



# Doing Business in **CHILE**

## Understanding the Market

Chile is comprised of 15 administrative regions including the Metropolitan region. The capital, Santiago is located in the Metropolitan region.

Chile's population is 16.3 million and is highly concentrated in the following regions: Metropolitan region (40.1 percent), 8<sup>th</sup> region (12.3 percent) and 5<sup>th</sup> region (10.2 percent). The Metropolitan region is located in the center of the country, the 8<sup>th</sup> region is 350 miles south of Santiago, and the 5<sup>th</sup> region is 70 miles west of Santiago.

The Metropolitan region accounts for 43.1 percent of Chile's GNP, followed by the 8<sup>th</sup> Region (8.4 percent), the 5<sup>th</sup> region (8.2 percent) and the 2<sup>nd</sup> region with 7.2 percent of the country's GDP.

Socio-economically, 10 percent of the population can be defined as wealthy (upper class and upper middle class), 45 percent of the population is middle class, while the lower class represents 45 percent of the total population.

## Distribution and Sales Channels

### DIRECT SALE

This channel is recommended for industries that have a smaller customer base that needs specialized technical support from the manufacturer.

### U.S. DISTRIBUTOR SELLING INTO CHILE

Chilean firms generally prefer to work directly with the U.S. manufacturer or with a Chilean distributor rather than through U.S. distributors.

### CHILEAN MANUFACTURER

U.S. firms should consider registering their products with the Chilean Institute of Industrial Property in order to avoid possible patent infringements.

### CHILEAN DISTRIBUTOR

- Highly recommended for U.S. firms.
- Allows the manufacturer to build on the expertise and client base of an established Chilean firm.

### AGENT/REPRESENTATIVE

Efficient for doing business in smaller cities and remote locations.

### WHOLESALE

Efficient for consumer products, business and industrial consumables.



## FRANCHISING

The Chilean market can be challenging for franchisors, however, there are no barriers to franchising any product or service in Chile.

### Opening an Office in Chile

U.S. companies wanting to establish a presence in Chile should carefully select the appropriate type of business entity as this determines the operations they are allowed to perform in Chile, their tax obligations, profit remittances, etc.

A foreign company may also open a branch in Chile by appointing an agent to set up the branch location. The agent is responsible for notarizing documents pertaining to the foreign corporation.

### Due Diligence

Due diligence is essential before entering any type of agreement in Chile. Keep the following points in mind when choosing a Chilean business partner:

- Product and industry knowledge, track record, enthusiasm and commitment should be weighted heavily.
- Personally interview potential candidates at their local offices.
- Provide appropriate training, product support and timely supply of spare parts.
- Obtain information from a local consulting or law firm or local business chamber.
- Establish clear performance goals/business plans with your Chilean partner in writing.
- The Chilean legal system differs significantly from the U.S. system.

### Pricing a Product

- Look carefully at import duties, brokers' fees, transportation costs and taxes to determine if the product/service can be priced competitively.
- Because of the U.S./Chile Free Trade Agreement, the vast majority of U.S. products (85 percent) pay no duties at all.
- Chilean IRS collects a 19 percent value-added tax or IVA (assessed on the value of the invoice plus all costs) from the importer on all foreign transactions. The IVA typically is recovered at the point of sale.
- Payment terms and financing costs also make a difference in the pricing structure.

### Essential Factors for Success

- High quality products at competitive prices
- Unique products and services
- Financing, delivery, brand name recognition, before and after sales support and customer service
- Strong personal relationships in all Chilean business transactions

### Import Requirements

The basic Chilean import document is the "Declaración de Importación". This document must be accompanied by a commercial invoice (in Spanish), a bill of lading and documents demonstrating compliance with Chilean product safety and performance regulations, if applicable.

Products qualifying as North American must use an Origin Certificate in order to receive preferential treatment. A number of products entering Chile must comply with Official Chilean Standards. It is important to make sure imported items comply with these standards and to obtain the appropriate product certification from authorities before entering the country.

All products intended for retail sale in Chile must bear a label in Spanish prior to their importation to Chile.



## Government Procurement

A representative or office in Chile is not a prerequisite to obtaining government contracts. However, it often simplifies preparing bids, providing after-sales services and tracking parts supplies. U.S. firms are encouraged to carefully analyze tender specifications with a Chilean representative, as a bid will be disqualified if it does not comply with the tender in all details. To learn more about tenders and bids, please visit <http://www.chilecompra.cl>.

## BUSINESS AND CULTURAL PRACTICES IN CHILE

### Punctuality, Appointments, and Local Time

- Be punctual at meetings. Punctuality is appreciated and expected from North Americans. Do not be offended, however, if your counterpart is up to thirty minutes late.
- On the other hand, everyone (even foreigners) is expected to arrive at social functions late. Be at least fifteen minutes late to a dinner and thirty minutes late to a party.
- Remember that many Europeans and South Americans write the day first, then the month, then the year (e.g., December 3, 2010, is written 3.12.10 or 3/12/10). This is the case in Chile.
- The best times to make appointments are from 10:00 a.m. to 12:00 p.m. and 2:30 p.m. to 5:00 p.m. Following up a late-morning appointment with a business lunch is also popular.
- Make appointments at least one week in advance of your arrival and reconfirm them when you get there.
- A popular time for vacations is January and February (summer holidays). This is not the time to try to do business in Chile.
- Chile is four hours behind Greenwich Mean Time (G.M.T. -4). This makes it one hour ahead of U.S. Eastern Standard Time (E.S.T. +1). Chile goes on daylight saving time from mid-October through mid-March.

### Negotiating

- Personal relationships are paramount in business relations in Chile. The initial visit should be by an upper-level executive, accompanied by mid-level executives. These mid-level executives should be the ones to make subsequent visits to conduct more detailed business negotiations. At a first meeting, spend most of the time establishing a rapport, then gradually steer the conversation toward introducing your firm.
- Attitudes toward trading with North America are positive, despite how Chile's admittance to the North American Free Trade Area has been delayed for years.
- Conservative values in politics, economics, and social attitudes prevail. Honesty and integrity are highly valued. A sense of humor is appreciated, but generally serious, businesslike behavior is expected.
- There is a strong sense of personal honor on the part of Chilean businesspeople. A single accusation of wrongdoing can follow a Chilean for his or her entire life. Consequently, avoid criticizing a person in public or doing anything that would cause him or her embarrassment.
- Chileans are straightforward and take negotiating quite seriously. A hard-sell approach, however, will not work. Have your bottom line and other terms clearly drawn out. Also outline a strong financial package with options such as nontraditional financing terms.



- Show commitment to the business relationship through a willingness to provide continued service to your client, despite the long distance involved. Remember that Chileans strive to overcome the isolation imposed on them by geography.
- Chileans generally converse in closer proximity than North Americans and northern Europeans. Do not pull away from a person who is speaking quite close to you, even if you are uncomfortable. This may be interpreted as a personal affront.
- Have business cards printed with English on one side and Spanish on the other. Present cards to everyone in a meeting except secretaries.
- Being able to correspond in Spanish will make a considerable difference in your business relationship.
- Third parties are very important for making contacts in Chile. Banks and consulting firms can make introductions.
- Chileans avoid behavior that may appear aggressive. Kindness and respect for others are valued.
- Learn a little about Chile's history culture, economy, exports and so forth, and be prepared to discuss them. Appreciation of Chile's history will impress and please your contacts.

**For more information on doing business in Chile or how to export to Chile, contact your Trade Specialist in Atlanta or the State of Georgia Chile office:**

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