



CHILE
INVESTMENT CLIMATE STATEMENT
2015

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Executive Summary

Chile is a coastal country located in the southwest region of South America. Chile is an attractive destination for investors, boasting an open market economy, well-developed institutions that support financial growth and strong rule of law. The country has a positive disposition toward foreign direct investment (FDI), viewing it as key to sustaining Chile's impressive economic trajectory over the last three decades. Its laws and regulations encourage investment by foreigners and very few restrictions upon FDI exist. Chile's conversion and transfer policies are similar to those found in highly-developed countries like the U.S. The government does not expropriate assets or holdings.

Chile's legal framework for attracting and protecting foreign direct investment (FDI) is solid. Legal disputes can, however, take several years to reach conclusion in the courts, making arbitration and mediation attractive alternatives for resolving business controversies. Chile is a signatory to the 1958 New York Arbitration Convention and a member state to the International Centre for Settlement of Investment Disputes (ICSID); disputes under the U.S.-Chile bilateral Free Trade Agreement (FTA) are resolved under the latter framework. Chile is compliant with its World Trade Organization agreement on Trade-Related Investment Measures (WTO/TRIMS) obligations. Chile does not apply performance requirements in reviewing proposed investment projects.

Rights to the broad range of private ownership and establishment are observed in Chile. Mineral, hydrocarbon, and fossil fuel deposits within Chilean territory are restricted from foreign ownership, but may be licensed by the government to private enterprise. Real and intellectual property (IP) rights are generally respected, but Chile is not fully compliant with the obligations concerning IP set forth in the U.S.-Chile FTA. The regulatory system in Chile is generally transparent.

Chile's capital markets are well-developed and open to foreign portfolio investors. The World Economic Forum's Global Competitiveness Report for 2014-2015 ranks Chile as the most competitive country in South America. CODELCO, which dominates the copper mining industry, is one of only a few state-owned enterprises (SOEs). SOEs generally operate on equal footing with private companies. There is growing awareness of the importance of corporate social responsibility in Chile. Political violence is rare and is unlikely to affect foreign investors. Corruption exists in Chile but on a much smaller scale than is the case with most Latin American countries. Chile has a favorable ranking of 21 out of 175 countries on Transparency International's 2014 Corruption Perceptions Index.

Chile has 40 bilateral investment agreements in force. Moreover, Chile has 27 other investment agreements, including the investment chapters of the FTAs signed by the country, the Latin American Integration treaty and the Protocol of the Pacific Alliance. Additionally, Chile is a party to the convention of the World Bank's Multilateral Investment Guarantee Agency (MIGA). A treaty between the U.S. and Chile to avoid double taxation has been signed, and is currently waiting for ratification in both the Chilean Senate and the U.S. Senate. Some employers view Chile's labor laws as cumbersome, and a labor reform bill currently submitted to Congress proposes to increase the bargaining power of unions. Unemployment is low, at 6.3 percent on average in 2014. Chile has tax-free zones.

According to the UN Conference on Trade and Development (UNCTAD), FDI inflows to Chile in 2012 reached USD 28.5 billion, and fell to USD 20.3 billion in 2013. FDI inflows to Chile from the U.S. amounted to USD 3.4 billion, and total FDI stock from the U.S. stood at USD 39.8 billion in Chile at the end of 2012 (most recent information available).

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

For over three decades, Chile has made FDI an essential part of its national development strategy. Chile's sound, market-oriented policies have created significant opportunities for foreign investors to participate in the country's steady economic growth. Chile's business climate is generally straightforward and transparent. Foreign investors receive treatment similar to Chilean nationals, and there is no overall economic or industrial strategy that has discriminatory effects on foreign investors or foreign-owned investments. A broad political consensus on the advantages of foreign investment means that, despite the currently ongoing replacement of part of its regulatory framework, the favorable orientation of Chile's policies toward FDI is unlikely to suffer significant changes.

Other Investment Policy Reviews

In the past three years, the Government of Chile has not conducted an updated investment policy review through the OECD. The last OECD investment policy review for Chile dates from 1997. It is available at:

<http://www.oecd.org/investment/countryreviews.htm>

<http://www.oecd.org/daf/inv/investment-policy/34384328.pdf>

The last Trade Policy Review that the WTO conducted for Chile was in 2009, and is available at:

http://www.wto.org/english/tratop_e/tpr_e/tpr_e.htm

https://www.wto.org/english/tratop_e/tpr_e/tp320_e.htm

Chile is not among the countries for which UNCTAD has done investment policy reviews to date.

In 2013, Chile's Foreign Investment Committee (FIC) commissioned the consulting firm SCL Econometrics to produce an analytical report on the measured impact of FDI in the Chilean economy. The report shed light about direct, spillover and sector-specific impacts of FDI, and is available at:

[http://www.ciechile.gob.cl/wp-](http://www.ciechile.gob.cl/wp-content/uploads/2010/10/estudio%20impacto%20de%20la%20ied%20en%20la%20economia%20chilena.pdf)

[content/uploads/2010/10/estudio%20impacto%20de%20la%20ied%20en%20la%20economia%20chilena.pdf](http://www.ciechile.gob.cl/wp-content/uploads/2010/10/estudio%20impacto%20de%20la%20ied%20en%20la%20economia%20chilena.pdf)

Laws/Regulations of Foreign Direct Investment

FDI in Chile enters under either the Foreign Investment Statute Decree Law 600 (DL600) or Chapter XIV of the Central Bank's Compendium of Foreign Exchange Regulations (CFER). The minimum investment under DL600 is USD 5,000,000 in currency or USD 2,500,000 in the case

of fixed assets, technology, debt capitalization, and profit reinvestments. FDI valued below these levels but above USD 10,000 is made through Chapter XIV of the Central Bank's CFER.

Under DL600, a foreign investor signs a contract with the Government of Chile (GOC) establishing the terms of the 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 the Central Bank of Chile must also authorize expenses. DL600 allows for capital increases in a given investment. A principal benefit of investing under DL600 is the option to lock in a ten-year, invariable total effective income tax rate (42 percent in 2014).

Chile's Foreign Investment Committee (FIC), the entity responsible for administering DL600, establishes the terms and conditions of investments made under DL600. Applications are typically approved within a matter of days and almost always within a month. The FIC's authority to reject a foreign investment is limited by the Chilean Constitution. The FIC's decision can be appealed if an investment is rejected.

Use of DL600 is optional; a qualifying investor can also choose to go through Chapter XIV of the Central Bank's regulations if so desired. Chapter XIV establishes regulations that govern foreign exchange operations related to credits, deposits, investments, and capital contributions originating abroad. Investments made under Chapter XIV do not involve signing a contract with the Chilean state. Instead, the Central Bank grants authorization for a given investment. FDI made under Chapter XIV must be in a foreign currency and does not convey any special rights to the investor, such as access to a guaranteed tax rate. The investor must inform the Chilean Central Bank of the investment through a commercial bank or other authorized financial institution. FDI valued at less than USD 10,000 does not require Central Bank approval.

Chile's openness and transparency to FDI are embodied in DL600. This law has been the main regulatory norm for FDI in Chile during the last 40 years. However, the most recent tax reform, passed by the Chilean Congress in 2014, mandated its derogation and replacement. DL 600 will remain in force until January 1, 2016. A draft bill, which establishes a new regime applicable to FDI that will replace DL 600 and creates a new Framework Law for Foreign Investment, was submitted to Congress in January 2015. It was approved in April 2015 by the Chamber of Deputies (Lower Chamber), and will next be reviewed by the Senate.

The new Framework Law provides assurances to foreign investors about the enforcement of rights and obligations of contracts signed under DL 600. The new regime will keep a number of guarantees, such as access to the exchange market (including for the remittance of capital and earnings); prohibition of arbitrary discrimination; and exemption from sales tax and services on imports of capital goods. An exceptional right allows foreign investors to request investment authorizations in similar terms to Article 3 of DL 600, and locks in an invariable tax rate of 44.5 percent for up to four years. However, tax invariability will no longer be granted for the then year period of time that DL 600 had permitted. Finally, the bill creates new institutions for FDI attraction. These include a Ministers Committee, intended to advise the President on the definition of long-term FDI strategies, and an Investment Promotion Agency, in charge of implementing the national FDI policy.

In 2002, the Chilean Government launched an Investment Platform Initiative (“the Initiative”) aimed at attracting international corporations’ Latin American headquarters to Chile. As part of the Initiative, an eligible company can make use of a variety of incentives, including tax exemptions for overseas shareholders based on certain criteria and a lack of restrictions on domestic borrowing by a platform company. The Initiative addresses the problem of three-way taxation by exempting platform companies from Chilean tax on overseas earnings and provides foreign investors with additional incentives to invest in Chile. This Initiative is meant to foster regional joint ventures between foreign investors and Chilean partners. To facilitate the entry of foreign capital into Chile, the Initiative also allows companies that are already established in the region to move their centers of operation to Chile without incurring the transaction costs involved in selling and re-buying assets. In 2011, the Congress passed a new Funds Law that modernizes the regulation of asset management funds and simplifies taxation on foreign investors’ earnings from investments made on Chilean funds.

Foreign investors are unlikely to experience government interference in Chile’s legal system.

Industrial Promotion

The Chilean government seeks to attract foreign investment to industrial and mining sectors through tax incentives. For example, subject to approval on a case-by-case basis by the Foreign Investment Committee, a foreign investor can lock in an invariable tax rate (42 percent in 2013) for up to 20 years, as opposed to the maximum ten-year limit afforded to investments in other sectors under DL600; however, as noted previously, the framework proposed to replace DL 600 will limit such invariability periods to four years. For more information about benefits of investing in industrial development and the extractive industries, see DL600, http://unctad.org/sections/dite_dir/docs/wir2013/wir13_fs_cl_en.pdf. See the FIC’s “Foreign Investor Guide” for information about tax treatment and foreign investments generally: http://www.ciechile.gob.cl/wp-content/uploads/2010/10/Foreign_Investors_Guide_in_Chile.pdf.

Limits on Foreign Control

There are no limits on foreign ownership or control of business entities or assets in Chile. See the “Right to Private Ownership and Establishment” section below for restrictions applicable to all investors.

Certain types of investment projects require additional authorization beyond that of the FIC and the Central Bank. There are no restrictions on foreign investment in telecommunications, but investors must acquire a license, and the number of licenses available is limited in some new sectors of the industry. The requirements for obtaining certain licenses in the telecommunications sector remain unclear as the industry evolves; at least one U.S.-based firm experienced significant delays in 2013 attempting to secure licenses due to opaque license granting requirements. These delays are still ongoing. Projects in the copper mining sector require the Chilean Copper Commission’s authorization; investments in the fishing sector require the approval of the Under-Secretariat of Fishing; authorization from the Bank and Financial Institutions Regulatory Agency is required to operate in the banking sector; and the Securities and Exchange Commission must authorize projects related to insurance and investment funds.

Additional authorizations are required from the Pension Funds and Private Health Insurance regulatory agencies to participate in those sectors. For projects with a potential environmental impact, authorization is required from the Environmental Evaluation Service, a decentralized service related to but independent from the Ministry of Environment. Chile also maintains national security related restrictions on investments in the areas of nuclear energy, defense, maritime transportation, real estate, and mining.

Profit remitted, withdrawn or distributed to foreign investors is subject to a withholding tax. Dividends paid to foreign shareholders are subject to an additional 35 percent tax on distribution, but a credit of 22.5 percent is given against the additional tax where the amount at issue is subject to Chile's First Category tax. The company must withhold the additional tax. The same tax procedure applies to remittances of profit made to partners and to profit withdrawn by foreigners. As noted, though, the effective tax rate – including taxes on remittances - for foreign investment occurring through DL600 can (for now; see discussion of replacement framework above) be capped at the ten-year invariable rate (42 percent in 2013).

Privatization Program

There are no ongoing privatization programs currently in Chile.

Screening of FDI

FDI is subject to pro forma screening by Chile's FIC. Businesses in general do not consider that such screening mechanisms constitute a barrier to investment, because approval procedures are expeditious and, with the exception of a few sensitive sectors, all investments are approved.

In practice, the entire application and approval process for investments under DL 600 takes approximately 20 days.

The law requires that the government's FIC approve investment proposals. Approval is required for investments exceeding USD 5 million or investments made in certain sectors, including the media and the provision of public services, and investments made by foreign governments or by foreign public entities.

Competition Law

Foreign investors are not required to seek a ruling before investing on the potential competition implications of a planned investment. Chile's anti-trust law, the Chilean Free Competition Act (1973), prohibits mergers or acquisitions that would prevent free competition in the industry at issue. An investor may voluntarily seek a ruling by an Antitrust Court that a planned investment would not have antitrust implications.

Investment Trends

Chile has recently witnessed a downward trend both in FDI flows and domestic investment. FDI flows to the country fell by 29 percent in 2013 (as compared to 2012), but regained some momentum the following year, growing by 14 percent in 2014 (as compared to 2013). Meanwhile, statistics maintained by the Central Bank of Chile (BCC) recorded four consecutive quarters of contractions in domestic investment in 2014 over the corresponding periods the prior year, the worst cycle the country has witnessed since the 1990s; the final figure for the year was a 6.1 percent decrease in comparison to 2013. Most analysts attributed these trends primarily to the mining sector, where investment has slowed down considerably due to the recent deterioration in global copper prices.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	21 of 175	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2015	41 of 189	doingbusiness.org/rankings
Global Innovation Index	2014	46 of 143	globalinnovationindex.org/content.aspx?page=data-analysis
World Bank GNI per capita	2013	USD 15,230	data.worldbank.org/indicator/NY.GNP.PCAP.CD

2. Conversion and Transfer Policies

Foreign Exchange

Chile's regulation ensures that capital markets are well developed and open to both foreign portfolio investment and FDI. In May 2000, Chile eliminated the one-year withholding period requirement for foreign capital entering the country under Chapter XIV. This type of investment capital may now be repatriated immediately without penalty.

A second major initiative in 2000 was the discontinuation of the use of the *encaje* (lock-in), which required foreign investors to deposit 30 percent of foreign-sourced loans and portfolio investment with the Central Bank in a non-interest-bearing account for up to two years. However, the Central Bank reserves the right to re-impose the *encaje* mechanism if needed in the future.

Over a decade ago, the Chilean government delivered important reforms and measures aimed at promoting savings in investment securities, including by exempting capital gains taxes on highly traded stocks of publicly traded companies, lowering taxes for foreign investors on interest payments, and advancing the integration of Chilean capital markets with the international financing market. An important recent step has been the creation and development of the

Mercado Integrado Latinoamericano (MILA), an initiative that seeks to connect stock markets of Mexico, Colombia, Peru and Chile.

A second set of reforms enacted in 2005 and 2006 aimed at promoting broader financing alternatives for high growth, emerging companies (small- to medium-sized enterprises, SMEs) and tax incentives for the development of a local risk capital fund management industry. In June 2007, the GOC passed Law 20.190, which introduced tax incentives to promote venture capital. The law improves the availability of financial resources for SMEs and provides tax benefits to public as well as private venture capital funds. Law 20.190 authorizes Chile's Development Promotion Agency (CORFO, www.corfo.cl) to take an equity position of up to 40 percent in specialized venture capital funds. It also allows banks to invest up to the equivalent of one percent of their asset base in venture capital through investment fund administrators and subsidiaries.

A third capital markets reform introduced in 2010 aimed at increasing security levels of financial transactions and reinforcing regulatory and supervision capabilities. This set of reforms enhanced competition in the credit market by increasing available credit instruments and improving consumer information. The reform also increased liquidity, deepened credit markets, improved flexibility for investment funds, created Exchange Traded Funds (ETFs), allowed access to secondary markets, and fostered investment in mutual and investment funds.

Investors, importers, and others are guaranteed access to foreign exchange in the official inter-bank currency market without restriction.

The Central Bank reserves the right to deny access to the inter-bank currency market for royalty payments in excess of five percent of sales. The same restriction applies to payments for the use of patents that exceed five percent of sales. In such cases, firms would have access to the informal market. The Chilean tax service reserves the right to prevent royalties of over five percent of sales from being counted as expenses for domestic tax purposes.

Remittance Policies

Under the Investment Chapter of the U.S.–Chile FTA, the parties must allow transfers of covered investments to be made freely and without delay into and out of its territory. These include transfers of profits, royalties, sales proceeds, and other remittances related to the investment. However, for certain types of short-term capital flows, the chapter allows Chile to impose transfer restrictions for up to 12 months as long as those restrictions do not substantially impede transfers. If restrictions are found to impede transfers substantially, damages accrue from the date of the initiation of the measure.

As a general rule, Chile does not engage in currency manipulation. The IMF classifies Chile's exchange regime as a free-floating exchange rate within an inflation-targeting monetary framework. However, the Central Bank reserves the right to intervene under exceptional circumstances to correct significant deviations of the currency from its fundamentals.

3. Expropriation and Compensation

Chilean law grants the government authority to expropriate property, including property of foreign investors, but only for public or national interests, on a non-discriminatory basis and in accordance with due process of law.

The law requires the payment of compensation without delay at fair market value, in addition to any applicable interest. The government has not nationalized a private firm since 1973.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

The legal system of Chile is based on civil law. The basis for its public law is the 1980 Constitution which was most recently reformed in 2005. Chile's legal and regulatory framework provides for effective means for enforcing property and contractual rights. Laws governing issues of interest to foreign investors are found in several statutes, including the Commercial Code of 1868, the Civil Code, the Labor Code and the General Banking Act. Chile has specialized courts for dealing with tax and labor issues.

The judicial system in Chile is generally transparent and independent. The likelihood of government intervention in court cases is low. If a state-dependent firm is involved in the dispute, the GOC may become directly involved through the State Defense Council. In cases where courts determine a firm is bankrupt, a receiver is named to distribute the debtor's remaining assets to the creditors.

Judgments of foreign courts and binding international arbitration rulings are generally recognized and enforced by local courts.

Bankruptcy

Chile has a new Insolvency and Re-entrepreneurship Law, which entered into force in October 2014, replacing the old Bankruptcy Law. This new law regulates bankruptcy procedures, seeking to avoid the criminalization of bankruptcy.

With the new law, for the first time Chile addresses the issue of trans-border insolvency, establishing as a principle that foreign creditors will hold equal rights to domestic creditors. This provision seeks to facilitate judicial cooperation between Chile and foreign countries.

The World Bank's 2015 Doing Business Report did not capture the effects of the new Insolvency and Re-entrepreneurship Law; Chile's ranking in the report is 70 out of 189 in the category of "resolving insolvency".

Investment Disputes

Disputes involving U.S. investors typically have been settled in negotiations between the investor and the appropriate government entity. Disputes have been referred to the local judicial

system although the time required for resolution may make this an unattractive option for foreign investors. Because of the high caseload, understaffing and antiquated case-management procedures, resolution of business disputes in the civil court system can take four to five years. Accordingly, litigants often choose to settle out of court. Mediation and binding arbitration exist in Chile as alternative dispute resolution mechanisms. A suit may also be brought in court under expedited procedures involving the abrogation of constitutional rights.

The FTA Investment Chapter provides a mechanism for investors to pursue a claim against a host government that is in breach of the FTA's investment obligations, an investment agreement, or an investment authorization. An important exception is that disputes related to investment authorizations under DL600, are not subject to this mechanism. Only agreements that take effect at least two years after the FTA's entry into force may make use of this mechanism. Under this section, the investor pursuing a claim may by right submit a claim under the International Center for Settlement of Investment Disputes (ICSID) Convention or under the United Nations Commission on International Trade Law (UNCITRAL) arbitration rules. Any other mutually agreed upon arbitral institution may also be utilized. Rules agreed upon by the parties will govern the proceedings except to the extent that they are inconsistent with the FTA. An investor must give notice of intent to arbitrate at least 90 days before submitting a claim, and must wait at least six months from the time of the event which gave rise to the claim before initiating a proceeding. All claims must be brought within three years of the date when the claimant acquired knowledge of the breach and/or injury.

The FTA chapter on investments encourages consultations or negotiations before recourse to dispute settlement mechanisms. If the parties fail to resolve the matter, the investor can submit a claim for arbitration. Provisions in Section C of the FTA ensure that the proceedings are transparent by requiring that all documents submitted to or issued by the tribunal be available to the public, and by stipulating that proceedings be public. The tribunal must also accept amicus curiae submissions. The FTA chapter on investments establishes clear and specific terms for making proceedings more efficient and avoiding frivolous claims. Chilean law is generally to be applied to all contracts. However, arbitral tribunals decide disputes in accordance with FTA obligations and applicable international law.

International Arbitration

Since 1958, Chile has been party to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention). It is also party to (i) the Pan-American Convention on Private International Law (Bustamante Code) since 1934; (ii) the Inter-American Convention on International Commercial Arbitration (Panama Convention) since 1976; and (iii) the Washington Convention on the Settlement of Investment Disputes between States and Nationals of Other States since 1992.

Local courts respect and enforce foreign arbitral awards. Chile has a dual arbitration system in terms of regulation, meaning that different bodies of law govern domestic and international arbitration. International commercial arbitration is governed by the International Commercial Arbitration Act that is modeled on the 1985 UNCITRAL Model Law on International Commercial Arbitration. In addition to this statute, there is also Decree Law Number 2349 that regulates International Contracts for the Public Sector and sets forth a specific legal framework

for the State and its entities to submit their disputes to international arbitration. The Judiciary Code and the Code of Civil Procedure govern domestic arbitration.

Under the U.S.-Chile FTA's investment chapter, there have not been any claims that reached beyond the initial consultations stage. No cases where the claimant is from the U.S. and the respondent is Chilean are recorded in the ICSID website.

ICSID Convention and New York Convention

Since 1991, Chile has been a member state to the International Centre for the Settlement of Investment Disputes (ICSID Convention). In 1975 Chile became a signatory to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention).

Duration of Dispute Resolution

Arbitration and mediation are attractive alternative dispute mechanism for resolving business controversies because litigation can take several years to reach a conclusion. Rule of law and governance are strong within Chile. Generally, judgments and arbitral awards, including international judgments and awards, are recognized and enforced in Chile without issues. However, Chilean courts apply the rules of the International Commercial Arbitration Act, which means that the Supreme Court may refuse to recognize an arbitral award issued abroad if the award has not yet become binding on the parties, or has been set aside or suspended by a court of the country in which, or under the law of which, that award was made.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Chile does not maintain any measures that are inconsistent with the World Trade Organization agreement on Trade-Related Investment Measures (TRIMS) requirements.

Investment Incentives

Investment incentives in Chile are in the form of tax credits, tax exemptions, and co-financing of research and development projects and early-stage entrepreneurship, as outlined in the paragraphs below.

Research and Development

Chile does not subsidize foreign investment. There are, however, some incentives linked to isolated geographical zones and to the information technology sector. These benefits relate to co-financing of feasibility studies as well as to incentives for the purchase of land in industrial zones, the hiring of local labor, and the facilitation of project financing. Other important incentives include accelerated depreciation accounting for tax purposes, special tax treatment for retained earnings (which will be derogated in 2017 due to the 2014 tax reform), and legal guarantees for remitting profits and capital.

Chile has other special incentive programs aimed mostly at promoting investment and employment in remote or disadvantaged regions, the development of new businesses, support for micro-, small-, and medium-sized enterprises, and promotion of technological innovation.

Since 2001, the Chilean Economic Development Agency (CORFO) has implemented the "Chile Invests" plan with the goal of fostering FDI in certain sectors outside the Santiago Metropolitan Region in certain sectors. A key objective of the plan is to encourage investment in areas of non-traditional technology such as biotechnology, research and development of new materials, electronics and engineering processes, and new production techniques to increase the value added to natural resource exports. The plan also promotes investment in the energy sector, mainly for non-conventional renewable energy projects. CORFO provides co-financing programs to pre-investment feasibility studies for projects using renewable non-conventional energy resources. See CORFO's website for more information about its investment incentive programs: <http://www.english.corfo.cl/programs>.

The Arica Law of 2001 grants tax credits to companies in the provinces of Arica and Parinacota. Investment projects amounting to over 2,000 UTM (about USD 148,000) in Arica are eligible for a tax credit of 30 percent of the value of the fixed physical assets (40 percent for tourism projects). Investment projects totaling more than 1,000 UTM (about USD 74,000) in Parinacota are eligible for a tax credit of 40 percent of the value of the fixed physical assets. These incentives are available until December 31, 2030. [Note: The Unidad Tributaria Mensual (UTM) is an inflation-indexed measure of value, adjusted on a monthly basis. On April 9, 2015, 1 UTM was equivalent to about USD 71].

A third investment promotion plan for the province of Tierra del Fuego in Region XII (Magallanes) is available for mining, manufacturing, transport, fishing and tourism companies that produce goods or services made up of at least 25 percent local labor and inputs.

Other investment incentives have been introduced through the "Chile Competes Plan." The Plan includes an exemption from income tax normally paid by institutional investors, such as mutual funds and pension funds, on earnings from the transfer of corporate stock that is publicly traded, or bonds or other publicly offered securities representing debt issued by the Central Bank of Chile, the Chilean Government, or by companies incorporated in Chile.

In January 2011, the Ministry of Economy, through CORFO, established a USD 40 million program called StartUp Chile, whereby selected entrepreneurs receive a USD 40,000 grant and, for foreigners a Chilean work visa, to develop a "startup" business in Chile. Upon admittance into the program, an entrepreneur is given six months to develop a project and then promote it through a series of pitches and seminars at local universities, corporate meetings and other community outreach. In January 2015, the program launched the call for its 12th generation, with 100 new vacancies.

Performance Requirements

Neither Chile's Foreign Investment Committee nor the Central Bank applies performance requirements in its review of proposed investment projects.

The investment chapter in the U.S.–Chile FTA establishes rules prohibiting performance requirements that apply to all investments, whether by a third party or domestic investors. The FTA investment chapter also regulates the use of mandatory performance requirements as a condition for receiving incentives and spells out certain exceptions. These include government procurement, qualifications for export and foreign aid programs, and non-discriminatory health, safety, and environmental requirements.

Data Storage

The Chilean government does not follow “forced localization.” Foreign investors are not obliged to use domestic content in goods or technology.

There are no requirements of which Post is aware for foreign IT providers to turn over source code and/or provide access to surveillance.

6. Right to Private Ownership and Establishment

Except for the limitations in the fisheries and media sectors noted above, Chile does not, in general, restrict the right to private ownership or establishment. Section 24 of Article 19 of the Constitution establishes, however, the “absolute, exclusive, inalienable and permanent domain” of the Chilean state over all mineral, hydrocarbon, and fossil fuel deposits within Chilean territory. Under Chilean law, the government may grant concession rights to individuals and companies for exploration and development of these natural resources for a finite period. There are also national security-related measures regarding the purchase of real estate by foreigners near land borders with Chile’s neighbors.

7. Protection of Property Rights

Real Property

Secured interests in property, both movable and real, are recognized and generally enforced in Chile. There is a recognized and generally reliable system for recording mortgages and other forms of liens. Chile ranked 45 out of 183 economies in the World Bank’s 2015 Doing Business report for property registration.

Intellectual Property Rights

Because of concerns about its commitment to the protection of intellectual property rights (IPR), Chile has been included on the Special 301 Priority Watch List (PWL) since January 8, 2007. The Chilean government has undertaken a number of legislative reforms to strengthen its IPR regime and bring it in line with international commitments, including the U.S.-Chile Free Trade Agreement (FTA). However, there are still substantive deficiencies in Chile’s IPR laws and enforcement of existing IPR protections. Of particular concern are inadequate patent and test data protection in the pharmaceutical sector; the lack of an effective system for addressing patent issues expeditiously in connection with applications to market pharmaceutical products; circumvention of technological protection measures; piracy of music and software, particularly over the internet; Chile’s failure to protect encrypted program-carrying satellite signals,

including its failure to address the sale of pirate satellite decoder boxes; and inadequate protection for plant varieties. The 2014 Special 301 Report on IPR is available on the USTR website at <http://www.ustr.gov/about-us/press-office/reports-and-publications/2014>.

Chile has been a member of the World Intellectual Property Organization (WIPO) since 1975 and joined the Treaties on Copyright and Performances and Phonograms in April 2001. Chile approved legislation to comply with TRIPS obligations related to industrial property in December 2004. The law provides, among other protections, for expedited court proceedings and the authority to seize illegal copies of patented products. In 2008, Chile ratified the Patent Cooperation Treaty (PCT), which came into force in June 2009.

The U.S. and Chile have committed to making a system available for the resolution of disputes regarding internet domain names. This follows international standards with respect to problems such as the cyber piracy of brands and trademarks for country domain names. Furthermore, both countries committed to creating a database containing information on individuals who have registered higher-level domain names. This database will protect the personal data of those who have registered.

It is generally easy for investors to register intellectual property – including copyrights, trademarks, patents and trade secrets.

For additional information about treaty obligations and points of contact at local IP offices, please see Chile's WIPO country profile at:
http://www.wipo.int/directory/en/details.jsp?country_code=CL

Useful information on IP issues in Chile can also be found from the American Chamber of Commerce in Chile, <http://www.amchamchile.cl/node/110125>.

Resources for Rights Holders

Inquiries regarding intellectual property issues in Chile can be addressed to:

Ted Alexander Bryan
Economic Officer
U.S. Embassy, Santiago
(56)-(2)-2330-3397
BryanAT@state.gov

Contact information for country-specific resources:

Roberto Matus
General Manager
AmCham Chile
(56)-(2)-2290-9760
roberto.matus@amchamchile.cl

8. Transparency of the Regulatory System

Chilean regulatory systems tend to be transparent, and government regulators generally have little discretion in carrying out their duties. Rulemaking processes do not generally include formal provisions for public hearing or comment. The World Bank's "Doing Business 2015" report ranks Chile 41st of 189 economies (after ranking 39th in 2014) for ease of starting a business. The U.S.–Chile FTA establishes some additional obligations for transparency in regulatory processes.

9. Efficient Capital Markets and Portfolio Investment

Chile's capital markets are well-developed and open to foreign portfolio investors. Credit is allocated on market terms and is available to foreigners, although the Central Bank does reserve the right to restrict foreign investors' access to internal credit if a credit shortage exists. To date, this authority has not been exercised.

Publicly traded Chilean companies attract substantial international investment.

Under the U.S.–Chile FTA, U.S. insurance firms have full rights to establish subsidiaries or joint ventures for all insurance sectors, with limited exceptions. In 2001, the First Capital Market Reform phased in insurance branching rights and modified Chile's legislation to open cross-border supply of key insurance sectors such as marine, aviation, and transport insurance, and insurance brokerage of reinsurance. The objective was to remove unnecessary restrictions affecting the deepening of the capital market and competition in the insurance market.

U.S. banks and securities firms are allowed to establish branches and subsidiaries and may invest in local firms without restriction, except under very limited circumstances. U.S. financial institutions are also able to offer financial services to citizens participating in Chile's privatized voluntary saving plans, and they have gained increased market access to Chile's mandatory social security system. U.S.-based firms are allowed to offer services in Chile in areas such as financial information, data processing, and financial advisory services, with limited exceptions. Under the measures outlined in "Capital Market Reform III," Chilean mutual funds are permitted to use foreign-based portfolio managers.

In May 2011, the stock markets of Chile, Peru and Colombia merged to become the second largest trading market in Latin America after Brazil. This market alliance, known as the Integrated Latin American Market (MILA), hopes to better expose investors to assets linked to the region's natural resources. Chile's IPSA Index is a total return index and is composed of 40 highly traded stocks. The IPSA has been calculated since 1977 and is revised on a quarterly basis.

The main institutional investors and suppliers of capital to local companies are the pension fund administrators (AFP) as well as insurance companies, mutual funds and banks. Institutional investors hold more than half of the instruments issued in the fixed-income market.

Pension funds are the largest institutional investors followed by insurance companies. As of March 2015, Chile's six AFPs managed a total investment portfolio of USD 170.6 billion,

representing about 68 percent of Chile's GDP. The pension funds administered by the AFPs belong to 9.6 million participants, of which 5 million are contributors. The total resources under AFP administration were distributed in five different types of funds of varying degrees of risk.

The GOC has been raising the percentage of pension funds that can be invested overseas. In 2008, Congress approved a reform package for the pension system increasing the threshold for pension fund administrators to invest abroad (from 30 to 60 percent of their funds). In 2014, AFPs invested 44 percent of their resources abroad. The reform package also set the foundation on which to build a “solidarity pillar” to increase coverage among lower-income contributors and self-employed workers and expand social security assistance coverage.

In 2012, insurance companies (including reinsurance companies) in Chile managed nearly USD 50 billion in assets, representing 18 percent of GDP. Insurance companies invest a major share of their portfolio in fixed-income securities. Nine percent of their portfolio is invested abroad.

Money and Banking System, Hostile Takeovers

The Chilean banking system is sound, competitive, and meets Basel standards. There are currently 24 banks operating in Chile, and four are foreign-owned representational branches. Only one bank is completely owned by Chilean private economic interests (BCI). The rest have some level of incorporation with foreign institutions. Foreign banks can compete on the same terms as their domestic rivals. There are also seven local savings and loan corporations, and one state-owned bank, Banco Estado, which is the nation's third largest. Private banks manage most corporate business.

The Chilean banking industry is subject to strict limits on lending to a single debtor or group of related companies. This is capped at five percent of the capital and reserves of a bank for collateral-free loans and at 25 percent for collateralized loans (fixed assets).

Summary of Chilean Banking System (February 2015):

Total Loans – USD 209 billion
Deposits – USD 169.1 billion
Total Assets – USD 294.9 billion

Source: Chile's Superintendence of Banks and Financial Institutions

General Information on the Financial Market

- Banks and Financial Institutions: 24 participants. Total Loans: USD 209.0 billion
- Pension Funds: 6 administrators (3 firms of which are US owned). Funds under management: USD 170.6 billion
- Insurance Companies: 60 (28 general insurers, 32 life insurers).

According to the World Economic Forum's Global Competitiveness Report for 2014-2015, Chile is the most competitive country of South America and the fourth most competitive of the Americas after the U.S., Canada, and Puerto Rico. Chile is ranked 33rd in the world.

10. Competition from State-Owned Enterprises

Chile has relatively few state-owned enterprises (SOEs), most having been privatized during the military government's economic reforms between 1974 and 1989. Notable SOEs are the national copper company, CODELCO; the national petroleum company, ENAP; the National Postal System (Correos de Chile); and the state-owned bank, Banco Estado.

In general, private enterprise is allowed to compete with public enterprise under the same terms and conditions (e.g., there are many private copper mines and private banks). However, there are specific areas where this does not hold and SOEs enjoy special advantages. For example, ENAP is the only refining company in Chile. SOEs spend a similar portion of their budget on research and development to the portion spent by private sector domestic and foreign companies in the same sector.

Most SOEs in Chile are structured so that the company management reports to a board of directors, which includes the relevant government minister (e.g., the Minister of Mining sits on ENAP's board of directors). Most board members are independent representatives from the private sector and academia, or from that industry's main labor union or trade association. The President of Chile usually designates board members.

Chile passed a law in October 2009 modifying CODELCO's corporate governing structure to its current form. The law removed the Ministers of Finance and Mining and a representative of the military from the board of directors. It also expands the board to nine members, three of whom are designated by the President of Chile, two of whom are nominated by CODELCO's labor unions and approved by the President of Chile, and four of whom are elected by the Consejo de Alta Dirección Pública (Chile's independent committee that makes high-level civil service appointments) and subsequently approved by the President of Chile.

SOEs are subject to the same taxes and the same value added tax rebate policies as their private sector competitors.

OECD Guidelines on Corporate Governance of SOEs

According to the World Bank's 2014 publication, *Corporate Governance of State-Owned Enterprises in Latin America: Current Trends and Country Cases*, Chile has taken major steps to improve corporate governance of its state-owned enterprises (SOEs). In 2001, the Sistema de Empresas Públicas (SEP) was created. The SEP is a technical advisory body, with authority to centrally oversee management of the SOEs. A nine-member governing council, whose members are nominated by the President, the Ministers of Finance and Economy and the CEO of CORFO, oversees the SEP. Among the 33 SOEs linked to the central government, the SEP exerts ownership representation and responsibilities regarding the control and supervision of 23 of them. The SEP's main functions include nominating and appointing SOEs' directors, approving strategic plans, establishing annual goals and controlling the management of the SOEs under its

supervision. However, the largest Chilean SOEs (including CODELCO, ENAP and Banco del Estado de Chile) are not under SEP control and supervision, but operate in a decentralized and autonomous way. Many of these companies have a regulatory framework specifically developed for their operations and approved by special laws, and they are linked to the government through the sector ministries of their line of competency.

The World Bank's report is available at:

<http://documents.worldbank.org/curated/en/2014/07/20183864/corporate-governance-state-owned-enterprises-latin-america-current-trends-country-cases>

As an OECD member, Chile adheres to the OECD Guidelines on Corporate Governance for SOEs. According to the World Bank's 2014 publication mentioned above, Chile has made significant progress in the harmonization of standards across SOEs in the areas of information disclosure, accounting provisions, and auditing. Each SOE submits an annual report and has the obligation to publish quarterly management reports. All SOEs are required to have internal auditors and are subject to an annual external audit by independent auditing firms. All SOEs are headed by a board of directors and there is a clear definition and division of the roles played by the SOE Board and the CEO.

Allocation of seats on the boards of Chilean SOEs is determined by the SEP, as described above, or outlined by the laws that regulate them. As CODELCO's corporate governance shows (see previous section), there is a mix between seats appointed by recommendation from an independent high-level civil service committee, and seats allocated by political authorities in the government.

Court processes regarding SOEs involved in investment disputes are transparent and non-discriminatory.

Sovereign Wealth Funds

Chile has two sovereign wealth funds constituted principally from state copper revenues. The Economic and Social Stabilization Fund (FEES) was established in 2007 and was valued at USD 14.7 billion in February 2015. The FEES seeks to fund public debt payments and temporary fiscal deficits, in order to keep a countercyclical fiscal policy. The Reserve Pension Fund was established in 2006 and was valued at USD 7.9 billion as of February 2015. The stated purpose of this fund is to anticipate future needs from the Government in order to make payments to those eligible to receive pensions but whose contributions to the private pension system are not enough to reach a minimum guaranteed by the State. A third sovereign wealth fund, called the Bicentennial Fund, encourages Chileans to study abroad through the use of government-funded scholarships.

The Chilean Central Bank, at the direction of the Ministry of Finance, administers the sovereign wealth fund. The Ministry of Finance receives advice on policy related to the funds from an external Finance Committee made up of independent advisors. The Ministry of Finance publishes monthly, quarterly, and yearly reports on the funds.

11. Corporate Social Responsibility

The government encourages foreign and local enterprises to follow generally accepted CSR principles, including the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights.

There is general awareness of corporate social responsibility among both producers and consumers in Chile. As part of the OECD accession process, Chile passed a law in September 2009 setting out new rules to help bolster corporate social responsibility. Chile maintains and enforces domestic laws concerning labor and employment rights, consumer protections and environmental protections. Labor and environmental laws are not waived in order to attract or retain investments.

Independent NGOs in Chile promote and monitor CSR. Examples include NGO Acción RSE (<http://www.accionrse.cl>) and the Catholic University of Valparaiso's Center for Corporate Social Responsibility.

OECD Guidelines for Multinational Enterprises

The Chilean government encourages foreign and local enterprises to follow generally accepted CSR principles. As an OECD member country, Chile adheres to the OECD Guidelines for Multinational Enterprises. The GOC set up a contact point, which is the head of the OECD Department at the Trade Directorate (Direcon).

Chile also endorses the United Nations Guiding Principles on Business and Human Rights. According to the Chilean government delegation at the third annual U.N. Forum on Business and Human Rights held in Geneva in December 2014, a national plan is being developed to assess the current situation and identify gaps and good practices.

12. Political Violence

The incidence of terrorist activity and civil disturbance is generally low in Chile, and the violence that has occurred has had little impact on the Chilean economy. While crime rates are slowly increasing throughout the country, the vast majority of crimes are nonviolent. During the last 10 years there have been relatively few incidents of politically motivated attacks on investment projects or installations. In 2014, there were occasional incidents of vandalism of storefronts and public transport during student protests over education reform, some of which included violent incidents. Incidents of anti-American sentiment and civil disorder are rare, and there have been no attacks known to be attributable to international terrorist organizations.

Since 2007, Chile has experienced approximately 220 small-scale bombings. Anarchist groups have claimed credit for some of the incidents. Beginning in May 2014, anarchist groups expanded their targets to include mass transportation and public places including, on two occasions, the Santiago metro train system during normal operating hours. A bombing on September 8, 2014 in the commercial area above a metro stop injured 14 people and was recognized immediately by the government not only as a terrorist attack but also as a wakeup call demanding forceful action. Arrests were made.

There have also been violent incidents on farms and forestry plantations in south-central Chile, resulting in one death, damage to property, and other related injuries in 2014. Many of these incidents are related to the land claims and other grievances of indigenous people (the indigenous Mapuche group) in regions VIII (Bio-Bio) and IX (Araucania).

13. Corruption

Corruption in Chile is limited. Since 2003, Chile has had laws in place that establish a more efficient and professional civil service through performance-based incentives and a reduction in political appointee positions in public service positions. In 2005, the GOC passed a law to regulate political party and candidate financing to further deter corrupt government practices.

Chile has signed and ratified the Organization of American States (OAS) Convention against Corruption, as well as the UN Anticorruption Convention. Chile is also a signatory to the OECD Convention on Combating Bribery, fulfilling the necessary accession processes, including implementation of its Anti-Bribery Convention obligations. Chile is an active member of the Open Government Partnership (OGP).

In 2007, a new law came into force that provides protection for public employees who denounce irregularities or violations in accountability standards and at the same time, Chile ratified the United Nations Convention against Corruption. In 2009, Chile passed a transparency law obligating government offices to public information about expenditures, employee salaries, and other fiscal data. It also mandates that citizens be provided up-to-date information on how to access government services and request information. The law created an autonomous Transparency Council which is charged with implementing the requirements of the law. The administration of President Piñera (2010-2014) launched a campaign to educate citizens about their right to access public information and created Chile Atiende, an online and in-person platform to streamline access to common government services.

As noted previously, Chile ranked 21st out of 175 countries in Transparency International's 2014 Corruption Perceptions Index (with 1 being the lowest perception of corruption).

A series of corruption scandals involving a mining firm, a major conglomerate, and a relative of President Bachelet caused great concern in late 2014 and early 2015. As of the publication date of this report, investigation and prosecution of these cases remained ongoing. Authorities have arrested and pursued criminal and civil charges against those implicated where deemed appropriate.

U.S. firms have not identified corruption as an obstacle to FDI.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Chile has signed and ratified both the UN Anticorruption Convention and OECD Convention on Combatting Bribery.

Resources to Report Corruption

Contact at non-profit organization to report corruption:

Alberto Precht

Executive Director

Chile Transparente (Chile branch of Transparency International)

Avenida Rancagua 535

7501089 Providencia

Santiago, Chile

(+56)-(2)-274-3627

chiletransparente@chiletransparente.

14. Bilateral Investment Agreements

The United States-Chile Free Trade Agreement (FTA) entered into force on January 1, 2004. The chapter on investment is modeled on the standards found in agreements throughout the world such as U.S. bilateral investment treaties and customary international law. The main objective of the FTA chapter is to provide stability and security to investors. It provides six basic forms of protection:

- Non-discriminatory treatment, based on national treatment and most-favored-nation treatment, for investors from either country;
- Freedom from performance requirements;
- Free transfer of investment funds;
- Expropriation only when consistent with international law;
- A minimum standard of treatment in customary international law; and
- The ability to hire key managerial and technical personnel without regard to nationality.

In 1991, Chile became a signatory of the Washington Convention of 1965, which created the International Center for Settlement of Investment Disputes (ICSID). Since then, Chile has negotiated numerous Bilateral Investment Treaties (BITs) through which Chile provides additional protection to foreign investment flows. According to information provided by the Government of Chile to ICSID, as of the end of 2014, Chile had signed 55 BITs, of which 41 are in force. There are agreements in force with Argentina, Australia, Austria, Belgium and Luxembourg, Bolivia, China, Costa Rica, Croatia, Cuba, Czech Republic, Denmark, Ecuador, El Salvador, Finland, France, Germany, Greece, Guatemala, Honduras, Iceland, Italy, Malaysia, Nicaragua, Norway, Panama, Paraguay, Peru, Philippines, Poland (2 treaties), Portugal, Romania, Spain, Sweden, Switzerland (1999 treaty), Ukraine, the United Kingdom, Uruguay (2 treaties), and Venezuela. BITs signed but not in force include those with Brazil, Colombia, Dominican Republic, Egypt, Hungary, Indonesia, Lebanon, Netherlands, New Zealand, South Africa, Switzerland (1991 treaty), Tunisia, Turkey and Vietnam.

Bilateral Taxation Treaties

Chile has double taxation treaties in force with: Australia, Belgium, Brazil, Canada, Colombia, Croatia, Denmark, Ecuador, France, Ireland, Malaysia, Mexico, New Zealand, Norway,

Paraguay, Peru, Poland, Portugal, Russia, South Korea, Spain, Sweden, Switzerland, Thailand and the United Kingdom.

Chile and the United States have signed the U.S.-Chile Treaty to Avoid Double Taxation, which addresses certain tax-related obligations for U.S. companies operating in Chile. In May 2012 President Obama submitted the treaty to the U.S. Senate for ratification. In March 2014, the Government of Chile submitted the treaty to the Chilean Congress for ratification; at the time of publication of this report, the Chilean Lower Chamber of the Congress (the Chamber of Deputies) had ratified the treaty and submitted to the Senate for its approval, which remains pending. The U.S. Senate has not yet ratified the treaty. Other double taxation treaties signed by Chile but not in force include those with Austria and South Africa.

15. OPIC and Other Investment Insurance Programs

A Bilateral Investment Agreement between Chile and the United States, through the Overseas Private Investment Corporation (OPIC), took effect in 1984. Chile is a party to the convention of the World Bank's Multilateral Investment Guarantee Agency (MIGA).

16. Labor

Unemployment in Chile stood at 6.3 percent on average during 2014. The labor participation rate was 60 percent as of December 2014. The size of the total workforce increased by 1.1 percent in December 2014 as compared to the same period in 2013.

Chile has and generally enforces laws and regulations related to these internationally recognized labor rights: freedom of association and collective bargaining; the elimination of forced labor; child labor, including the minimum age for work; discrimination in respect to employment and occupation; and acceptable conditions of work related to minimum wage, occupational safety and health, and hours of work.

Chile has enjoyed generally calm labor relations over the last decade, but strikes do occur. Strikes and public protests have been concentrated in the mining, health, education, transportation, and civil service sectors. Over the past several years, some strikes in Chilean ports have occurred during the summer season, when most of the country's fruits exports are shipped abroad. Arbitration and mediation mechanisms exist to resolve labor-related disputes. Strikes are prohibited in certain essential services sectors prescribed by law. A new labor reform, submitted to Congress in December 2014, is currently under review and will likely be debated by the Chilean congress in the 2015 legislative year.

Union membership is voluntary. According to the GOC's Labor Directorate, 14.2 percent of Chile's workforce belonged to a trade union in 2013. Multiple unions exist in many companies, and management can negotiate collective agreements with any of the unions or with ad hoc groups of workers. Unions can form confederations or nationwide labor centrals and can affiliate with international labor federations. Contracts are normally negotiated at the company level. Multi-company bargaining is permitted on a voluntary basis. Law establishes all overtime, paid annual vacations, and holidays. Women are entitled to state-funded maternity leave for a period of six weeks before and six months after childbirth. Layoffs are not permitted between

conception and one year after the female employee has returned from maternity leave. The labor reform mentioned above proposes to strengthen unions' entitlement to engage exclusively in the collective bargaining process.

Top executive salaries are on a par with European countries, although well below those in the United States. Chile allows companies to deduct set training costs (up to one percent of annual payroll) from corporate tax payments. A company can also use 10 percent of the rebate to finance an analysis of its training needs, and 15 percent to run a training department.

The maximum number of labor hours allowed per week in Chile is 45.

Subject to certain exceptions, Chilean nationals must comprise no less than 85 percent of the workforce of companies employing more than 25 persons.

A 2007 subcontracting law defines outsourcing as two different activities: subcontracting and the supply of outside labor. Subcontracting is when a company permanently outsources a specific process to another firm which takes full responsibility for it, carrying it out with its own employees. However, the law does not permit companies to outsource their main economic activity. Retention of outside labor falls within the ambit of subcontracting under the law only where it is temporary in nature, defined as stints of up to 90 (or in some cases 180) days during an emergency. Additionally, only firms that register as suppliers of temporary labor and set up guarantees against their obligations to their own workers are allowed to fulfill this function. The law also sets limits on the number of staff that can be used on short-term jobs.

17. Foreign Trade Zones/Free Ports/Trade Facilitation

Chile has two tax-free zones: one in the northern port city of Iquique (Region I) and the other in the southern city of Punta Arenas (Region XII). Merchants and manufacturers in these zones are exempt from corporate income tax, value added taxes (VAT), and customs duties. Businesses can re-export goods without paying taxes but must pay VAT (19 percent) and import duties when goods leave the zone to be used or sold in other regions of Chile. The same exemptions also apply to manufacturers in the Chacalluta and Las Americas Industrial Park in Arica (in the XV Arica and Parinacota Region). Mining, fishing and financial services are not eligible for free zone concessions. Management companies and firms established in the free zone are exempt from payment of tariffs, VAT, other charges on imports, first category income tax under the Income Tax Law, and payment of VAT on goods and services for all their operations in the free zone.

Foreign-owned firms have the same investment opportunities in these zones as Chilean firms.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

Economic Data	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$B USD)	2013	273.6	2012	277.2	www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (\$M USD, stock positions)	2013	3,420	2013	41,110	
Host country's FDI in the United States (\$M USD, stock positions)	N/A		2012	487	http://bea.gov/international/factsheet/factsheet.cfm?Area=203
Total inbound stock of FDI as % host GDP	2013	7.4 %	2013	7.3 %	

*Chilean Central Bank economic statistics are available online in Spanish only:
<http://www.bcentral.cl/estadisticas-economicas/>

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	199,251	100%	Total Outward	85,732	100%
United States	26,461	13%	Brazil	12,303	14%
Netherlands	19,473	10%	Argentina	6,952	8%
Spain	16,963	9%	Peru	6,314	7%
Canada	11,674	6%	Colombia	5,899	7%
Bermuda	9,423	5%	Spain	4,137	5%

"0" reflects amounts rounded to +/- USD 500,000.

Source: IMF Coordinated Direct Investment Survey

Table 4: Sources of Portfolio Investment

According to the FIC, between 2009 and 2013, the mining sector attracted 44.9 percent of implemented FDI under DL600, followed by services (17.6 percent); electricity, gas and water (10.2 percent); manufacturing (4.7 percent); transportation and communications (3.4 percent); commerce (1.2 percent); construction (1.0 percent); and agriculture and fishing (0.2 percent). Total implemented FDI through DL600 from 2009-2013 amounted to USD 100.8 billion.

According to its Central Bank, Chile recorded USD 20.3 billion in FDI in 2013, representing a 29 percent decrease from 2012. The top five recipient sectors of FDI in 2013 were: electricity, gas and water (USD 4.9 billion); financial services (USD 3.2 billion); mining (USD 2.3 billion); other services (USD 1.2 billion); and communications (USD 877 million).

Portfolio Investment Assets

Top Five Partners (Millions, US Dollars)

Total			Equity Securities			Total Debt Securities		
All Countries	136,764	100%	All Countries	103,036	100%	All Countries	33,729	100%
United States	59,563	44%	Luxembourg	42,695	41%	United States	17,012	50%
Luxembourg	42,782	31%	United States	42,551	41%	Germany	3,626	11%
Germany	4,990	4%	United Kingdom	3,524	3%	Japan	3,227	10%
United Kingdom	4,650	3%	Germany	1,364	1%	Brazil	1,264	4%
Japan	3,435	3%	US Virgin Islands	1,007	1	Switzerland	1,257	4%

Source: IMF Coordinated Portfolio Investment Survey

19. Contact for More Information

For further information, please contact:

Ted Alexander Bryan
Economic Officer
U.S. Embassy, Santiago
(56)-(2)-2330-3397
BryanAT@state.gov