EMBASSY OF INDIA
SANTIAGO

CHILE
BUILDING MATERIAL
MARKET SURVEY

Commissioned from Ms. Carmen Fuentealba

on behalf of the

सत्यमेव जयते

Economic Diplomacy Division

Ministry of External Affairs

I N D E X

This market survey aims to provide relevant information on the building material market in Chile so that Indian exporters may get a deep understanding of it and may also develop and execute a successful market entry into Chile.

The survey includes quantitative information such as market size, import and export statistics, sales by distribution channel and type of product, among other data. It also contains qualitative information about companies, products, consumer profile, entry requirements, etc.

1. Market Overview

Construction is a significant economic activity in the Chilean economy. It is transversal to many other sectors, such as mining, energy and industry, and an important source for labour. It is also exceptionally sensitive to the performance of the economy as a whole, reflecting its positive and negative changes faster than many other sectors.

1.1 Construction sector

1.1.1 Market size

In 2016, the building market size – measured as its contribution to Chilean GDP – accounted for 11.010 billion of Chilean pesos (at current prices), equivalent approximately to US$ 16.7 billion[1]. It represented almost 6.4% of total Chilean GDP.

In real terms, in 2016 the construction sector showed a 2.5% increase compared to previous year. It was preceded by an annual growth rate of 3.9% in 2015 and -1.9% in 2014.

Construction sector contribution to GDP[2]

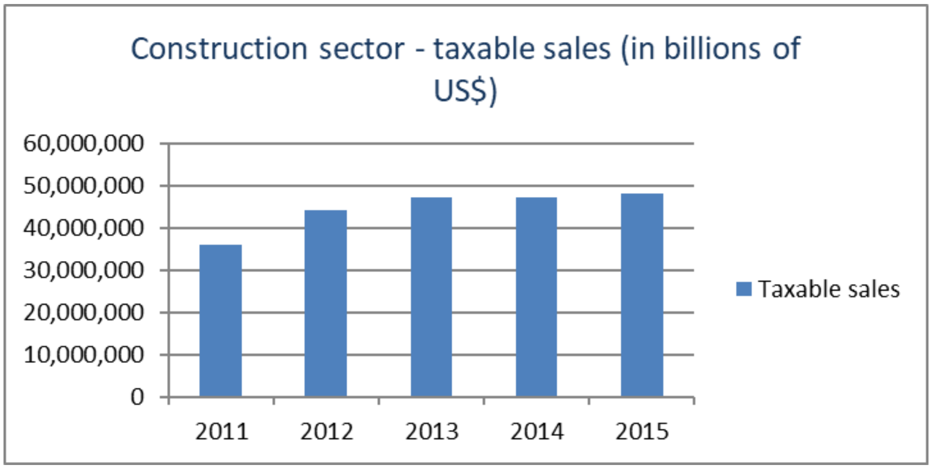
In billion CHP	2013	2014	2015	2016
Construction sector	8.995	8.828	9.174	9.402
Total GDP	137.876	140.509	143.674	145.957

[1] The exchange rate used in this case and in the rest of the survey is 1 US$/ 660 CHP.
[2] At constant prices. Base 2013

% of GDP	7.1	6.9	7.2	7.2

Source: Chilean Central Bank

According to the Internal Revenue Agency (Servicio de Impuestos Internos SII), in 2015 total taxable sales of Chilean building companies reached 1.194.172 U.F.[3] (equivalent to approximately US$ 48.3 billion), representing almost 5.6% of total country sales. Building company sales showed a 1.9 % increase versus 2014. See chart below.



Source: Servicio de Impuestos Internos (SII)

The construction sector plays an important role in Chilean investment, concentrating around 63% of total, according to the Chilean Chamber of Construction (Cámara Chilena de la Construcción, CCHC). This investment is divided in 69% of Infrastructure and 31% of commercial and residential building.

Moreover, the sector is a relevant source of employment. Even if the sector has introduced advance technology to their processes, it continues to be highly labour intensive. In Chile, building is the second largest job generator after Commerce, with more than 1.420.000 employees per year and representing around 16% of total labour force.

[3] The Unidad de Fomento (UF) is a unit of account commonly used in Chile, fixed on a daily basis and adjusted for inflation.

1.1.2 Building companies

According to the Internal Revenue Agency (SII), the construction sector gathers around 71.000 active companies. From them, 65% correspond to micro-enterprises and 33% to small and medium enterprises.

Even if large companies represent only 2% of total, they concentrate around 72% of taxable sales. See chart below.

Construction sector companies[4]

Size of enterprise	# of enterprises	Sales (in billions of US$)
Micro	46.245	1.3
Small and medium	23.515	12.1
Large	1.399	34.9
Total	**71.159**	**48.3**

Source: Servicio de Impuestos Internos (SII)

It is important to mention that it is quite common that large building companies outsource services from small building companies to carry our specific or specialized works. In this context, it should be noted that the above figures also consider companies dedicated to construction-related activities, such as engineering consultancy, demolition and earthmoving. According to the Chilean Chamber of Construction, the number of companies directly dedicated to building is around 30.000.

Main Chilean building companies are Sigdo Koppers, Besalco, Brotec and SalfaCorp. Behind this group are Echeverría Izquierdo, Claro Vicuña Valenzuela, Conpax, Desco and Fe Grande, among others.

1.1.3 Public infrastructure investment

Chile is in need of increasing and improving its current infrastructure. The country should invest 3.5% of its GDP (versus current 2.5%), in order to achieve a similar level of infrastructure to developed countries.

[4] Classified according to SII company-size criteria

According to Timetric's Infrastructure Intelligence Center (IIC), infrastructure construction output in Chile will reach US$17.7 billion in 2020, up from US$13.4 billion in 2015.

There is a number of large-scale projects in the infrastructure construction pipeline in Chile, and the rapid growth in output over the next five years is based on the assumption that these will progress as planned, namely the Costanera Central Highway, Santiago Metro Line 7, Maria Elena Thermo Solar Park, Aqueduct de Atacama, Punilla Water Reservoir, the Arturo Merino Benitez International Airport Expansion, and the Puerto de Gran Escala (PGE) San Antonio Development.

Even more, the rising population has elevated the demand for houses. The government housing programs aim to bridge the gap between supply and demand for housing units. In 2016, the government announced that it planned to build 25.000 new houses under the Nuevo Programa de Integración Social y Territorial, (New Social Integration and Territorial Program by 2020). Furthermore, there is a high demand for small house units – especially apartments – for the fast-growing segment of young population willing to live independently and for investors.

The government's commitment to provide quality education is expected to support the institutional construction market. Accordingly, in the 2016 budget, the government allocated CLP117.4 billion (US$173.5 million) for the construction of primary schools. Additionally, the government plans to invest CLP45.6 billion (US$67.4 million) to build 832,658 pre-kindergartens across the country by 2020.

Besides, in 2014 the current administration announced plans to build or renovate 61 hospitals for US$ 4 billion over the next four years. By 2018, 20 of them were scheduled to begin operating, another 20 would be under construction and the rest would be in process of being tendered. Even if this goal will almost for sure not be achieved during this administration - given the current status of projects- new hospital plans will remain in the pipeline to be constructed in a near future.

1.1.4 Current scenario and prospects

During the period 2011-2014, the building industry showed a steady growth, mainly explained by economic recovery, government investments in infrastructure and residential construction, increased issuance of building permits and greater total surface area for construction. In addition, this growth was supported by reconstruction projects after the catastrophic earthquake and tsunami in 2010.

In the context of the slowdown of Chile's economy, from 2015 on, the construction industry sector has come to a standstill, even registering negative growth. The Chilean Chamber of Construction (CCHC) reported a negative growth of -0.2% in 2016, in sharp contrast with 11% growth during 2011 and 2012. This downward trend is a consequence of the fall in infrastructure investment (-1.8% in 2016), which was not compensated by the 3.4% increase in 2016 of residential construction. It is worth mentioning that this latest boomed in 2015 and 2016, as builders raced to beat the imposition of higher taxes (VAT) on new homes before it came into effect. Housing construction investment has remained resilient because of this one-time factor that has encouraged house sales.

This downward trend is also reflected in the number of approved construction permits. According to the National Institute of Statistics (INE), in 2016, they decreased in -26% compared to previous year. It is important to note that fact that a project is approved does not necessary mean it will be constructed. In some cases, building projects remain in stand-by, waiting for financing or for more favourable conditions. Even thought, the number of approved construction permits is an indicative of the dynamism of the industry, in terms of its interest in investing in building projects.

For 2017, the Chilean Chamber of Construction (CCHC) foresees the sector will remain flat, with a -0.1% growth rate. The investment in public infrastructure is expected to grow in 1.3%, but private infrastructure would decrease for the third consecutive year. In the case of residential building, it is expected a decrease in the public resources allocated to social housing.

It is worth mentioning that the first 4 months of 2017 have shown a downward trend, as reflected in the INACOM index. This index –elaborated by the CCHC to measure the activity level of the construction sector – has consistently shown negative annual variations, with -5.9%, -4.7%, -5.4% and -4.9% in the months January to April.

1.2 Building material market

Building material market is composed by products locally produced and imported.

Unlike other economic sectors, there are several Chilean companies that locally manufacture building materials, produced in most cases from locally available raw materials, such as wood or minerals. In some cases, local production is not enough in terms of volume to meet the demand. Or local producers do not manufacture in the whole range of qualities, formats or technical specifications the market requires. There are also several products that are not produced locally, specially finishing products. In these situations, these products are imported from other countries by same manufacturers or other companies, such as representatives or distribution chains.

1.2.1 Building material consumption

The following chart shows the consumption of cement and steel in Chile. These are the main materials used in construction and its consumption is usually taken as an indicative of the activity in the sector.

Building material consumption (in tonnes)

	2015*	2016*	% variation	Trend**
Cement				
Local production	3.175.327	3.183.433	03%	-1.4%
Imports	471.007	469.448	- 0.3%	-1.5%
Total	3.646.334	3.652.881	0.2%	0.9%
Steel bars for concrete				
Local production	373.724	386.017	3.3%	-14.3%
Imports	116.423	141.692	21.9%	13.9%
Total	490.147	527.709	8%	-2.9%

*: January to September
**: based in an accumulated statistical series, between 1990 and 2016 and using Hodrick Prescott filter.
Source: Chilean Chamber of Construction

According to the above figures, annual consumption of cement in Chile could be estimated around 4.200 M tonnes per year. From them, almost 13% are imported. On the other side, the annual consumption of steel bars for concrete would be around 506 M tonnes, being almost a third imported.

1.2.2 Local production

Some of the main building materials produced in Chile are the following:

Steel	•2 main local producers: CAP and GERDAU, with 550M and 1MM tones per year, covering around one third of internal demand.
Cement	•Market size: 6 million tones • Sales: 40% to retail, 40% to concrete producers and 20% to building comanies •Main producers: Bio Bio, BSA, Melon and Polpaico.
Wood products	• Production: sawn wood: 8.372 M m3 panels and sheets: 3.310 M m3. •Main manufacturers; Arauco and Masisa
Fiber cement products	•2 main local producers: Pizarreño and Volcán
Paintings and coatings	•Market size: US$ 500 million. • 90% local production •Main producers: Codelpa, Tricolor, Sherwin Williams.
Sanitary fittings	• One producer: Fanaloza •Represents around 65% of the market

Source: Komykron

It is worth mentioning that – apart of some exceptions – main materials produced in Chile correspond to those used in structural work, such as steel bars, bricks, glass, wood, concrete, etc. A high percentage of finishing products – such as flooring, coatings, insulation, electric and lighting products - are imported.

In the case of construction equipment, Chile manufactures very limited and basic ones, mostly mining related. The vast majority of equipment is imported.

2. Imports and exports

The list of materials used in the construction sector could be almost infinite.

For the purpose of this survey, we have identified some materials widely used in this sector and which are currently imported by Chile to partially or totally fulfil the internal demand. These products were also selected given that India has a relevant manufacturing industry in the case of each of them.

Therefore, import and export statistics contained in this section correspond to these products, which are classified under the following Harmonized System (HS) codes:

Chapter/code	Description
7213.1000 7214.2000	Steel bars for concrete
25.23	Cement
76.04	Aluminium bars and profiles
69.01 69.05 69.07 69.08	Ceramic products (tiles and bricks)
44.11	Wood flooring
25.15 25.16	Marble and granite

2.1 Imports

2.1.1 Imports by type of product

In 2016, almost all the analysed building materials showed a decrease in imports, in terms of volume and value, consistently with the slowdown of the construction sector. See chart below.

Total Imports by type of product (CIF Value US$)

HS Code	2012	2013	2014	2015	2016
Steel bars for concrete					
7213.1000 7214.2000	76.474.916	81.773.020	98.885.860	96.538.325	75.537.323
Cement					
25.23	135.558.485	141.594.745	110.951.562	129.509.941	111.462.184
Aluminium bars/profiles					
76.04	54.467.228	57.820.333	65.822.026	65.925.630	54.516.276
Ceramic products					
69.01 69.05 69.07 69.08	197.319.761	198.046.380	180.869.638	206.780.855	196.585.252
Wood Flooring					
44.11	40.353.170	42.216.259	52.097.383	48.751.260	41.414.964
Marble and Granite					
25.15 and 25.16	675.858	1.265.661	522.115	520.900	549.826

Source: Chilean Customs Statistics

The most dramatic import value drops were in steel bars (one of the main material used in the construction sector) and aluminium bars and profiles, with around -22% and -17% respectively, compared to 2015. In the case of steel bars, the fall was due to a lower imported volume, but also to an important decrease in the average CIF price of products coming from China, Turkey and Mexico, reflecting the drop in the world steel price observed from 2015 on.

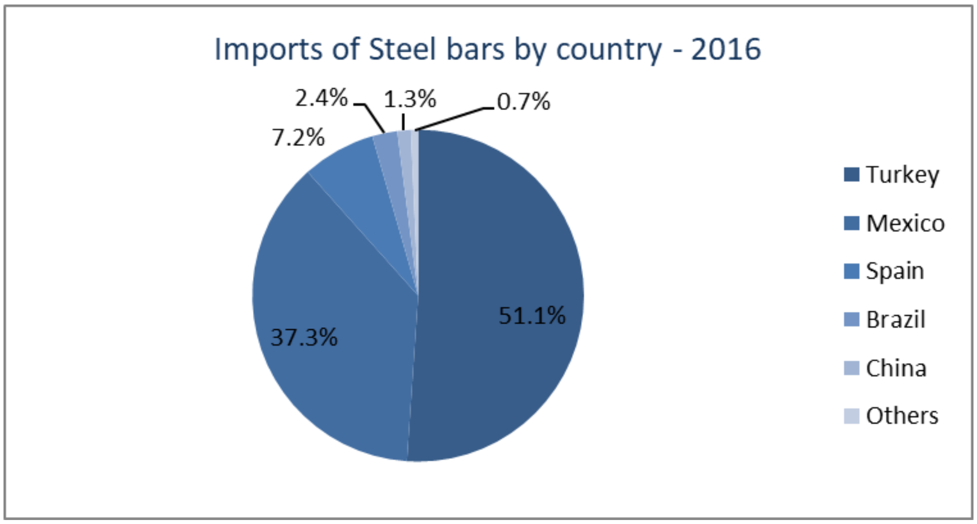
A similar situation occurred with wood flooring, which showed a – 15% decrease in import value in 2016, compared to previous year. This downturn was also due to a lower imported value, together with a decrease in the average CIF price of products coming from China (the second main country of origin).

2.1.2 Imports by country

This section shows imports of building materials classified by country of origin.

2.1.2.1 Steel bars

The following chart shows the main countries of origin of the imports of steel bars for concrete (HS codes 7213.1000 and 7214.2000) in 2016.



Source: Chilean Customs Statistics

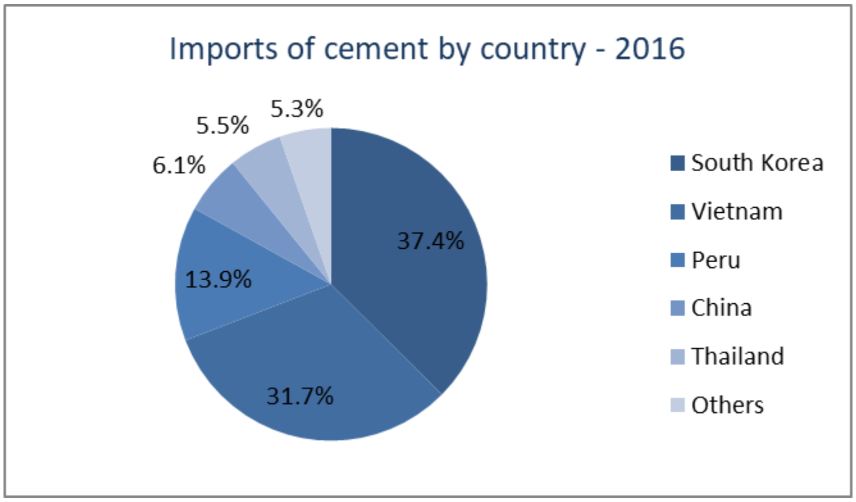
Main countries of origin are China, Turkey and Mexico, with 39.7%, 29.7% and 21.6% of total, respectively.

It is important to note that, from 2015, Chile imposed a safeguard measure against the import of Mexican steel bars. Local producers (Siderurgica Huachipato CAP and Gerdau Aza) requested this measure adducing dumping. Currently, products imported from Mexico under the HS codes 7212.1000, 7214.2000, 7227.9000 and 7228.3000 must pay a tariff surcharge of 9.8%. In the case of Chinese steel, Chile also imposed a safeguard measure for some steel products, but it does not affect steel bars for concrete.

In the last 5 years, there have been very little steel bar for concrete imports from India in 2012, 2013 and 2014, with US$ 53.3M, US$ 35.9M and US$ 43.9M, respectively. Even if India is among the three world´s largest steel producers- total imports of steel and iron products (gathered in HS chapter 72) into Chile are not significant, reaching around US$ 4.5 million in 2016 and representing almost 0.7% of total imports coming from India.

2.1.2.2 Cement

The following chart shows the main countries of origin of the imports of cement (HS chapter 25.23) in 2016.



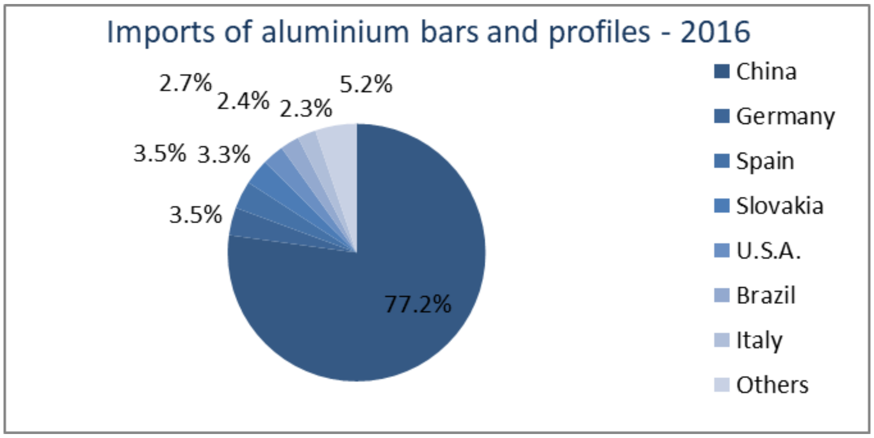
Source: Chilean Customs Statistics

Main countries of origin are South Korea and Vietnam – representing in total almost 69% of total imports.

Even if India is the world's second largest producer of cement, there have not been imports of this product from India in the last 5 years.

2.1.2.3 Aluminium bars and profiles

The following chart shows the main countries of origin of the imports of aluminium bars and profiles (HS chapter 76.04) in 2016.



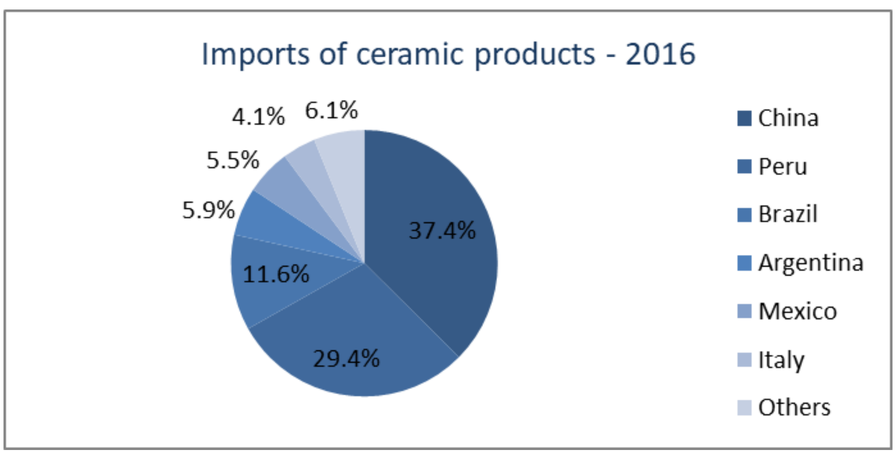
Source: Chilean Customs Statistics

Main country of origin is – by far – China representing almost 77% of total imports of aluminium bars and profiles.

There have not been imports of this product from India in the last 5 years. It is noteworthy that even if India is among the five world´s largest aluminium producers, total imports of aluminium products (gathered in HS chapter 76) are not relevant, reaching around US$ 13.6 million in 2016 and representing about 2% of total imports coming from India.

2.1.2.4 Ceramic products

The following chart shows the main countries of origin of the imports of ceramic products (HS chapters 69.01, 69.05, 69.07 and 69.08) in 2016.



Source: Chilean Customs Statistics

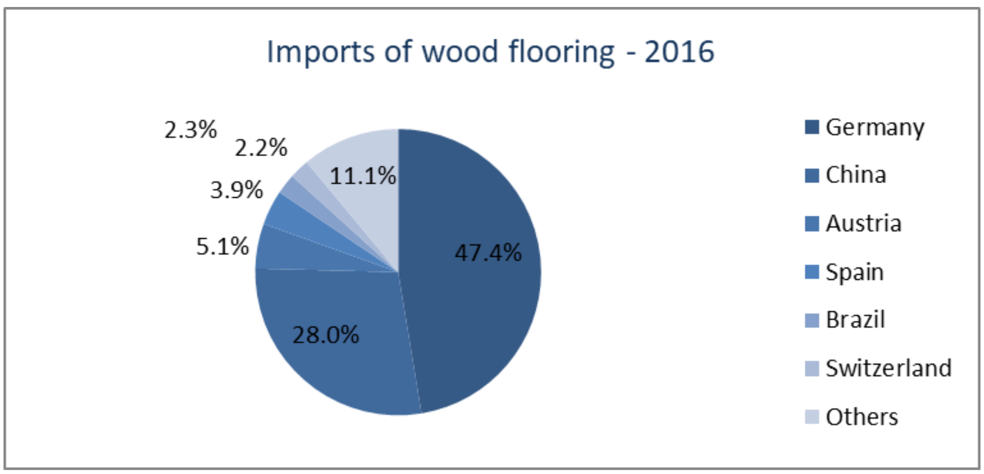
Main country of origin of ceramic product imports is China, with 37.4% of total, followed by Peru, with 29.4%.

It is important to mention that – apart from China – a considerable volume of ceramic product imports come from Latin American companies. This industry is headed by an important Mexican group (Lamosa), with production plants in México, Peru, Argentina and Colombia.

There have not been relevant imports of ceramic product from India in the last 5 years.

2.1.2.5 Wood flooring

The following chart shows the main countries of origin of the imports of wood flooring (HS chapter 44.11) in 2016.

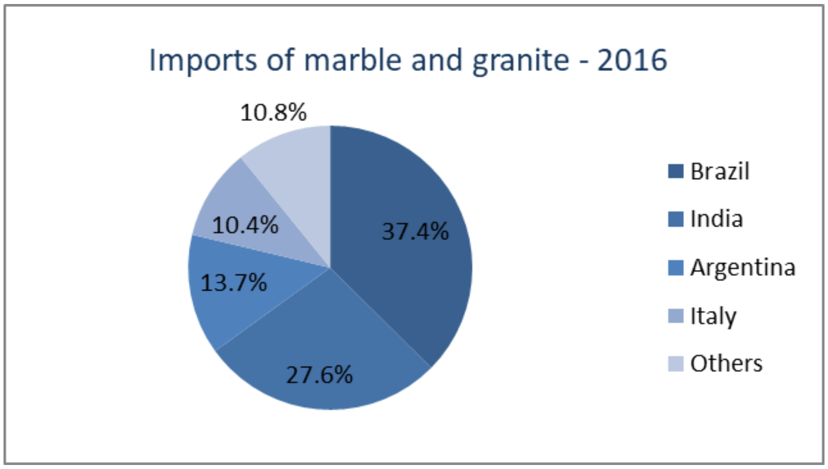


Source: Chilean Customs Statistics

Main countries of origin are Germany and China – representing together almost 75% of imports. There are not relevant imports of this product from India in the last 5 years.

2.1.2.6 Marble and Granite

The following chart shows the main countries of origin of the imports of marble and granite (HS chapters 25.15 and 25.16) in 2016.



Source: Chilean Customs Statistics

Main countries of origin are Brazil and India – representing together almost 37% and 28% of imports, respectively. It should be noted that – in the last 4 years – India has ranked among the three main countries of origin of marble and granite imports.

2.1.3 Imports by company

The following section shows the companies that imported building material.

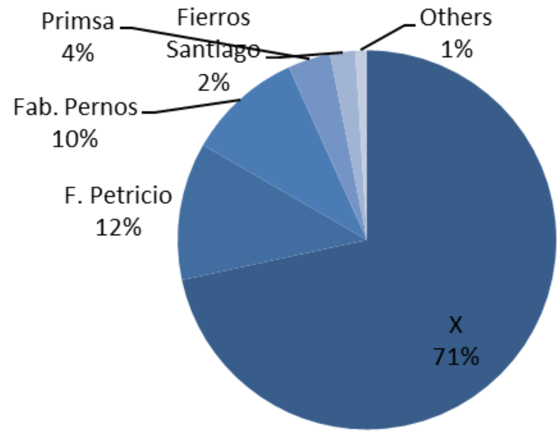
It should be noted that – in accordance with the Chilean Personal Data Protection Act– companies can explicitly request that their import and export operations do not appear under their name in the publicly available statistics prepared by Customs. In these cases, the company name is replaced by a "X".

2.1.3.1 Steel bars

In 2015, 13 companies imported steel bars for concrete, while 5 of them represented almost 99% of total imports. See chart below.

Steel bars imports – by company 2015 (in US$ CIF)

Company	CIF US$
X	69.127.882
FRANCISCO PETRICIO. S.A.	11.334.262
FABRICA PERNOS Y TORNILLOS	9.536.625
PRIMSA ACEROS S.A.	3.517.928
FIERROS SANTIAGO S.A.	2.075.684
OTHERS	945.944
Total	**96.538.325**



Source: Chilean Customs Statistics

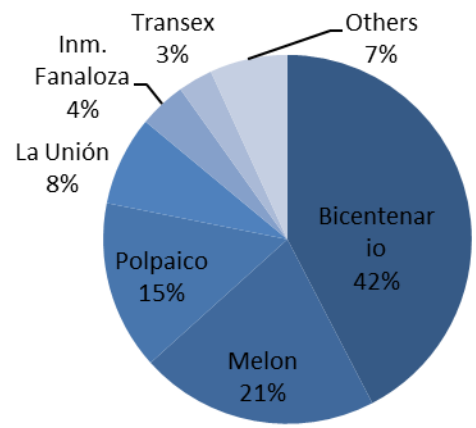
It is noteworthy that the main steel bar importer - identified by "X" due to the Chilean Personal Data Protection Act – is probably Ebema S.A. This company has also a steal folder and welding plant which produces concrete reinforcement structures for the building industry.

2.1.3.2 Cement

In 2016, 77 companies imported cement. From them, 3 companies (Hormigones Bicentenario, Melón S.A. and Cementos Polpaico S.A.) represented almost 78% of total imports. These 3 companies produce locally, but import some products in order to fulfil volume required by their clients and to provide them with the types of cement they do not produce. See chart below.

Cement imports – by company 2016 (in US$ CIF)

Company	CIF US$
HORMIGONES BICENTENARIO	47.238.459
MELON S.A.	23.356.202
CEMENTO POLPAICO S A	16.515.653
CEMENTOS LA UNION S.A.	8.762.292
INMOBILIARIA FANALOZA	4.590.316
CEMENTOS TRANSEX	3.393.771
OTHERS	7.605.492
Total	**96.538.325**



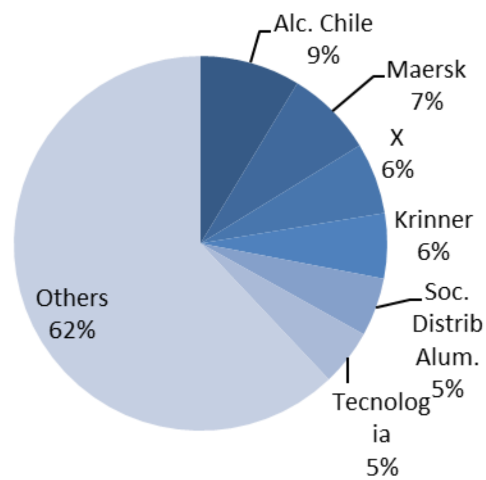
Source: Chilean Customs Statistics

2.1.3.3 Aluminium bars and profiles

In 2016, imports were quite atomized in 387 companies. See chart below.

Aluminium bar and profile imports – by company 2016 (in US$ CIF)

Company	CIF US$
ALCHILE SPA	4.731.331
MAERSK	4.124.284
X	3.358.887
KRINNER CHILE SPA	3.064.738
SOC DISTR. DE ALUMINIO	2.749.517
TECNOL. DE LA MADERA	2.652.486
OTHERS	33.835.033
Total	**54.516.276**



Source: Chilean Customs Statistics

Main importers were ALChile and Maersk, with 9 and 7% of total, respectively.

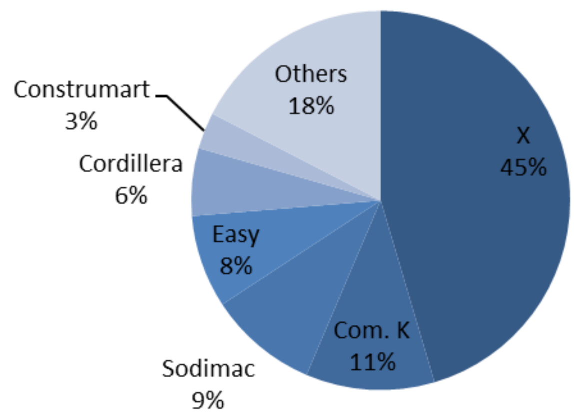
It is worth mentioning that currently all aluminium profiles used in Chile are imported, given that Indalum, the only local producer, ceased its extrusion plant operations in 2014.

2.1.3.4 Ceramic products

In 2016, a total of 226 companies imported ceramic products, while 6 of them represented almost 83% of total imports. See chart below.

Ceramic product imports – by company 2016 (in US$ CIF)

Company	CIF US$
X	89.278.075
COMERCIAL K LTDA	21.623.269
SODIMAC S.A.	18.369.102
EASY RETAIL S.A.	15.588.770
CORDILLERA COMERCIAL	11.337.977
CONSTRUMART S.A.	6.129.511
OTHERS	34.258.548
Total	**196.585.252**



Source: Chilean Customs Statistics

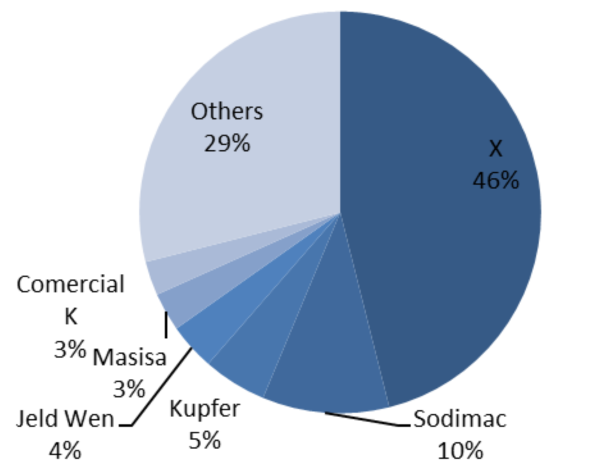
It is worth mentioning that the main ceramic importer - identified by X due to the Chilean Personal Data Protection Act – is probably Budnik, the market leader company in this category. This company has a production plant of tiles and precast concrete products, while it imports several other products such as tiles, porcelain, sanitary equipment, wood flooring, taps, etc..

2.1.3.5 Wood flooring

In 2016, a total of 101 companies imported wood flooring, while 6 of them represented almost 71% of total imports. See chart below.

Wood flooring imports – by company 2016 (in US$ CIF)

Company	CIF US$
X	19.083.093
SODIMAC S.A.	4.227.142
KUPFER Y KUPFER S A	2.125.330
JELD WEN CHILE S.A.	1.562.019
MASISA S.A.	1.284.838
COMERCIAL K LTDA	1.135.668
OTHERS	11.996.875
Total	**41.414.966**



Source: Chilean Customs Statistics

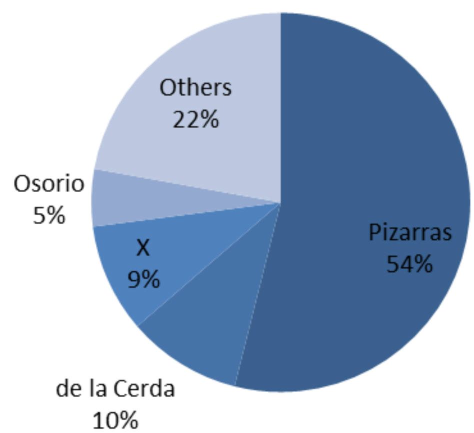
As same as in the case of ceramic products, it is quite probable that the main wood flooring importer - identified by "X" under the Chilean Personal Data Protection Act – is Budnik.

2.1.3.6 Marble and granite

In 2016, 27 companies imported marble and granite, while 1 of them (Pizarras Ibéricas) represented almost 54% of total imports. See chart below.

Marble and granite imports – by company 2016 (in US$ CIF)

Company	CIF US$
PIZARRAS IBERICAS SA	296.469
DE LA CERDA FRANZ FELIPE	53.628
X	51.008
JOSE FRANCISCO OSORIO	26.883
OTHERS	121.838
Total	**549.826**



Source: Chilean Customs Statistics

It should be noted that among main importers are 2 natural persons. Both are owners of small companies dedicated to building product and gravestones distribution, respectively.

In terms of local production, there are some medium to small companies dedicated to the exploitation of granite and marble quarries, being the company Duromarmol the main one.

2.2 Exports

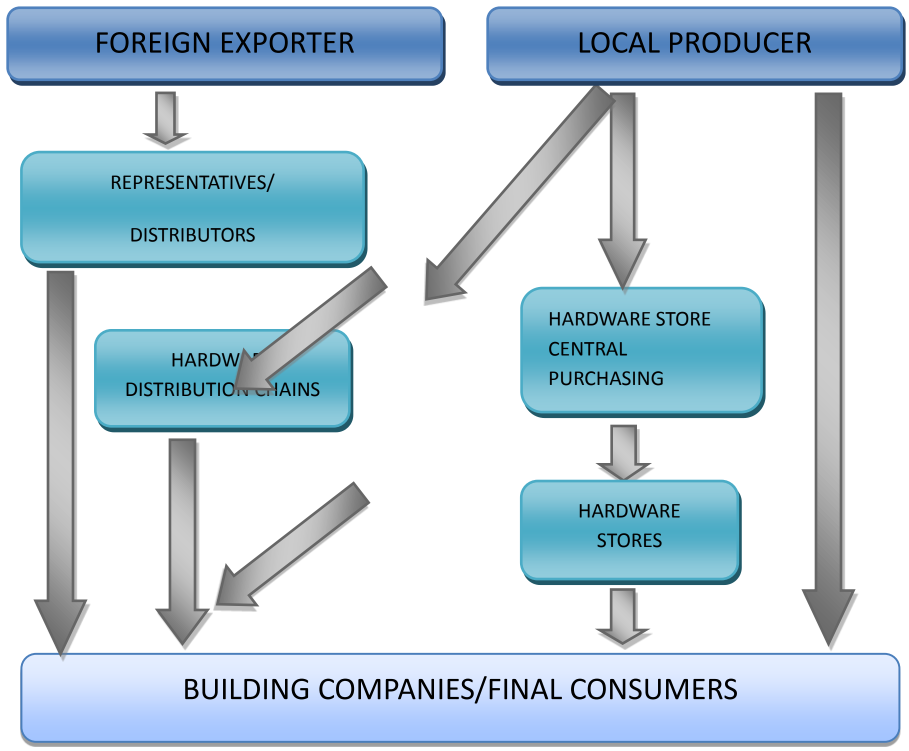
During the last 5 years, Chilean exports of building materials have not been significant. Main ones corresponded to steal bars and cement to other countries of the region, conducted by local producers or distributors.

In 2016, steal bar exports accounted for US$ 401M (FOB), from which 84% where to Paraguay.

In the case of cement, exports reached about US$ 731M in 2016. 95% of them corresponded to exports conducted by the local producer Cemento Melón, to Argentina and Paraguay.

3. Distribution channels

The following chart shows main distribution channels for building materials in Chile.



Building companies use to conduct private tendering processes to buy the building materials they need for their products. In some cases, building companies negotiate prices with distributors, but products are delivered directly by producers or representatives, under a previously agreed schedule defining volumes and times. In other cases and especially for large projects, price negotiations are conducted directly with local producers or representatives.

In the case of minor materials, building companies use to have open credit accounts with some distributors, which give them the possibility to ask the delivery of the materials they need and to pay them later, according to previously agreed payment schedule.

Final consumers, as same as small building contractors usually buy building materials at hardware distribution chains and small hardware stores.

According to sector representatives, the Chilean hardware market accounts for US$ 10.000 million.

3.1 Representatives and distributors

This group is composed by local companies importing and distributing building materials, conducting the whole product supply process. Representatives/distributors buy the products to the foreign manufacturers they represent and are responsible of importing them and conducting custom clearance formalities. They are also in charge of the storage, internal transportation, sales and promotion and customer service. Accordingly, they assume almost all the risk of product operation in Chile.

In some cases, some activities (such as storage or distribution) are not directly conducted by them, but subcontracted to third parties.

Some representatives or distributors even offer – directly or through third companies - the installation of the products they supply to building companies and final users.

In most cases, representation contracts demand exclusivity, that is to say, local companies cannot represent other competitive brands of the same category.

3.2 Hardware distribution chains

In Chile, there are three main hardware and home improvement distribution chains, selling to building companies, contractors, small hardware stores and final users. These chains are the following:

SODIMAC: Sodimac is the leader with about 36% of the market. The company has subsidiaries in Peru, Colombia, Argentina, Uruguay, Brazil and Mexico. Sodimac has 246 points of sale, 85 of which are in Chile, totalizing a surface of 1.700.000 m2. The company accounts annual sales for almost US$ 5.600 million and 40.000 employees. In Chile, Sodimac operates under three formats; home improvement stores for final clients (Homecenter and Homy), wholesale stores (Sodimac Constructor) for contractors and small building companies and institutional sales to medium and large building companies.

EASY: The Company is part of the Cencosud holding and has subsidiaries in Chile, Argentina and Colombia. In total, Easy has 85 points of sale, 35 of which are in Chile. The company accounts sales for about US$ 792 million and has around 6.500 employees. It operates business units oriented to different markets; final users, contractors and building companies. In total, they manage around 35.000 different products.

CONSTRUMART: The company belongs to the SMU holding. It has 36 points of sales all over the country. Construmart is focussed in the sale and distribution of building materials to contractors and building companies, as same as to small hardware stores. In 2016, its total annual sales accounted for around US$ 370 million.

3.3 Hardware store purchasing centre

In the 1990s, some small hardware stores decided to associate to create common purchasing central, in order to better negotiate with suppliers and, therefore compete under a better position with big hardware chains.

Currently, there are 2 purchasing centrals:

MTS: The company gathers 45 individually-owned hardware stores, totalizing 120 points of sale with a retail surface of 44o.000 m2. MTS has about 10% of the market. The company buy lo local suppliers, as same as imports directly building material and home improvement products.

CHILEMAT: The acts as a central purchasing body for 46 individually-owned hardware stores, totalizing 130 points of sale. It represents almost 7% of the market.

The ANNEX 1 show some of the main importers of building materials considered in this survey, with their contact data.

4. Import and commercialization formalities

All building materials imported and commercialized in Chile should meet some formalities. Some of them are the usual to any import, but there are some specific to some building materials, necessary to its entry and further commercialization. Although most of these formalities are conducted by the importer, it is advisable that the exporter be aware of the documentation and product requirements necessary to fulfil the Chilean regulation.

4.1 Product certification

Some building materials should be certified before their commercialization and its usage in building projects. Materials should meet with the technical standards defined for each product.

Technical standards are developed and approved by the National Institute for Standardization (INN) and are compulsory in the case of the materials mentioned in the Supreme Decrees 10 and 47 of the Ministry of Housing. This is the case, for instance of steel bars for concrete, cement, paintings, structural wood, etc.[5]

The certification is granted by local agencies previously accredited by the INN. In most cases, materials will require to be tested in laboratories belonging to the accredited agencies or to third parties.

It should be noted that approvals granted by international agencies are favorable background for the certification process but they do not eliminate or bypass it.

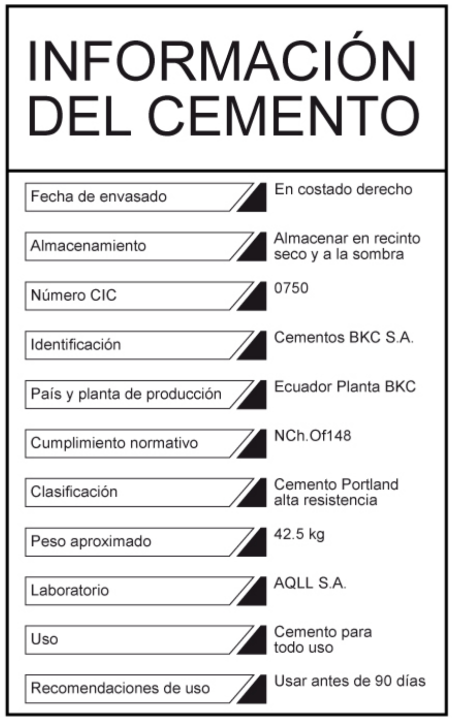
4.2 Product Labelling

The Ministry of Housing currently is leading a programme to require the labelling of some building materials. The objective is to provide users with objective information about the

[5] To see the list of technical standards applicable to building materials, as well as to building processes, click on this link:
www.normativaconstruccion.cl/index.php?option=com_content&view=article&id=4&Itemid=262

material available in the market, allowing them to compare among products apparently similar.

At present, this requirement is only applicable to cement. From mid-2016 on, cement products should be labelled. Among other information, the label should include the producer and/or importer name, type of cement, technical standard compliance, etc. See example below:



Currently, authorities are evaluating to impose a labelling requirement to steel bars for concrete and sawn wood.

4.3 Import procedures

In the case of any import, Chilean Customs requires that each customs entry be supported by the following documents:

- Commercial Invoice
- Certificate of Origin
- International Transport Document (Bill of Lading or Air Way Bill)
- Packing List, when necessary

- Value declaration
- Other Documents (i.e. safety certificates)

All imports of a total value exceeding USD 1,000 (FOB) require the participation of a Customs Broker. Minor imports (less than USD 1,000 FOB) can be cleared directly by importers, following a simplified procedure.

Prior import licenses are not requested by authorities. This is valid for any type of goods.

4.4 Duty fees and taxes

The tax treatment applicable to imports into Chile includes the payment of customs duties, Value Added Tax (VAT) and other taxes (if applicable), all calculated on CIF value and determined under GATT valuation standards. Tea imports ate subject only to duty taxes and VAT:

The ad-valorem customs duty rate is 6%. However, goods originating in any of the countries or regions having signed a Commercial Agreement with Chile and evidencing such condition by means of a Certificate of Origin can be benefited with a reduction or exemption of import duties.

Chile has signed 25 Commercial Agreements with 66 countries, which have granted tariff preferences which each country applies to imports.[6]

India and Chile have signed a Partial Scope Trade Agreement (PSA) giving a tariff preference to several products imported from India. Even more, new products have been recently added to the preference regime. However, none of the products identified in section 2 are granted of this benefit.

On the other hand, the general VAT rate in Chile is 19%.

4.5 Trademark protection

[6] Find the list of countries and the complete texts of Commercial Agreements signed by Chile, by clicking on this link: www.direcon.gob.cl/acuerdos-comerciales/

Even if it is not mandatory, it is strongly recommended that foreign companies register their trademarks if they aim to use them in Chile. They will permit to uniquely identify a company and its products to its customers and to distinguish them from those of its competitors

It is also advisable that, before using a trademark or logo, companies should check if such signs are already registered in identical terms or in similar terms (from a visual or phonetic point of view).

Trademark protection lasts 10 years and its registration can be renewed indefinitely (for periods of 10 years at a time). According to Chilean law, trademarks cannot be revoked for non-use reasons. The owner of a trademark could authorize a third party to use it under a license contract.

The National Institute of Industrial Property INAPI (www.inapi.cl) is the Chilean agency for registering trademarks, copyrights and appellations of origin. The registration procedure can be done in person or via internet, for a fee. According to Chilean law, it is not necessary to hire a lawyer or trademark agent to file a trademark application. Nevertheless, it is highly recommended in the case of companies having foreign residence, which should appoint a local representative.

5. Market opportunities and conclusions

5.1 SWOT analysis

The following SWOT Analysis is intended to be a useful technique for understanding the Strengths and Weaknesses of India building material producers, and for identifying both the Opportunities open to them and the Threats they face in the Chilean market.

SWOT ANALYSIS

Strengths	**Opportunities**
• Good quality of Indian products • Wide variety of Indian building materials, especially of steel, cement, aluminium, etc. • Existence of experienced Indian producers and exporters. • General good image of Indian products.	• Opportunities for main construction materials, such as steel, cement, aluminium, etc. • Opportunities for innovative and aesthetically superior materials • Opportunities for safety-proven, non-toxic, energy-efficient, low-waste materials.
Weaknesses	**Threats**
• Low experience of India building material exporters in the Chilean market.	• Current slowdown of Chilean economy • Strict technical standards for many products, according to Chilean regulation. • Presence of strong local producer of some products (I.e. steel, cement). • Highly concentrated market in the retail segment (hardware distribution chains)

5.2 Main conclusions and business opportunities

In recent years the building industry growth has been threatened by a number of challenges, mainly explained by the general Chilean economy slowdown.

It is expected that – inasmuch as the Chilean economy start growing again at higher rates with the subsequent increase in infrastructure and housing demand – the construction market, and therefore the building material demand, will rapidly recover the dynamism shown in past years.

As construction is transversal to many other sectors, the reactivation of sectors such as mining, forestry and manufacturing industry among others, will positively impact in the building industry.

Regarding building materials, there are good business opportunities for main construction materials, such as steel, iron, aluminium and cement, given the leadership of the Indian producing industry of these products. In order to compete in the Chilean market, Indian exporters should be fully comply with the technical standards required by local regulation, as well as be able to offer competitive prices.

But there are also several opportunities for other types of building materials, such as:

- **Materials promoting energy efficiency**. The high cost of energy in Chile fosters the need to use energy efficient materials incorporated in projects design, helping to keep out wind, rain and extreme temperatures, while reducing energy waste. Besides, the trend for green building construction (i.e. LEED certification) and the awareness about the positive impact of sustainable construction is high in Chile. Highly efficient insulation materials, products manufactured by recycled raw materials, reflective indoor coatings and high reflectance outdoor coatings are examples of good prospects, especially those that add points for LEED certification.

- **Safety-proven materials:** there are good opportunities for materials and technologies that help to fight against catastrophic incidents. Fire-retardant and earthquake-resistant materials have good demand.

- **Non-toxic materials**. Chilean population is more conscious of the negative effects some products can have in their health and wellness. This is valid not only for building residents and users, but also for building companies toward their workers. In this context, there are good opportunities for harmless materials, such as non-toxic paintings and coatings, concrete curing compounds, adhesives, etc., as well as for products and technologies that reduce dust and harmful element generation during the construction process.

- **Low-waste materials.** Materials and building technologies that minimize residues as a consequence of its usage in building are also good prospects. Chilean government has recently enacted a Recycling and Extended Producer Liability Law, making producers and importers responsible of recycling at least 30% of their products at the end of their useful life. In a first step, this law will affect a list of six products. Building materials are not included in this list, but it is quite possible they will in the in a short or medium term, inasmuch as the construction sector is the main industrial waste-producer (with about 56% of total).

- **Innovative finish material.** Chilean building and real-state companies are demanding innovative and aesthetically superior materials for their projects, in order to attract buyers and differentiate from competitors, especially in the case of high-end housing and office buildings. High quality and superior design finish materials for ceiling, flooring, tilling, wall covering, paintings and coatings, etc. have good demand. However, it must be kept in mind that it is a niche market; therefore, required volumes could be low.

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