

An important change to Law N° 17,336 was introduced by means of Law N° 20,435 of 4 May 2010. This incorporated international standards for the protection of intellectual property rights in the digital sphere. The Law introduced a new catalogue of exclusions and limitations to copyright and related rights and also contains provisions on enforcement and penalties, as well as on information on the management of rights. Two implementing Regulations were adopted for the proper implementation of Law N° 20,435: Decree Law N° 425, published in the Official Journal on 24 May 2011, which regulates the procedure for registering intellectual property mediators and arbitrators, the form and specifications for registration and the fees to be paid to mediators and arbitrators, and Decree N° 277 published in the Official Journal on 28 October 2013, which contains the implementing regulations for the current text of Law N° 17,336.

The basic objectives of these amendments are:

(i) to apply effective measures that guarantee a sufficient level of protection through civil and criminal proceedings for the enforcement of copyright and related rights in view of the frequent infringements commonly termed piracy;

(ii) to establish a suitable framework of exclusions and limitations to copyright and related rights which guarantee access to cultural assets and the exercise of fundamental rights by the public, as is recognized in most international laws and in accordance with the flexibilities allowed by the TRIPS Agreement and reaffirmed by Chile in its various free trade agreements; and

(iii) to regulate the liability of internet service providers, limiting their liability for infringement of copyright and related rights committed by users of their services on their networks, in accordance with Chile's international commitments in the free trade agreement signed with the United States.

The amendments have in practice resulted in: adaptation of the existing rules to the requirements in FTAs; changes to the existing system of exclusions and limitations to copyright and related rights; the establishment of a new system of penalties, updating the sanctions already available and qualifying new offences; streamlining civil and criminal proceedings, introducing special preventive measures; and specifying certain aspects concerning the procedure for determining rates by collective management bodies.

Enforcement of Intellectual Property Rights

The Department of Industrial Property, the Court of Appeal for Industrial Property (reformed under the Law N° 19,996) and the Agriculture and Livestock Service for issues related to plant varieties are responsible for administrative actions related to opposition or annulment of applications or granted registries. Criminal and Civil remedies provided for infractions in the Industrial Property and Intellectual Property Laws must be pursued before Civil and Criminal Courts. Persons convicted for offences against right holders of intellectual or industrial property rights may be required to pay costs and damages to right holders and also fines. In cases of intellectual property violations infringers can also be imprisoned.

In the year 2000 Congress passed new legislation for an overall modification of Chilean criminal system. This reform, which has been implemented in every Chilean Region (in Santiago has been implemented on June 2005), has shown to increase efficiency both in criminal courts and in action of police agencies against IPR infringers.

Additionally in early 2008, the Chilean Civil Police incorporated a new specialized unit –BRIDEPI – devoted to investigate and prosecute crimes specifically related to IPR. The unit extends its authorities over all issues related to offenses related to industrial and intellectual property rights. One of the purposes of BRIDEPI is to identify and disarticulate criminal organizations dealing with piracy, counterfeit and related offenses through intelligence investigations. This specialized unit is expected to become a cornerstone of the Chilean national system for IPR enforcement that came to add a number of other initiatives in the same direction, carried out by other Chilean agencies, such as the Chilean National Customs Service and the Chilean National Prosecutor's Office.

The term Aborigines in South Africa would mean indigenous people. The term 'indigenous' is used in South Africa's legal discourse in reference to the languages and legal customs of the majority black African population as opposed to the other races. The Intellectual Property Laws Amendment Act, of 2013 regulates Indigenous Knowledge (IK) in South Africa. South Africa uses the orthodox intellectual property system to protect indigenous knowledge, as the intellectual property system is used to misappropriate indigenous knowledge. It provides for a database where all indigenous knowledge is registered.

The Intellectual Property Laws Amendment Act provides for prior informed consent and access to intellectual property system to benefit sharing for communities. These provisions have been in the South African Patents Act since 2005 and in the biodiversity legislation. The Intellectual Property Laws Amendment Act also established a National Trust Fund for Indigenous Knowledge and encourages communities to form community trusts. In addition, it provides for the protection of indigenous knowledge and provide for the commercialization of indigenous knowledge.

5.1.8. Environment and International Trade

Import permits are maintained to administer tariff quotas, on health, sanitary and phytosanitary, and environmental grounds, or under international conventions to which South Africa is a signatory. On the other hand, a number of products remain subject to export controls, including prohibitions. Like import controls, these controls are maintained on grounds of safety, security, and the environment.

Technical regulations are set for health, safety, and environmental reasons. A standard becomes a technical regulation once "referenced", and any department may make a "reference. The NRCS was established under the National Regulator for Compulsory Specifications Act (NRCS Act) of 2008 to administer compulsory specifications. This Act also provides the legal framework for the administration of technical regulations, maintained in the interests of public safety, health, and the environment[70].

In 2004, South Africa introduced an environmental levy of 3 cents per bag on locally manufactured and imported plastic carriers and flat bags (HS 3923.21.05, 3923.21.15, 3923.29.05 and 3923.29.15). The purpose is to reduce pollution, and it is collected by SARS. A specific fuel levy is applied on certain petroleum oils and oils obtained from bituminous minerals. The levy is applied at the same rate on imported and domestic goods.

One of the most important elements of the New Growth Plan is a green economy, which is envisaged to potentially; reduce carbon emissions, generate jobs in ecosystem management as well as spur industrial development. South Africa is committed to slowing its growth in greenhouse gas emissions by 34% in 2020, and by 42% by 2025[71]. In 2011, the government entered into the Green Economic Accord, which aims to create 300 000 jobs in the next 10 years through investment in the green economy. In 2012, the National Treasury allocated R800 million over two years to the Green Fund, which aims to provide finance for high-quality, high-impact, job-creating green economy projects around the country. South Africa is committed to slowing its growth in greenhouse gas emissions by 34% in 2020, and by 42% by 2025. By May 2012, the government had approved 19 wind, solar and hydropower proposals worth R73 million to help boost clean energy[72].

In addition, South Africa has signed several international conventions, treaties, protocols and other agreements supporting the principles of sustainable development[73].

Table 42: List of Agreements Dealing with Environmental Issues

Date signed	Country	Title	Date (yymmdd)
19331108	United Kingdom (UK)	Convention relative to the Preservation of Fauna and Flora in their Natural State	19351119(r) Entry into force: 19360114
19580429		Convention on the Continental Shelf	19630409 (a) Entry into force: 19640610
19591119		Convention Placing the International Poplar Commission within the Framework of the FAO (Revised 15.11.1977)	19960410 (A) Entry into force: 19960410
19591201		The Antarctic Treaty	19600621 (r) Entry into force: 19610623
19670503		Convention on the International Hydrographic Organization (IHO)	Entry into force: 19700922
19710202		Convention on Wetlands of International Importance, especially as Waterfowl Habitat 1971 (Ramsar Convention)	19750312 (r) Entry into force: 19751221
19721116		Convention concerning the Protection of the World Cultural and Natural Heritage (World Heritage Convention)	19970710 (a) Entry into force: 19971010
		Convention on the Prevention of Marine Pollution by Dumping of Wastes	19780807 (a)

[70] National Regulator for Compulsory Specifications Act (Act No. 5 of 2008)
[71] www.gov.za
[72] www.gov.za
[73] www.dfa.gov.za

Date signed	Country	Title	Date (yymmdd)
19721229	IMO	and Other Matter with Annexures (LC 1972 or London Convention)	Entry into force: 19780906
19730303		Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)	19750715 (r) Entry into force: 19751013
19770428		Budapest Treaty on the International Recognition of the Deposit of Micro-organisms for the Purposes of Patent Procedure (Amended on 26 September 1980)	19970414 (a) Entry into force: 19970714
19780217	IMO	Protocol of 1978 relating to the International Convention for Safety Life at Sea , 1974 as amended (SOLAS PROT)	19820111 (a) Entry into force: 19821104
19790622		Amendment to the Convention on International Trade in Endangered Species of Wild Fauna and Flora with Appendices signed in Washington on 3 March 1973	19821001 (A) Entry into force: 19870413
19790623		Convention on the Conservation of Migratory Species of Wild Animals (CMS). (Bonn Convention)	19910927 (a) Entry into force: 19911201
19800520		Convention on the Conservation of Antarctic Marine Living Resources	19810723 (r) Entry into force: 19820407
19810323		Convention for Co-operation in the Protection and Development of the Marine and Coastal Environment of the West and Central African Region and related Protocols (Abidjan Convention)	20030530 (a) Entry into force: 20030729
19821210		United Nations Convention on the Law of the Sea	19841205 19971223 (r) Entry into force: 19980122
19831203		Protocol to amend the Convention on Wetlands of International Importance especially as Waterfowl Habitat 1982 (Paris Protocol)	19830526 (s) Entry into force: 19861001
19850322		Vienna Convention for the Protection of the Ozone Layer.	19900115 (a) Entry into force: 19900415
19850621		Convention for the Protection, Management and Development of the Marine and Coastal Environment of the Eastern African Region and related Protocols (Nairobi Convention)	20030530 (a) Entry into force: 20030828
19870528		Amendments to Articles 6 and 7 of the Convention on Wetlands of International Importance especially as Waterfowl Habitat, 1987 (Regina Amendments)	19920214 Entry into force: 19940501
19870916		Montreal Protocol on Substances that Deplete the Ozone Layer	19900115 (a) Entry into force: 19900415
19890322		Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal (Basle Convention)	19940504 (a) Entry into force: 19940803
19900629		Amendment to the Montreal Protocol on Substances that Deplete the Ozone Layer (London Amendment)	19920512 (A) Entry into force: 19920810
19900909	Côte D'Ivoire	Co-operation Agreement regarding the Technical Management the Abokouamerko Game Park	Entry into force: 19900909
19911004		Protocol on Environmental Protection to the Antarctic Treaty (Madrid Protocol)	19950803 (r) Entry into force: 19980114
19911017		Annex V to the Protocol on Environmental Protection to the Antarctic Treaty - Area Protection and Management	19950614(B) Entry into force: 20020524
19920509		United Nations Framework Convention on Climate Change	19930615 (s) 19970829 (r) Entry into force: 19971127
19920605		Convention on Biological Diversity	19930604 (s) 19951102 (r) Entry into force:

Date signed	Country	Title	Date (yymmdd)
			19960131
19920903		Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction	19930114 (s) 19950913 (r) Entry into force: 19970429
19921008	Israel	Agreement on Co-operation in the field of Environmental Management and of Nature Protection and Conservation.	Entry into force: Not in force
19921125		Amendment to the Montreal Protocol on Substances that deplete the Ozone Layer. (Copenhagen Amendment)	20010313 (a) Entry into force: 20010612
19940228	Namibia	Treaty between the Government of the Republic of South Africa and the Government of the Republic of Namibia with respect to Walvis Bay and the Off-Shore Islands	Entry into force: 19940301
19940301	Namibia	Agreement concerning Nature Conservation Functions in Walvis Bay	Entry into force: 19940301
19940728		Agreement relating to the Implementation of Part XI of the United Nations Convention on the Law of the Sea of 10 December 1982	19941003 (s) 19971223 (r) Entry into force: 19980122
19940908		Agreement on Co-operative Enforcement Operations directed at Illegal Trade in Wild Fauna and Flora (Lusaka Agreement)	19940909 (s) Entry into force: No intention to ratify
19941014		United Nations Convention to Combat Desertification in those Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa	19970930 (r) Entry into force: 19971229
19950922		Ban Amendment to the Basel Convention on the Control of Trans Boundary Movements of Hazardous Wastes and their Disposal Geneva, 22 September 1995	Entry into force: Not in force
19951115	New Zealand	Joint Statement on Antarctic Cooperation	Entry into force: 19951115
19951205	USA	Framework Agreement concerning cooperation in the Scientific, Technological and Environmental Fields	Entry into force: 20010827
19951205	USA	Statement of Intent concerning Cooperation in Sustainable Energy Development and the Mitigation of Greenhouse Gases	Entry into force: 19951205
19951215	Denmark Canada	Agreement between the Government of the Republic of South Africa and the International Development Research Centre, Canada and the Government of the Kingdom of Denmark on the Development of a new National Environmental Policy for South Africa	19951215 (s) Entry into force: 19951215
19951215	Denmark	Agreement on Capacity Building in the Department of Environmental Affairs in the Province of Mpumalanga, Republic of South Africa	Entry into force: 19951215
19951215	Denmark	Agreement on Capacity building in the Directorate of Environment, Department of Development Planning, Environment and Works in the Province of Gauteng, Republic of South Africa	Entry into force: 19951215
19951215	Denmark	Agreement on Development of a White Paper on Biological Diversity for the Republic of South Africa	Entry into force: 19951215
19951215	Denmark IDRC	Agreement on the Development of a New National Environment Policy for South Africa	Entry into force: 19951215
19960212	Norway	Memorandum of Understanding between the Department of Environmental Affairs and Tourism of the Republic of South Africa and the Ministry of Environment of the Kingdom of Norway relating to Co-operation on the Protection of the Environment	19960212 (s) Entry into force: 19960313
19960815		Agreement on the Conservation of African - Eurasian Migratory Water Birds. (AEWA Agreement)	20020101 (r) Entry into force: 20020401
19960910		Comprehensive Nuclear-Test-Ban Treaty (CTBT)	19960924 (s) 19990330 (r) Entry into force: Not in force
19960918	Denmark	Agreement on the Development of National Waste Management Strategies and Action Plans for the Republic of South Africa	Entry into force: 19960918
		1996 Protocol to the Convention on the Prevention of Marine Pollution by	19981223 (a)

Date signed	Country	Title	Date (yymmdd)
19961107	IMO	Dumping of Wastes and other Matter, 1972. (LC PROT 1996)	Entry into force: 20060324
19970917		Amendment to the Montreal Protocol on Substances that Deplete the Ozone Layer. (Montreal Amendment)	20041111 (a) Entry into force: 20050209
19971211		Kyoto Protocol to the United Nations Framework Convention on Climate Change	20020731 (a) Entry into force: 20050216
19980306	Ethiopia	Declaration of Intent with regard to Co-operation in the Fields of Wildlife Management	Entry into force: 19980306
19980310	Germany	Agreement on Cooperation in the Field of Environment	Entry into force: 19980410
19980426	Denmark	Specific Agreement regarding the Establishment of an Environment Rapid Response Facility (ERRF)	Entry into force: 19980426
19980910		Convention on the Prior Informed Consent Procedures for Certain Hazardous Chemicals and Pesticides in International Trade (Rotterdam Convention)	20020904 (a) Entry into force: 20040224
19981020	New Zealand	Arrangement for the Exchange of Scientific Observers in Accordance with the Provisions of the Convention on the Conservation of Antarctic Marine Living Resources (CCAMLR) Scheme of International Scientific Observation	Entry into force: 19981020
19990407	Botswana	Bilateral Agreement on the Recognition of the Kgalagadi Transfrontier Park	Entry into force: Not in force
19990701		Memorandum of Understanding concerning Conservation Measures for Marine Turtles of the Atlantic Coast of Africa	20071106(s) Entry into force: 20071201
19990818		Protocol on Wildlife Conservation and Law Enforcement in the Southern African Development Community	20031031 (r) Entry into force: 20031130
19991203		Amendment to the Montreal Protocol on Substances that deplete the Ozone Layer. (Beijing Amendment)	20041111 (a) Entry into force: 20050209
20000622	Mozambique Swaziland	General Trans-Frontier Conservation and Resource Area Protocol (TFCA)	Entry into force: Not in force
20000622	Mozambique	Lubombo Ndumu-Tembe-Futi Trans Frontier Conservation and Resource Area Protocol	Entry into force: Not in force
20000622	Mozambique	Lubombo Ponto Do Ouro-Kosi Bay Marine and Coastal Trans-Frontier Conservation and Resource Area Protocol between the Government of the Republic of Mozambique and the Government of the Republic of South Africa	Entry into force: Not in force
20000622	Swaziland	Lubombo Nsubane-Pongolo Trans-Frontier Conservation and Resource Area Protocol between the Government of the Republic of South Africa and the Government of the Kingdom of Swaziland	Entry into force: Not in force
20000918	Ukraine	Memorandum of Understanding between the South African Council for Geo Science and the Ministry of Environmental and Natural Resources of Ukraine	Entry into force: 20000918
20001110	Mozambique Zimbabwe	Agreement on the Development of the Gaza-Kruger-Gonarezhou Transfrontier Park between the Governments of the Republic of South Africa, the Republic of Mozambique and the Republic of Zimbabwe	Entry into force: Not in force
20010522		Stockholm Convention on Persistent Organic Pollutants	20010523(s) 20020904 (r) Entry into force: 20040517
20010611	Lesotho	Memorandum of Understanding in Respect of the Maloti-Drakensberg Transfrontier Conservation Development Area	Entry into force: Not in force
20010619		Agreement on the Conservation of Albatrosses and Petrels (ACAP)	20031106 (r) Entry into force: 20040201
20010620	IUCN	Agreement on the Establishment of an Office for the International Union for the Conservation of Nature and Natural Resources ("The IUCN") in South Africa	Entry into force: 20010620
20010623		Memorandum of Understanding on the Conservation and Management of Marine Turtles and their Habitats of the Indian Ocean and South-East Asia	20050222 (s) Entry into force: 20050501
		Project agreement on Finnish Assistance to the support to Environment	Entry into force:

Date signed	Country	Title	Date (yymmdd)
20011211	Finland	and Sustainable Development in North West Province	20011211
20021209	Mozambique Zimbabwe	Treaty between the Governments of the Republic of Mozambique, South Africa and Zimbabwe on the Establishment of the Great Limpopo Transfrontier Park	Entry into force: Not in force
20030711		African Convention on the Conservation of Nature and Natural Resources (Algiers Convention) 2003	20120418 (s) 20130515(r) Entry into force: Not in force
20030801	Namibia	Treaty on the Establishment of the Ai-Ais/Richtersveld Transfrontier Park	Entry into force: Not in force
20031011	Iran	Memorandum of Understanding in respect of Cooperation in the field of Environment	Entry into force: 20031011
20031200	Denmark	Agreement regarding Support to the Water Component within the Urban Environmental Management Programme	Entry into force: 200312 (no day)
20040331	Africa Institute for Environmentally Sound Management of Hazardous and other Wastes	Agreement establishing the Africa Institute for the Environmentally Sound Management of Hazardous and Other Wastes	20090112 (r) Entry into force: 20090211
20041126	SADC	Memorandum of Understanding concerning the Implementation of Phase 2 of the Southern African Development Community Hydrological Cycle Observing System: Consolidation and Expansion of SADC-HYCOS.	Entry into force: 20041126
20050614		Annex VI to the Protocol on Environmental Protection to the Antarctic Treaty - Liability arising from Environmental Emergencies	20140410(r) Entry into force: Not in force
20051202	Denmark	Agreement regarding the Urban Environmental Management Programme in South Africa	Entry into force: 20051202
20060622	Botswana Zimbabwe	Memorandum of Understanding to facilitate the Establishment of the Limpopo/Shashe Transfrontier Conservation Area	Entry into force: 20060622
20061117		Amendment to Annex B of the Kyoto Protocol to the United Nations Framework Convention on Climate Change (Belarus Amendment)	20140221 (A) Entry into force: Not in force
20070921	IBRD	Global Environment Facility Trust Fund Grant Agreement (Plus Project Agreement with Indian Ocean Commission and Project Agreement with the South African Maritime Safety Authority)	Entry into force: 20070921
20080228	France	Statement of Intent on the Extension of the Continental Shelf, the Surveillance of Fisheries and Scientific Research Cooperation in the Waters Adjacent to the French Southern and Antarctic Territories and Marion and Prince Edward Islands	Entry into force: 20080228
20080417	Norway	Joint Declaration on Climate Change and Energy Issues	Entry into force: 20080417
20081001		Memorandum of Understanding on the Conservation of Migratory Birds of Prey in Africa and Eurasia (Raptors MOU)	20081204(s) Entry into force: 20090101
20081015		Memorandum of Understanding on Cooperation in the field of Environment under the India Brazil South Africa Dialogue Forum	Entry into force: 20081015
20081201	Lesotho	Memorandum of Understanding in respect of the Maloti-Drakensberg Transfrontier Conservation and Development Area	Entry into force: Not in force
20090423	Italy	Letter of Intent on Environmental Co-operation	Entry into force: 20090423
20090522	Mozambique	Agreement between the Republic of South Africa and the Republic of Mozambique on Harmonisation of their Individual Submissions for their Respective Claim for an Extended Continental Shelf	Entry into force: 20090522
20090624	Namibia	Memorandum of Understanding on the Submission of their Respective Claims for an Extended Continental Shelf to the United Nations Commission on the Limits of the Continental Shelf (CLCS)	Entry into force: 20090624
20091202	Cuba	Agreement on Environmental Cooperation	Entry into force: 20130515
20100212		Memorandum of Understanding on the Conservation of Migratory Sharks	20110512(s) Entry into force: 20110601
		Memorandum of Understanding between the Government of the People's	Entry into force:

Date signed	Country	Title	Date (yymmdd)
20100824	People's Republic of China	Republic of China and the Government of the Republic of South Africa on Cooperation in the field of Environmental Management	20100824
20101005	Botswana	Agreement to Amend the Bilateral Agreement between the Government of the Republic of South Africa and the Government of the Republic of Botswana on the Recognition of the Kgalagadi Transfontier Park	Entry into force: 20101005
20101019	Egypt	Memorandum of Understanding between the Government of the Republic of South Africa and the Government of the Arab Republic of Egypt on Co-operation in the field of the Environment	Entry into force: 20101019
20101029		Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable sharing of Benefits arising from their utilization to the Convention on Biological Diversity	20110511(s) 20130110(r) Entry into force: 20141012
20101202	Zambia	Memorandum of Understanding between the Government of the Republic of South Africa and the Government of the Republic of Zambia on Cooperation in the Field of Environmental Management and Natural Resources	Entry into force: 20101202
20110920	Convention on Biological Diversity Secretariat	Memorandum of Understanding between the Secretariat of the Convention on Biological Diversity and the Government of the Republic of South Africa Regarding Further Promotion on South-South and Triangular Cooperation Biodiversity at Regional and Global Levels	Entry into force: 20110920
20111012		Memorandum of Understanding between the Secretariat of the UNFCCC and its Kyoto Protocol and the Government of the Republic of South Africa in connection with the meeting of the Transitional Committee	Entry into force: 20111012
20111026		Agreement on the Regional Contingency Plan for Preparedness for and Response to Major Pollution Incidents in the Western Indian Ocean	20121213 (s) Entry into force: 20111026
20120829	Botswana	Memorandum of Understanding between the Government of the Republic of South Africa and the Government of the Republic of Botswana on the Regional Environmental and Social Assessment of Coal-Based Energy Projects along the Botswana-South Africa Border	Entry into force: 20120829
20121011	IMO	Cape Town Agreement of 2012 on the Implementation of the Provisions of the 1993 Torremolinos Protocol Relating to the 1977 International Convention for the Safety of Fishing Vessels	Entry into force: Not in force
20121106	Namibia	Memorandum of Understanding between the Government of the Republic of South Africa as represented by the South African Weather Service and the Government of the Republic of Namibia as represented by the Namibia Meteorological Service on Co-operation in Meteorology	Entry into force: 20121106
20121109	Uganda	Agreement between the Government of the Republic of South Africa and the Government of the Republic of Uganda on Co-operation in the Fields of the Environmental and Water Resources	Entry into force: 20121109
20121208		Doha Amendment to the Kyoto Protocol	20150507(A) Entry into force: Not in force
20121210	Vietnam	Memorandum of Understanding between the Government of Socialist Republic of Vietnam and the Government of the Republic of South Africa on Cooperation in Biodiversity Conservation and Protection	Entry into force: 20121210
20130301	Botswana Lesotho	Memorandum of Understanding between the Government of the Republic of South Africa, the Government of the Republic of Botswana and the Government of the Kingdom of Lesotho Establishing a Framework for Study on the Provision of Water to the Republic of Botswana from the Lesotho Highlands	Entry into force: 20130301
20130318	Angola Namibia	Benguela Current Convention between the Government of the Republic of Angola and the Government of the Republic of Namibia and the Government of the Republic of South Africa	20140710 (r) Entry into force: Not in force
20130326	People's Republic of China	Memorandum of Understanding between the Government of the People's Republic of China and the Government of the Republic of South Africa on Co-operation in the Fields of Wetland and Desert Ecosystem and Wildlife Conservation	Entry into force: 20130326
20130507	Nigeria	Memorandum of Understanding between the Government of the Republic of South Africa and the Government of the Federal Republic of Nigeria on Co-operation in the Field of the Environment	Entry into force: 20130507
20130915	Brazil	Memorandum of Understanding between the Government of the Republic of South Africa and the Government of the Federative Republic	Entry into force: 20130915

Date signed	Country	Title	Date (yymmdd)
		of Brazil on Cooperation in the Field of the Environment	
20131010		Minamata Convention on Mercury	Entry into force: Not in force
20131030	People's Republic of China	Memorandum of Understanding between the Government of the Republic of South Africa and the Government of the People's Republic of China on Co-operation in the Field of Oceans and Coastal Management	Entry into force: 20131030
20140417	Mozambique	Memorandum of Understanding between the Government of the Republic of South Africa and the Government of the Republic of Mozambique on Cooperation in the Field of Biodiversity Conservation and Management	Entry into force: Not in force
20141210	Gambia	Memorandum of Understanding between the Government of the Republic of South Africa and the Government of the Gambia on Cooperation in the Field of Biodiversity Conservation and Environmental Management	Entry into force: 20141210
20150529	Cambodia	Memorandum of Understanding between the Government of the Republic of South Africa and the Royal Government of Cambodia on Cooperation in Biodiversity Conservation and Protection	Entry into force: 20150529

Source: www.dfa.gov.za

5.1.9. Labor and International Trade

South Africa through the Department of Labour[74] participates in a number of platforms in advancing fair and just Labour and employment practices. These include amongst others, the G20 member states, the International Trade Union Confederation (ITUC), International Organisation of Employers, the Organization for Economic Co-operation and Development, International Labour Organization, and including regional and continental organizations.

Key in South Africa's interaction on matters relating to: strengthening social protection floors adapted focuses on;

- improving employment policies especially for young people and the most vulnerable;
- promote effective application of social and labour rights; and
- strengthen the coherence of economic and social policies.

In addition, South Africa[75] has signed the following international labour agreements supporting labor relations.

Table 43: List of Agreements Dealing with Labour Issues

Date signed	Country	Title	Date (yymmdd)
19191029	ILO	Unemployment Convention (ILO No. 2)	19240220 (r) Entry into force: 19210714
19250605	ILO	Workmen's Compensation for Accidents (ILO No. 19)	19260330 (r) Entry into force: 19260908
19280616	ILO	Minimum Wage-fixing Machinery Convention (ILO No. 26)	19321228 (r) Entry into force: 19331228
19300628	ILO	Convention concerning Forced or Compulsory Labour (ILO No. 29)	19970305 (r) Entry into force: 19980305
19341117	Portugal	Amendment to Mozambique Convention of 19280911	Entry into force: 19350712
		Underground Work (Women) (ILO No. 45)	19360625

[74] http://www.labour.gov.za
[75] www.dirco.gov.za

19350621	ILO		Entry into force: 19370625
19380620	ILO	Statistics of Wages and Hours of Work (ILO No. 63)	19390808 (r) Entry into force: 19400808
19390421	Portugal	Exchange of Notes to prolong the Mozambique Convention concluded at Pretoria on 11 September 1928, as amended by an Agreement signed at Lourenco Marques on 17November 1934, between the Governments of the Union of South Africa and Portugal	Entry into force: 19390421
19400502	Portugal	Extension of Mozambique Convention of 19280911	Entry into force: 19400502
19420316 19421104	Ireland	Reciprocal Agreement for the Transfer to Workmen's Compensation Moneys	Entry into force: Not in force
19461009	ILO	The Constitution of the International Labour Organization Instrument of Amendment, 1946	19461101 19470619 (r) Entry into force: 19470619
19461009	ILO	Final Articles Revision Convention, 1946	19461101 (s) 19470619 (r) Entry into force: 19470619
19470711	ILO	Labour Inspection Convention (ILO No. 81)	20130620(r) Entry into force: 20140620
19480709	ILO	Convention concerning Freedom of Association and Protection of the Right to Organise (ILO No. 87).	19960219 (r) Entry into force: 19970219
19480831	ILO	Night Work of Women Employed in Industry (ILO No. 89)	19500302 (r) Entry into force: 19510302
19490701	ILO	Convention concerning the Application of the Principles of the Right to Organise and to Bargain Collectively (ILO No. 98)	19960219 (r) Entry into force: 19970219
19510629	ILO	Convention concerning Equal Remuneration for Men and Women Workers for Work of Equal Value. (ILO No. 100)	20000330 (r) Entry into force: 20010330
19570625	ILO	Convention concerning the Abolition of Forced Labour (ILO No. 105)	19970305 (r) Entry into force: 19980305
19580625	ILO	Convention concerning Discrimination in respect of Employment and Occupation (ILO No. 111)	19970305 (r) Entry into force: 19980305
19610626	ILO	Final Articles Revision ILO Convention (ILO No. 116)	19630809 (r) Entry into force: 19630809
19641013	Portugal Mozambique	Labour Agreement - Mozambique Mineworkers in SA	Entry into force: 19650101
19670801	Malawi	Agreement relating to the Employment of Malawi Nationals in SA	Entry into force: 19670801
19730626	ILO	Convention concerning Minimum Age for Admission to Employment (ILO No. 138)	20000330 (r) Entry into force: 20010401
19731224	Botswana	Labour Agreement	Entry into force: 19731224
19750822	Swaziland	Labour Agreement	Entry into force: 19750822
19860624	ILO	Instrument for the Amendment of the Constitution of the International Labour Organisation, 1986	20150316 (A) Entry into force: Not in force
19870720	Comoros	Agreement relating to the Basic Conditions Governing the Secondment of Officials to, and the Recruitment of other Personnel by the Government of the Republic of South Africa on behalf of the Government of the Federal Islamic Republic of the Comoros	Entry into force: 19870720

19930603	Swaziland	Agreement relating to the Basic Conditions Governing the Secondment of Judges.	Entry into force: 19930603
19940307	Russian Federation	Joint Statement on Social and Labour Co-operation	Entry into force: 19940307
19940426	Namibia	Agreement regarding payment from 1.3.1994 of benefits in terms of the Unemployment Insurance Act, 1966 (Act 30 of 1966) to Walvis Bay contributors	Entry into force: 19940301
19950202	Germany	Memorandum of Understanding concerning Direct cooperation in the Field of Labour and Labour Related matters	Entry into force: 19950202
19950605	ILO	Agreement concerning the Status of the International Labour Organization, its Officials and its Area Office in the Republic of South Africa	19951011 (r) Entry into force: 19951011
19950622	ILO	Convention concerning Safety and Health in Mines. (ILO No. 176)	20000609 (r) Entry into force: 20010610
19970619	ILO	Instrument for the Amendment of the Constitution of the International Labour Organisation	20071001 (r) Entry into force: Not in force
19990617	ILO	Convention concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour. (ILO No. 182)	20000607 (r) Entry into force: 20010607
20010109	Japan	Exchange of Notes in Respect of the Japan Overseas Cooperation Volunteers in the Republic of South Africa	Entry into force: 20010109
20020820	People's Republic of China	Memorandum of Understanding on Cooperation in the field of Human Resources Development and Employment Creation	Entry into force: 20020820
20030117	Mozambique	Cooperation Agreement in the fields of Migratory Labour, Job Creation, Training, Studies and Research, Employment Statistics, Social Dialogue and Social Security	Entry into force: Not in force
20040301	Cuba	Agreement on Cooperation in the Fields of Employment, Social Security and Occupational Health and Safety	Entry into force: 20040301
20040720	United Nations	Memorandum of Understanding relating to Cooperation in the United Nations On-Line Network of Regional Institutions for Capacity Building in Public Administration and Finance	Entry into force: 20040720
20041001	Zimbabwe	Memorandum of Understanding in the Fields of Employment and Labour (Superseded by MOU signed on 27 August 2009)	Entry into force: Not in force
20041013	Tunisia	Memorandum of Understanding on Cooperation in the Field of Employment.	Entry into force: 20080620
20060223	ILO	Maritime Labour Convention (MLC, 2006)	20130620(r) Entry into force: 20140620
20061009	People's Republic of China	Memorandum of Understanding on Cooperation in the Fields of Human Resource Development and Employment Creation	Entry into force: 20061009
20061030	Lesotho	Memorandum of Understanding on Cooperation in the Field of Labour	Entry into force: 20061030
20070614	ILO	Work in Fishing Sector Convention (ILO No. 188)	20130620(r) Entry into force: Not in force
20081020	Namibia	Memorandum of Understanding on Cooperation in the Field of Labour	Entry into force: 20081020
20081201	Republic of Korea	Letter of Intent on Cooperation in the Field of Vocational Training	Entry into force: 20081201
20090827	Zimbabwe	Memorandum of Understanding on Cooperation in the Fields of Employment and Labour (Recalling MOU signed on 1 October 2004)	Entry into force: 20090827
20110126	Brazil	Memorandum of Understanding between the Government of the Republic of South Africa and the Government of the Federative Republic of Brazil on Cooperation in the Field of Labour and Employment Policies	Entry into force: 20110126
20110616	ILO	Domestic Workers Convention (ILO No. 189)	20130620(r) Entry into force: 20140620
20140818		SADC Protocol on Employment and Labour	20140818 (s) Entry into force: Not in force
20140915	People's Republic of China	Agreement between the Government of the Republic of South Africa and the Government of the People's Republic of China on Cooperation in the	Entry into force: 20140915

		Fields of Human Resource Development and Employment Service	
20141124	Namibia	Memorandum of Understanding between the Government of the Republic of South Africa and the Government of the Republic of Namibia on Cooperation in the Field of Labour and Employment	Entry into force: 20141124
20141124	Namibia	Memorandum of Understanding between the Government of the Republic of South Africa and the Government of the Republic of Namibia on Cooperation in the field of Labour and Employment	Entry into force: 20141124

Source: www.dirco.gov.za

6. COOPERATION AND INFORMATION EXCHANGE ON OTHER ISSUES

6.1 Development strategies

Chile and South Africa share the long term goal to improve individual international competitiveness and to further develop the international trade competitiveness through: diversifying trade composition with a larger share of manufactured , agro-processing, and agricultural industrial exports; diversifying of supply markets; increased participation of SMEs as exporters; and with an active participation in the international trade institutions.

South Africa's long term goal is to enhance and consolidate its social and economic transformation. In terms of structural transformation, South Africa is facing a new phase of development of its economy, whose objective is to move from an economy based on natural resources to a knowledge-based industrial economy and enhance competitiveness through technology support. In fact, there is a need to increase manufacturing contribution to GDP, as well as the share of manufacturing exports and imports in total merchandise trade.

6.2 Cooperation Program

Currently the Chile - South Africa relationship is at a developing stage and shows promising areas for cooperation (including workshops, capacity buildings, exchange programs, amongst others) in the following areas:

- Customs procedures
- Sanitary and Phytosanitary
- Technical Barriers to Trade
- Export and investment promotion
- Cooperation in agriculture (related with regulatory issues) and aquaculture
- Tertiary education

6.3 Customs, Sanitary and Phytosanitary and Technical Barriers to Trade

Chile and South Africa share the interest of a broad and comprehensive set of strategic initiatives, in the field of Customs procedures and organization, to reinforce partnerships on some points like new regulations, innovation, administrative and institutional experiences to promote collaboration for mutual benefit.

The same applies to the area of sanitary and phytosanitary controls and policies and technical barriers to trade. In the case of Chile and South Africa these policies are an essential part of the opening more trade opportunities for both partners, so an exchange of experiences and institutional organization would be useful to learn from each other as well as contributing to improve the functioning of the institutions of both partners.

6.4 Export and investment promotion

Chile and South Africa share the interest of a broad and comprehensive set of strategic initiatives, in the field of export promotion. In the case of Chile and South Africa these policies are an essential part of opening more trade opportunities for both partners (DIRECON-ProChile in the case of Chile). Therefore, an exchange of experiences and institutional organization would be useful to learn from each other as well as contribute to improving the functioning of the institutions of both partners.

6.5 Cooperation in Agriculture

Agricultural and food trade are a key area for both countries. Chile and South Africa share the interest of a set of strategic initiatives, in the field of Agriculture, Codex Alimentarius and Food Norms procedures and organization. The cooperation is to reinforce exchange of experiences on some points like new regulations, innovation, administrative and institutional experiences to promote collaboration for mutual benefit. In addition, there are also possible cooperation opportunities in the aquaculture/aquafarming industry.

6.6 Scholarship program “Republic of Chile - Nelson Mandela”

The scholarship program “Republic of Chile - Nelson Mandela”, was introduced to accomplish accredited Master studies in Chilean universities and was launched by Her Excellency, the President of the Republic of Chile, Mrs. Michelle Bachelet, on her state visit to South Africa, Mozambique and Angola in August 2014. The program will grant 30 new scholarships each year, and is already being executed.

The Master´s degree lasts 24 months, and includes one additional semester of Spanish through an immersion course in language and culture for selected participants who require it. The areas are: Mining, Aquaculture, Agriculture, Public Policy Management, Health, Astronomy, Engineering, and its benefits are: roundtrip tickets, college fee and monthly allowance, as well as life, health and accident insurance. It will be suggested to the authorities to incorporate subjects, within the framework of this program, in order to promote trade and investment.

7. CONCLUSIONS

7.1 Why South Africa & Chile?

The Joint Study identified ways and means to ensure that the strong relations at political level are underpinned by a robust trade and investment relationship. Chile and South Africa agreed to expand the two-way trade in goods and services based on the complementarities as well as to increase two-way investments according to their respective national economic development strategies. In this context, deepening and broadening the trade and investment relationship between these economies would allow further diversification beyond minerals and chemicals.

Due to their geographical location, an alliance between Chile and South Africa represents an opportunity to link two developing regions that is Africa and Latin America. Chile has actively promoted regional integration in Latin America and has concluded numerous trade agreements in that region that pave way to serve as gateway for South Africa into the region. Similarly, South Africa as part of SACU is currently pursuing regional integration agenda in the African continent and this put the country in a good position to serve as a gateway for Chile into the African continent.

Furthermore, increased cooperation would assist our countries to move up the global value chains. These efforts would contribute to the two countries overcoming the effects of declining commodity prices and also the impacts of pending quantitative easing in the United States on the economies of developing countries such as South Africa and Chile. In addition, there is potential to increase trade in services due to similarities between the economies of the two countries.

However, for South Africa to look at tariff elimination it would have been in the context of SACU due to the Customs Union. Furthermore, there would be a need to look at the impact of employment, potential price changes, impact on industrial development, impact on diversification, etc.

7.2 Effects of Strengthening the Trade Relationship between Chile & South Africa

7.2.1. General Effects

Bilateral trade in goods and services is characterized by low trade volumes well below potential that exist between our two countries. Similarly, two-way investments between our two countries, although encouraging, can be increased to high levels given similar industries and sectors with different level of development. The two-way investment would strengthen entry into each other’s supply chains.

The Joint Study has identified ways to enhance trade, investment and economic relations between our two countries. These efforts include the following:

- Analysis of existing and potential tariff barriers and non-tariff barriers facing the Top 20 products of export interest that the two countries identified and exchanged;
- Identification of potential products that are currently not traded between RSA and Chile;
- Identification of sectors to promote two-way investments as well as cooperation for investment into third markets in Africa and Latin America;
- Identification of sectors that have potential to promote production or industrial linkages between our countries; and
- Identification of areas to promote cooperation given similarities between our economies.

7.2.2. Effects on Trade and Investment by main economic sectors

The Joint Study used both qualitative and quantitative methods to identify existing and potential barriers to increasing bilateral trade and investment relations between our countries. The identified barriers to trade include tariffs and non-tariff barriers, amongst others.

Using a hypothetical partial equilibrium model, the study identified that tariffs are potential impediments to increase two-way trade in goods. Based on the analysis, 9 of the top 20 potential Chilean exports to South Africa face tariffs of 5% and lower whilst the remaining products face tariffs of 10% and lower with exception of one product that face a tariff of 27%. Similarly, top 20 potential South African exports to Chile face a uniform 6% tariff in Chile. In this kind of instances, Chile normally prefers tariff reduction through different mechanisms for preferential market access, which may include negotiation of either free trade agreement or preferential trade agreement, among others. However, as South Africa is part of the oldest customs union in the world, Southern Africa Customs Union (SACU), the country as individual cannot engage in any discussion on tariffs.

Further, some of the products of export interest identified are primary agricultural products or animal products. Therefore, sanitary and phytosanitary issues comes into play in exports of primary agricultural products. Other products have to conform to standards and other regulation in our respective economies. There is a need to agree on how to deal with technical barriers to trade. In order to enhance and facilitate trade, there is a need to focus on customs procedures and trade facilitation, among other issues. To this end, implementation of the WTO Agreement on Trade Facilitation would assist to promote trade between Chile and South Africa.

To promote two-way investment, the two countries identified sector of interest. Therefore, there is a need for better information of about each other's investment environment. Chile normally include bilateral investment treaty chapter in trade agreements in order to promote investment with partner countries. In the case of South Africa, the draft Promotion and Protection of Investment of Act once approved and signed into law, it will provide universal protection to all investors including those from Chile. It is important to note that Chile and South Africa views of investor-state dispute settlement are close. For Chile, in case of dispute, the first step is friendly consultations. If not successful, the investor can choose between international arbitration or Chilean tribunal. For South Africa, while international arbitration maybe authorized by minister of trade and industry, first investor have to exhaust local mechanism for dispute settlement.

Further, the two countries identified areas for production linkages that include, amongst others: mining; agriculture; aquaculture, blue economy, and green economy. The two countries complement each other in terms of expertise in the identified areas.

8. RECOMMENDATIONS

In the frame of bilateral relations, both countries agreed to intensify their economic relationship, through a "Joint Study to Enhance Trade and Economic Relations between Chile and South Africa". The Joint Study submits the recommendation as follows:

- ❖ In order to encourage cooperation, as a first step, work towards conclusion of MOUs in the following areas:
  - Customs procedures
  - Technical barriers to trade
  - Agricultural and Related Regulated Issues
  - Export promotion
  - Investment promotion

- ❖ Conduct further studies to identify specific areas for cooperation in the following sectors:
  - mining,
  - agriculture,
  - aquaculture,
  - blue economy, and
  - green economy.

- ❖ Continue working to determine the most appropriate institutional framework to develop the real potential of the bilateral economic and commercial relations that are sustainable in the long term.

9. Annex

9.1 Methodology for Effects on Chilean Exports to South Africa

Following the methodology suggested by Valdés, R.[76], in the case of the expansion of Chilean exports to the trade partner, it is assumed that Chile is a "small country", thus the increase in the exports quantum will depend on the price elasticity of the exports supply. The observed price in the trade partner (South Africa) is equivalent to the international price plus the prevailing (current) tariff, p* $(1 + t_0)$, and it does not change as a consequence of the FTA. Thus, the tariff rebate will mean a higher price for the exporter of the "small" country, and as a consequence it will be experienced an increase in the exported volume (quantity). The exporters, with the FTA, will face a new tariff t1, and by definition the consumers of the trading partner will not experience a change in the paid price, exporters receive $p^*(1 + t_0) / (1 + t_1)$ for their goods. In algebraic terms, the increase of Chilean exports to South Africa is expressed as follows:

$\Delta X = XT * Ep * \Delta tT / (1 + t_1)$

In which,
ΔX : increase of Chilean exports sent to the trade partner (South Africa)
XT : Current Chilean exports to South Africa
Ep : Price elasticity of Chilean exports supply
ΔtT : Differential between the current South Africa tariff and the tariff after the FTA
t1 : South Africa tariff after the FTA

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

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

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

9.2 Methodology for Effects on Chilean Imports from South Africa

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

$CC = MT * Ep * \Delta tCH / (1 + t_0)$
$DC = (Es * Pr * MT * MRM) / (MT + MRM)$

[76] Evaluación Impacto Liberalización Comercial. "Una Metodología para Evaluar el Impacto Cuantitativo de una Liberalización Comercial: Aplicación al ALC entre Chile y EEUU". 1992, Estrategia Comercial Chilena para la Década del 90. Andrea Butelman y Patricio Meller, CIEPLAN.

In which,

CC : Trade creation of Chilean imports coming from the trade partner (South Africa)

MT : Current Chilean imports from South Africa

Ep : Price elasticity of Chilean imports demand

ΔtCH : Differential between the Chilean current tariff and the free trade tariff applied to the trade partner

t_0 : Current Chilean tariff or before FTA applied to the trade partner

DC : Chilean Imports trade diversion in benefit of South Africa exports

Es : Elasticity of substitution among imported goods coming from different markets

MRM : Chilean imports from the rest of the world

Pr : Proportional variation in the relative prices, expressed as:

$$Pr = [(1 + t_1T) / (1 + t_1ROW) / (1 + t_0T) / (1 + t_0ROW)] - 1$$

In which, t_1T and t_0T are the actual tariffs applied to South Africa after and before the FTA. And, in turn, t_1ROW and t_0ROW are the actual tariffs applied to the rest of the world after and before the FTA.

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

9.3 Methodology for Potential Opportunities

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

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

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

Then, for country X is important to know the size of the total demand by country Y for the products that compose the potential basket. That is, the imported total value of good 'd' by Y. The above-mentioned is important because the economic value of the potential basket from X to Y will be minor or equal to the imported total value by Y of the good d. Clearly, it arises the question about what fraction of the potentially exportable basket will country X be able to capture. The answer is completely discretionary. Perhaps the experience with other countries may be a useful indicator.

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