

EMBASSY OF INDIA

SANTIAGO

CHILE

AUTOMOTIVE MARKET SURVEY

MARCH 2018

Commissioned from Ms. Carmen Fuentealba
on behalf of the



सत्यमेव जयते

Economic Diplomacy Division
Ministry of External Affairs

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This market survey aims to provide relevant information on the automotive sector 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 information about light-duty vehicles (LDV), which for this purpose correspond to passenger cars, SUVs, Pickups (light trucks) and light commercial vehicles. It shows quantitative information, such as market size, import and export statistics, distribution channels, among other data. It also contains qualitative information about companies, products, consumer trends, entry requirements, etc.

1. Market Overview

1.1 Market Size

1.1.1 Automotive Fleet

According to National Automotive Association (“Asociación Nacional Automotriz de Chile” or its acronym ANAC), in 2016 the total light-duty vehicle (LDV) fleet accounted for 4.4 million units, representing almost 95% of total automotive fleet. From them, 74% corresponded to passenger cars and SUVs, while the remaining 26% to light commercial vehicles.

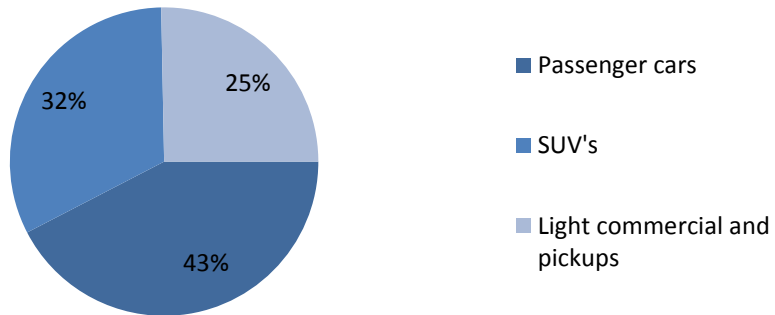
In 2016, the LDV rate of motorization was 3.9¹, the second-best of the region after Argentina (3.75) and ahead of Brazil (5.0), Uruguay (5.1) and Venezuela (7.4).

The LDV fleet is composed by 79.3% of gasoline-powered vehicles, while the rest are mostly diesel vehicles. The number of natural gas-powered vehicles and electric cars is still insignificant; nevertheless, these segments have great potential but in the long term, due to the high level of pollution in some cities and the high cost of fuel. Moreover, 62% of the LDV fleet was composed by vehicles of less than 10 years old, while 36.3% are less of 5 years old.

In the last 10 years, LDV fleet has shown a strong growth, in line with the country’s economic development. Within this period, passenger car fleet increased 85%, while SUV and light commercial vehicle fleet grew 104% and 78%, respectively. See chart below.

¹The rate of motorization corresponds to the number of inhabitants per existing vehicle.
E/I Santiago/Economic Diplomacy Division, MEA

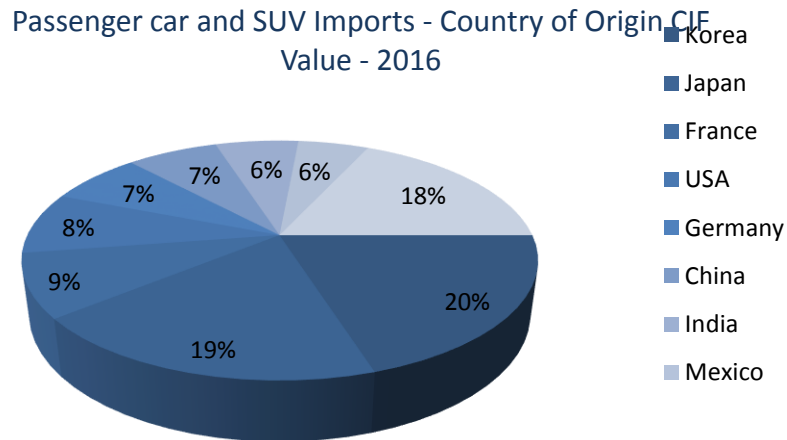
2017 - LDV sales



Source: ANAC

1.1.2 Market sales

According to ANAC, in 2017, sales of new LDV in terms of volume accounted for 360.900 units, representing an 18.1% increase versus previous year. See chart below.

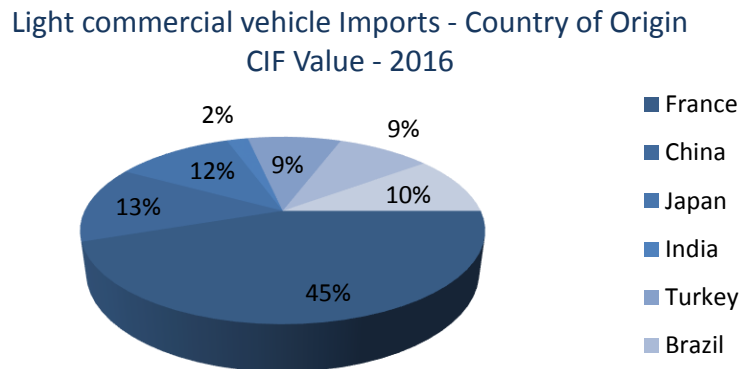


Source: ANAC

Sales showed a significant drop within the period 2014-15, mainly due to the Chilean economy slowdown, which was reflected in a decrease in investment, higher unemployment rates and a more restrictive access to credit.

Nevertheless, in 2016 and 2017, sales increased importantly, achieving previous sales levels, despite the entry into effect of a carbon tax of new car purchases. This has encouraged car sellers to adopt more aggressive commercial policies and to conduct price offers, in order to partially compensate the tax effect.

In 2017, most LDV sales corresponded to passenger cars (42.4%), followed by SUVs (32.3%). These latest have shown a significant sales increase of 29.5% compared to previous year. See chart below.



Source: ANAC

In 2016, Chile ranked in fourth position in total LDV unit sales among Latin-American countries, after Brazil, Mexico and Argentina. Nevertheless, the country ranked first in terms of vehicles sales per inhabitant.

In 2016, the LDV average retail list price was around US\$ 21.700, representing a 16.5% increase within the last 5 years. In the case of passenger cars, the average retail list price was US\$ 16.150. SUVs have shown a 15% average price decrease in the last decade (to US\$ 26.150 in 2016), as a consequence of the entry of new brands, especially in the compact SUV segment.

About 75% of LDV sold in 2016 corresponded to vehicles with mechanic transmission, while 81% to two-wheel drive vehicles (2WD). Besides, 91% of passenger cars sales were gasoline powered, while this percentage decreased to 29% in the case of light commercial vehicles, which are mostly diesel. It is worth mentioning that in Chile diesel costs about 50% less than gasoline.

1.2 Consumers and trends

During the last decade and in line with the increase of the disposable income per capita, Chilean consumers have had access to buy a car or to renew more frequently the one they own. The easier access to loans, as well as the entry of low-cost vehicle brands, has enabled a raising number of persons and families to buy a new or previously-owned car, situation that a decade ago was reserved for mainly high-income consumers.

For several Chileans, the car ownership is a matter of pride and personal fulfilment. It is one of the goals several persons wish to achieve, once they start working and generating an income and it is seen as an investment. For that reason, Chileans usually take time to carefully compare different brands and models, before deciding the best option for them.

Moreover, the poor public transportation system of most Chilean cities has encouraged people to buy a car. With the exception of Santiago metro, public transport vehicles are usually crowded in rush hours, journeys are slow and most buses lack of comfort and safety. In addition, inasmuch as cities are growing, inhabitants are trending to live farthest from their working or studying places, making necessary to have their own mean of transportation.

Among high-income families, it has become more usual that parents buy a car to their sons, as soon as they finish high school and enter to the University. Some decades ago, most high-level households used to own one car for the whole family, while now it is usual that each member over 18 years old have its own car.

The sale of SUVs has increased importantly. A decade ago, they represented 15% of total LDV sales, while currently they account for 32.3%. This growth has been boosted by the entry of several new brands; the number of models available in the market has increased from 244 to 598 (+145%) in the last decade. A growing number of consumers prefer SUVs, because of their superior safety features and in line with the trend toward outdoors and sport activities, which is particularly prominent among young people.

Moreover, Chilean consumers are 'aspiration-oriented' and permanently want to upgrade their cars, therefore willing to pay more for technology, safety and comfort features. Even if most sales still correspond to mechanic-transmission vehicles, automatic cars share has increased from 17 to 25% in the last decade; in the case of SUVs, this percentage is 47%. Besides, car buyers appreciate cars equipped with features, such as high-performance sound systems, GPS, Bluetooth, airbags, cameras, etc.

Nevertheless, the entry of low-cost and less-featured brands (mainly Chinese) have had a significant impact in the Chilean market, which in one decade have achieved a 13% market

share. These low-cost brands have focused their efforts in less affluent buyers, as alternatives to pre-owned cars, motorcycles and low-end models sold by multinationals.

Chilean car buyers are more and more looking for low fuel-consumption vehicles, given the high price of gasoline. Chile should import all the petrol it consumes and gasoline is charged with a high tax load.

It is worth mentioning that the pre-owned car market is quite dynamic, moving around 1 million units per year, that is, about 3 pre-owned cars are sold per each new one.

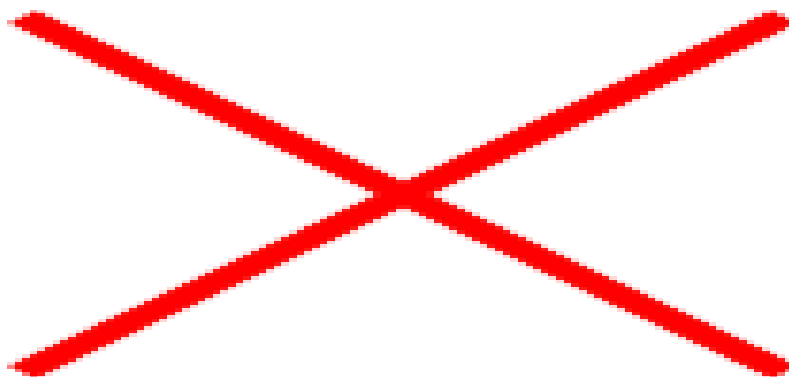
In the case of light commercial vehicles, low fuel consumption and low maintenance cost are some of the main factors in the buying decision. With the entry of low-cost Chinese brands to this segment, the number of models have increased +198% in the last decade, reaching 168 in 2016.

1.3 Competition

Because of this openness and manageable market size, for several years many vehicle brands have seen Chile as a test market for the region and a gateway to Latin America. Currently, 74 different LDV brands are sold in Chile, 28 more than a decade ago.

In total, there are 1.874 different models of LDV available in the market, showing the high level of competition and atomization existing in a small market like the Chilean one. From them, about a half corresponds to passenger car models.

In 2017, most sold brands in the LDV segment were Hyundai (9.2%), Chevrolet (9.0%) and Kia (8.3%). See chart below.



Source: ANAC

In the passenger car category, most sold brands were Kia (13.1%), Suzuki (13.1%) and Chevrolet (12.9%), while in the SUV segment were Nissan (11.1%), Hyundai (8.3%) and Toyota (7.9%). In the case of light commercial vehicles, market sales were led by Peugeot (19.7%), Hyundai (12.8%) and KIA (10.6%).

Related to vehicle models, in 2017 most sold passenger cars were Chevrolet Sail (5.7%), Hyundai Accent (5.5%) and Kia Morning (4.7%). In the SUV segment, Toyota RAV4 (5.6%), Nissan Qashqai (3.4%) and Ford EcoSport (3.4%) models lead the market, while light commercial vehicle most sold models were Peugeot Partner (12.6%), Kia Frontier (9.0%) and Citroen Berlingo (6.2%).

Mahindra and Tata² are the only Indian brands sold in Chile. India ranks in the 21th position of LDV sales, with 1.2% of sales market share in 2016. Considering also vehicles manufactured in India for other international brands (like Suzuki and Hyundai), this share increases to 8%.

1.4 Prospects

According to the consulting firm Forecast, in 2018 LDV sales will account for approximately 380.000 units, representing a 5.3% increase versus 2017.

Car market will be boosted by a higher consumer confidence vis-à-vis the new government (elected in December 2017) and the appreciation of the peso currency versus the U.S. dollar expected for next year, which will drive down the cost of imported goods.

In addition, as of 2020, authorities plan to introduce a winter weekday ban on older cars. Between May and August, cars acquired before 2012 would be banned from operating in Santiago one day a week on a rolling basis (depending on the final digit of their registration). The restriction, mirroring controls on the city's dwindling number of cars without catalytic converters, is expected to affect 58% of the city's 1.8 million vehicles. It is expected that this restriction will accelerate the replacement of older vehicles for new ones.

²This considers only vehicles sold under Tata brand, but not other brands of Tata holding (as Land Rover and Jaguar)

Moreover, as part of the Santiago Decontamination Plan (called “Santiago breathes”), gas emission standards would be tightened to Euro 6 emissions standards from 2020 on, therefore motivating the purchase of cleaner cars.

Moreover, all categories (passenger cars, SUVs and light commercial vehicles) will show sales increases, but SUVs will continue to lead the growth, in line with better economic expectations.

2. Imports and Exports

According to Custom statistics, in 2016 Chile imported US\$ 5.900 million³ (CIF value) in all types of vehicles. From them, almost an half of total corresponded to passenger cars and SUVs.

Import statistics contained in this survey section correspond to the following products, with the respective Harmonized System (HS) code under which they are classified in Chile:

HS Chapter/code	Description
87.03.21.91 87.03.22.91 87.03.23.91 87.03.24.91 87.03.31.90 87.03.32.91 87.03.33.90	Passenger cars and SUVs⁴ Engine size <1.000 cm ³ gasoline Engine size between 1.000 and 1.500 cm ³ gasoline Engine size between 1.500 and 3.000 cm ³ gasoline Engine size > 3.000 cm ³ gasoline Engine size <1.500 cm ³ diesel Engine size between 1.500 and 2.500 cm ³ diesel Engine size > 2.500 cm ³ diesel
87.04.21.21 87.04.31.21	Pickups (light trucks) Load capacity between 500 and 2.000 kg. diesel Load capacity between 500 and 2.000 kg. gasoline
87.04.21.11 87.04.21.12 87.04.21.19 87.04.22.30 87.04.31.11 87.04.31.19	Light commercial vehicles Load capacity between 500 and 2.000 kg. diesel and total weight < 5 tonnes Load capacity > 2.000 kg. diesel and total weight < 5 tonnes Other gasoline total weight < 5 tonnes Load capacity > 2.000 kg. diesel and total weight between 5 and 20 tonnes Load capacity > 2.000 kg. diesel and total weight > 5 tonnes Others gasoline and total weight < 5 tonnes

³Includes vehicles registered under HS chapter 87.

⁴Passenger cars and SUVs are classified under the same HS codes, depending on the engine size. A more in-deep analysis of statistics has been made to show both categories separately in the case of imports per type of vehicle.

2.1 Imports

2.1.1 Imports by type of vehicle

2.1.1.1 Passenger cars

Total imports of T-Shirts have decreased in the last 2 years in terms of value (-11.6%), in line with the economy slowdown and the subsequent decrease in car sales. See chart below.

Total passenger car imports (in US\$ CIF)					
HS chapter/code	2012	2013	2014	2015	2016
87.03.21.91	139.170.299	152.337.047	104.772.773	63.686.035	53.701.422
87.03.22.91	650.327.330	779.483.286	643.526.229	570.848.844	574.362.805
87.03.23.91	868.855.880	750.799.140	700.061.487	559.251.338	511.846.049
87.03.24.91	66.143.103	103.067.775	77.314.152	51.257.840	42.482.408
87.03.31.90	7.733.040	27.749.549	21.372.208	32.077.596	17.765.418
87.03.32.91	70.093.156	106.341.521	100.141.445	94.594.795	176.511.390
87.03.33.90	4.926.749	3.384.285	4.311.131	1.060.831	1.631.968
Total	1.807.249.55	1.923.165.60	1.651.499.42	1.372.777.27	1.378.301.46
	7	3	5	9	0

Source: Chilean Customs Statistics

In 2016, most imports (78.8%) corresponded to gasoline cars with engine size between 1.000 and 3.000 cm³. Car under 1.000 cm³ have decreased considerably in the last 5 years, showing a consumer preference toward more performant cars.

It is worth mentioning that imports of diesel cars between 1.500 and 2.500 cm³ have increased notably, as a result of the entry of new diesel passenger car models with superior features in terms of fuel consumption, noise and engine power.

2.1.1.2 SUVs

In terms of value, total imports of SUVs in the last 5 years have remained relatively flat (despite a peak in 2013); nevertheless, in terms of volume, imports have increased importantly, reflecting the entry into the market of several compact and mini SUV models and of low-cost Chinese brands.

In 2016, most imports (60.1%) corresponded to gasoline SUVs with an engine power between 1.500 and 3.000 cm³. Diesel SUVs between 1.500 and 2.500 cm³ rank in second place, with 18% of total. See chart below.

Total SUV imports (in US\$ CIF)

HS chapter/code	2012	2013	2014	2015	2016
87.03.21.91	16.453	143.358	569.826	336.011	0
87.03.22.91	27.960.572	36.067.296	29.329.128	37.438.336	87.545.034
87.03.23.91	733.460.845	921.444.727	819.413.666	810.676.998	848.222.597
87.03.24.91	238.523.758	281.990.251	210.507.735	192.639.207	154.190.996
87.03.31.90	0	530.482	2.486.853	3.950.899	5.976.933
87.03.32.91	292.613.449	346.926.927	323.887.271	238.141.807	253.658.044
87.03.33.90	87.180.903	80.450.391	86.337.772	68.065.098	60.456.875
Total	1.379.755.98	1.667.553.43	1.472.532.25	1.351.248.35	1.410.050.47
	0	2	1	6	9

Source: Chilean Customs Statistics

2.1.1.3 Pickups (light trucks)

In line with sales, pickup imports have been decreasing in the last 3 years in terms of value and also in terms of volume, but at a lower rate, mainly due to the entry of low-priced pickups of Chinese brands. In 2016, most imports (82.7%) corresponded to gasoline pickups (46.2%). See chart below.

Total pickup imports (in US\$ CIF)

Hs chapter/code	2012	2013	2014	2015	2016
87.04.21.21	916.936.547	941.785.470	705.281.814	717.192.932	773.075.554
87.04.31.21	166.371.316	216.404.503	142.163.525	137.839.758	162.276.516
Total	1.083.307.863	1.158.189.973	847.445.339	855.032.690	935.352.070

Source: Chilean Customs Statistics

2.1.1.4 Light commercial vehicles

In terms of value, total imports of light commercial vehicles in the last 5 years have remained relatively flat (despite a peak in 2013). See chart below.

Total light commercial vehicle imports (in US\$ CIF)

Hs chapter/code	2012	2013	2014	2015	2016
87.04.21.11	115.045.641	162.548.954	129.146.333	124.901.098	147.710.609
87.04.21.12	15.341.466	24.097.259	3.886.285	3.388.358	1.111.010
87.04.21.19	0	0	11.500	301.279	195.053
87.04.22.30	45.470.556	58.528.500	46.304.495	32.839.860	53.489.014
87.04.31.11	0	0	568.880	0	0
87.04.31.19	45.009.213	67.694.575	40.784.991	24.658.331	29.681.524
Total	220.866.876	312.869.288	220.702.484	186.088.927	232.187.209

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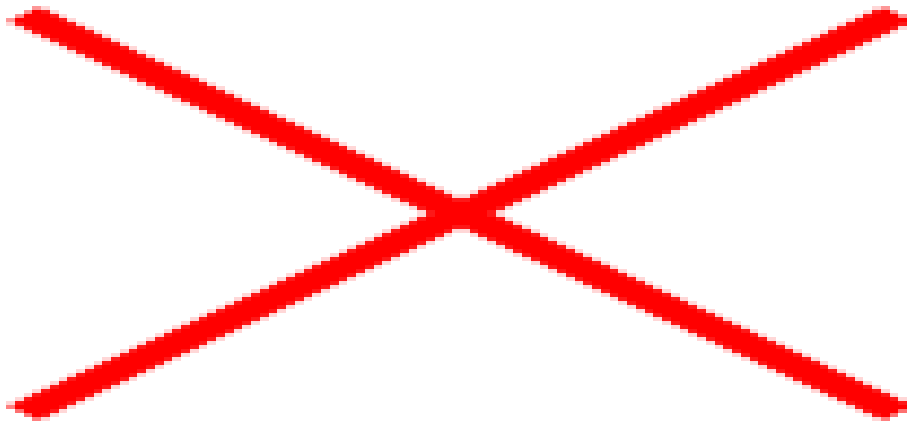
Source: Chilean Customs Statistics

Within the last 5 years, most imports corresponded to diesel vehicles with load capacity between 500 and 2.000 kg and of total weight lower than 5 tonnes.

2.1.2 Imports by country

2.1.2.1 Passenger cars and SUVs

In 2016, most imports came from Korea (20.1%), Japan (18.9%) and France (18.1%). See chart below.

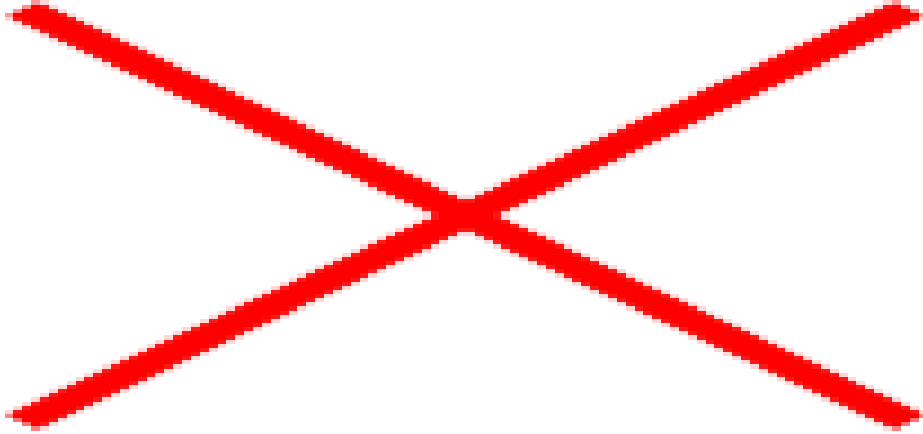


Source: Chilean Customs Statistics

In 2016, India ranked in 7th position and accounted for US\$ 178 million, representing 6.4% of total. From them, 57.7% corresponded to gasoline vehicles with engine size between 1.000 and 1.500 cm3. In addition, 43.3% of imports from India corresponded to Suzuki brand (passenger cars and SUVs), 38.9% to Hyundai (passenger cars and SUVs) and 10.3% to Mahindra (SUVs)

2.1.2.2 Pickups (light trucks)

In 2016, most imports came by far from Thailand (31.6%), followed by Mexico (19.5%) and Argentina (15.6%). See chart below.

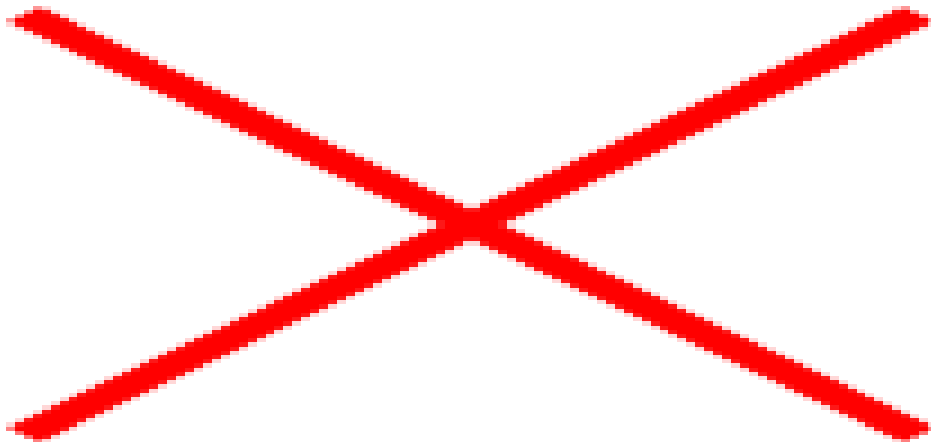


Source: Chilean Customs Statistics

In 2016, India ranked in 7th position with imports for almost US\$ 20 million, representing 2.1% of total. From them, 95.3% corresponded to Mahindra brand.

2.1.2.3 Light commercial vehicles

In 2016, most imports of light commercial vehicles came from France (44.8%), followed by China (13.2%) and Japan (10.2%). In this category, there are not imports coming from India. See chart below.



Source: Chilean Customs Statistics

2.1.3 Imports by company

2.1.3.1 Passenger cars and SUVs

In 2016, almost 202 Chilean companies and natural persons imported passenger cars and SUVs. The 8 major importers gathered 59.6 % of total in terms of value and 67.8% in terms of volume. See chart below.

T-Shirt Imports by Company – 2016 (CIF Value)

Company	Volume (units)	Value (US\$ CIF)
AUTOMOTORES GILDEMEISTER S A	29.215	319.278.907
KIA CHILE S A	22.513	251.696.064
DERCO S A	24.430	208.164.909
GENERAL MOTORS CHILE INDUSTRIA	21.681	202.631.394
NISSAN CHILE SPA	15.062	191.884.542
TOYOTA CHILE S A	13.573	187.213.482
IMP. Y DISTRIBUIDORA ALAMEDA	11.110	162.897.660
PEUGEOT CHILE S A	10.120	139.169.579
OTHERS	70.044	1.125.076.398
Total	217.748	2.788.012.935

Source: Chilean Customs Statistics

Main importer was Automotores Gildemeister, with 11.5% of total. This local company represents several foreign vehicle brands under its different subsidiaries. In the case of passenger cars and SUVs, it represents Hyundai, Mini, Mahindra, Baic and Brilliance.

Kia Chile (belonging to Indumotora holding) ranks in second place with 9.0%.

In the third place is DERCO S.A., with 7.5%. This company represents in Chile a wide range of foreign brands in different vehicle categories. In the case of passenger cars and SUVs, Derco represents Suzuki, Mazda, Renault, JAC, Great Wall, Changan and Haval.

2.1.3.2 Pickups (light trucks)

In 2016, 51 Chilean companies and natural persons imported pickups. From them, the 8 main importers represented 82.9% in terms of import value and 76.2% in terms of volume. See chart below.

Pickup Imports by Company – 2016 (CIF Value)

Company	Volume (units)	Value (US\$ CIF)
NISSAN CHILE SPA	7.515	150.293.127
FORD MOTOR COMPANY CHILE SPA	5.293	131.432.586
TOYOTA CHILE S A	6.512	129.790.717
MMC CHILE S A (MITSUBISHI)	6.602	109.747.836
SSANGYONG MOTOR CHILE S A	5.011	78.710.100
GENERAL MOTORS CHILE INDUSTRIA	3.876	75.518.208
PORSCHE CHILE SPA.	3.068	56.468.929
KIA CHILE S A	3.362	43.827.519
OTHERS	12.885	159.563.048
Total	54.124	935.352.070

Source: Chilean Customs Statistics

Main importer was Nissan Chile (16.1%), followed by Ford Company (14.1%) and Toyota Chile (13.9%).

2.1.3.3 Light commercial vehicles

In 2016, almost 32 Chilean companies and natural persons imported light commercial vehicles. The 8 major importers gathered 84.8% of total imports in terms of value and 85.8% in terms of volume. See chart below.

Most imports were conducted by Peugeot Chile (32.7%), followed by Hino (10.7%) and Citroen (10.5%).

Light commercial vehicle Imports by Company – 2016 (CIF Value)

Company	Volume (units)	Value (US\$ CIF)
PEUGEOT CHILE S A	5.134	76.036.010
HINO CHILE S A	1.015	24.883.031
CITROEN CHILE SAC	1.992	24.283.432
COMERCIAL ITALA S A (FIAT)	2.372	21.412.906
KAUFMANN S A (MERCEDES BENZ)	381	15.663.874
GENERAL MOTORS CHILE	2.124	12.256.236
IND. AUTOMOTRIZ FRANCO (RENAULT)	983	11.976.268
AUTOMOTORES GILDEMEISTER S A	911	10.444.284
Others	2.457	35.231.168
Total	17.369	232.187.209

Source: Chilean Customs Statistics

2.2 Exports

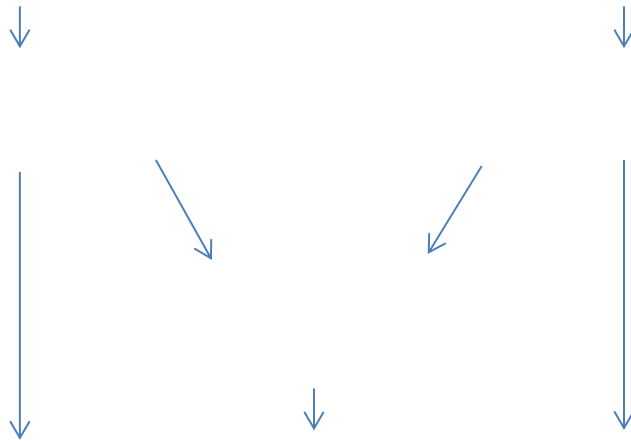
Given that Chile does not manufacture vehicles of any kind, there are not exports. There are just a few corresponding to occasional re-exports, which are not significant for the purposes of this survey

3. Distribution channels

The distribution chain of new vehicles is quite short and composed by a few players.

The following chart shows the flow of imported garment distribution in Chile and its main players.

Vehicle Distribution Flow



ANNEX 1 shows the contact data of some of the main representatives of vehicle brands.

3.1 Representatives

This group is composed by local companies representing one or more vehicle brands. They import and distribute vehicles, conducting the whole product supply process. Representatives buy the products to the foreign manufacturers and are responsible of importing them and conducting custom clearance formalities. They are also in charge of the storage, internal transportation, sales and promotion, customer service and aftercare service. Accordingly, they assume almost all the risk of product operation in Chile.

In some cases, part of these activities are not directly conducted by them, but subcontracted to third parties.

Most representatives represent several foreign brands in the same or different categories. Some of them have created subsidiaries under which each brand or a group of them are managed in a separate way.

In most cases, foreign manufacturers can only sell their products through their local official representative. For them, representation contracts are exclusive by brand and/or vehicle category; nevertheless, the situation is not reciprocal for local representatives, which can represent more than one brand per category.

They also offer maintenance and repair services for the cars they sale, through their own technical service centres. Representatives also provide original spare parts.

Most representatives offer direct financing to car buyers, especially to those who do not have access to bank loans. They also usually accept used car in part payment and have a dedicated to pre-owned vehicles trading.

Representatives sell their vehicles directly to final clients or thru car distributors.

3.2 Foreign brand subsidiaries

Several foreign vehicle brands have created their own subsidiaries in Chile. This is generally the case when sales volumes justify operating directly in a given country or when the company prefers to have the total control of their product supply chain, until its arrival to final consumers, as well as the after care.

They usually operate in a very similar way than representatives and offer about the same services.

As well as in the case of representatives, they sell their vehicles directly to final clients or thru distributors.

3.3 Distributors

Most representatives and foreign brands subsidiaries have distributors (called "concesionarios") all over the country, which sell vehicles and also take care of the technical service.

Distributors are exclusive per vehicle category, that is, they can only sale the brands of the representative of foreign brand they have a contract with.

4. Import and commercialization formalities

All products imported and commercialized in Chile should meet some formalities. Some of them are the usual to any import, but there are some specific to vehicles, necessary to its 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 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, if applicable
- 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.

4.2 Import restrictions

As a general rule, the import of used vehicles is forbidden in Chile. Some exceptions are the import of preowned vehicles by persons returning from exile or returning after living abroad (for one complete year or more) after a determined number of years. People domiciled in free trade zones (Iquique and Punta Arenas) can also import used cars.

In addition, Chile does allow imports of used vehicles for special purposes, such as ambulances, funeral hearse cars, fire-fighting vehicles, street cleaning vehicles, prison vans, radiological equipment vehicles, motor homes, etc.

A vehicle is considered new if: 1) It is of the current year; or the model is of the last year but the importation occurred before April 30th, and 2) the vehicle has no more mileage than that required to transport the vehicle from the factory to the point of sale and according to customs it corresponds to a first transaction vehicle.

4.3 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.

4.3.1 Duty taxes

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.⁵

India and Chile have signed a Partial Scope Trade Agreement (PSA) giving Indian vehicle imports into Chile some tariff preferences. In the case of the vehicles (and their respective HS codes) analysed in this survey, duty taxes to pay go from 1.2 to 6.0%. See details in the following chart:

HS Chapter/code	Description	% of Tariff preference	% of Duty tax to pay
	Passenger cars and SUVs		
87.03.21.91	Engine size <1.000 cm3 gasoline	80%	1.2%
87.03.22.91	Engine size between 1.000 and 1.500 cm3 gasoline	80%	1.2%
87.03.23.91	Engine size between 1.500 and 3.000 cm3 gasoline	80%	1.2%
87.03.24.91	Engine size > 3.000 cm3 gasoline	80%	1.2%
87.03.31.90	Engine size <1.500 cm3 diesel	80%	1.2%
87.03.32.91		80%	1.2%

⁵Find 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/
E/I Santiago/Economic Diplomacy Division, MEA

87.03.33.90	Engine size between 1.500 and 2.500 cm3 diesel Engine size > 2.500 cm3 diesel	80%	1.2%
87.04.21.21 87.04.31.21	Pickups (light trucks) Load capacity between 500 and 2.000 kg. diesel Load capacity between 500 and 2.000 kg. gasoline	80% 80%	1.2% 1.2%
87.04.21.11 87.04.21.12 87.04.21.19 87.04.22.30 87.04.31.11 87.04.31.19	Light commercial vehicles Load capacity between 500 and 2.000 kg. diesel and total weight < 5 tonnes Load capacity > 2.000 kg. diesel and total weight < 5 tonnes Other gasoline total weight < 5 tonnes Load capacity > 2.000 kg. diesel and total weight between 5 and 20 tonnes Load capacity > 2.000 kg. diesel and total weight > 5 tonnes Others gasoline and total weight < 5 tonnes	0% 0% 0% 0% 80% 0%	6.0% 6.0% 6.0% 6.0% 1.2% 6.0%

Source: Direcon

It is worth mentioning that, Chile has Free Trade Agreement signed with most of the countries of origin of imported vehicles; actually, 91.4% of vehicles imported into Chile grant with a 100% tariff preference, that is to say, they are not subject to duty fees.

4.3.2 Other taxes

LDV are subject to the following taxes:

- a. Value added Tax (VAT), which rate in Chile is 19% and is calculated on CIF value + duty taxes.
- b. Carbon Tax (known as “Green Tax”) on new car purchases, which is based on nitrogen oxide (NOx) emission, urban fuel yield (km/l) and vehicle sale price.
- c. Tax levied on used cars (as described in section 4.2), which rate is 9 % and is calculated on CIF value + duty taxes + VAT.

- d. Registration Certificate (known as “Permiso de Circulación”), which should be paid yearly by car owners, based on vehicle valuation.

4.4 Commercialization requirements

4.4.1 Homologation Certificate

Importers should get from the Transport Ministry a Homologation Certificate for each LDV brand and model they intend to sell in Chile. A type of the car should pass different gas emission technical tests performed in the Vehicle Certification and Control Center (called 3CV) located in Santiago.

Currently, gasoline and diesel vehicles should comply with Euro 5 standards.

The Homologation Certificate will be valid as long as the vehicle model is not subject to technical changes that could affect the emission parameters.

4.4.2 Safety Requirements

All LDV intended to be sold in Chile should be equipped with at least the following safety devices, which should be part of the vehicles:

- Safety belts in front and rear seats
- Shatterproof windshield
- Rear window defroster
- Seats equipped with head supports
- Inside rear view mirror with two positions (day and night)
- Seat anchoring system
- Retractable steering column
- Airbag system in front seats
- Bodywork structure elements providing protection against collision, crash and rollover.
- Outside folding rear view mirrors.

To be allowed to circulate, drivers should also carry in their vehicles some safety elements, such as warning triangles, reflective jackets, fire extinguisher and first-aid kit. Most of these elements are generally provided by car importers and/or distributors as part of the car equipment.

4.4.3 Fuel Consumption labelling

Every car in a show room must have a label in the wind shield showing the fuel economy in kilometres per litre tested in the New European Driven Cycle, including also CO₂ emissions and local pollutant emission standards that the vehicle model meets. The information came from the Homologation Certificate (see section 4.4.1). Following is an example of the required label.

Eficiencia Energética	
Marca: Modelo: Combustible: Norma de emisión: Emisiones de CO ₂ : Código de Informe Técnico:	 Rendimiento de combustible
Mixto 14,5 km/l	Ciudad
Carretera 18,3 km/l	12,1 km/l
<p>Los valores reportados en esta etiqueta son referenciales.</p> <p>El rendimiento de combustible y emisiones de CO₂ corresponde al valor constatado en el proceso de homologación desarrollado por el Ministerio de Transporte y Telecomunicaciones, a través del Centro de Control y Certificación Vehicular (CCV).</p> <p>El rendimiento efectivamente obtenido por cada conductor dependerá de sus hábitos de conducción, de la frecuencia de mantenimiento del vehículo, de las condiciones ambientales y geográficas, entre otras.</p> <p>El CO₂ es el principal gas efecto invernadero responsable del cambio climático.</p> <p style="text-align: right;">informate en www.xxx.cl</p>	
	

4.5 Trademark protection

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 vehicle exporters, and for identifying both the Opportunities open to them and the Threats they could face in the Chilean market.

SWOT ANALYSIS

<p>Strengths</p> <ul style="list-style-type: none"> • Good quality of vehicles. • High technological level of Indian manufacturers • Competitive prices of Indian car makers • Existence of experienced Indian producers and exporters. • General good image of Indian products. 	<p>Opportunities</p> <ul style="list-style-type: none"> • The sector is expected to continue growing. • Good opportunities for SUVs, and city cars. • Operation restrictions for older cars (from 2020 on) • Poor image of Chinese cars • Appreciation of the peso currency will boost vehicle sales • More flexibility in credit conditions • Opportunities for low consumption vehicles, given the high cost of fuel in Chile.
<p>Weaknesses</p> <ul style="list-style-type: none"> • Highly competitive market with the presence of several brands • High competition of Chinese low cost vehicles • India-Chile Partial Scope Agreement versus FTA with other countries. 	<p>Threats</p> <ul style="list-style-type: none"> • Limited number of potential representatives, as most they already manage several brands. • High entry barriers for new representatives given high investment required. • Strict technical requirements for vehicle approval.

5.2 Main conclusions

According to OICA⁶, India is the fifth world largest producer of cars and commercial vehicles, with about 4.5 million units per year and representing almost 5% of total.

In Chile, almost 8% of imported LDV have been manufactured in India by Suzuki, Mahindra and Hyundai brands.

Despite of its small size, Chilean market shows a high level of competition and atomization, reflected in the existence of 74 different LDV brands and 1.874 models.

Nevertheless, the market is expected to continue growing in next years.

Authorities' plan (as part of the Santiago Decontamination Plan "Santiago breathes") of introducing from 2020 a winter weekday ban on older cars from operating in Santiago will probably accelerate the replacement of old cars by newer ones.

Moreover and as part of the same Plan, all vehicles operating in Santiago will have to comply with Euro 6 emissions standards from 2020 on, which very probably will motivate the purchase of cleaner cars. Therefore, there are good opportunities for cars meeting this standard and offering efficient engines equipped with superior gas emission control technologies.

The before said plan also announces benefits and incentives to hybrid and electric car purchases, even it was not specified in which they would consist. There could be good opportunities for this type of vehicles if future incentives are sufficiently attractive for consumers and compensate at least partially their higher cost.

Besides, there are good opportunities in the SUV category, especially for compact medium-to-low price models, in line with the consumer trend toward outdoors and sport activities.

There are also opportunities for low fuel consumption cars (i.e. small-size city cars). Buyers are becoming more conscious about car's fuel efficiency (which, according to law, should be clearly informed), given the high price of gasoline.

Related to market entry, it is important to take in mind that local subsidiaries of international brands have no possibilities to decide where to import from, as most of the time this decision is imposed to them by the headquarters based on their plant location. Therefore, Indian vehicle manufacturers willing to entry the Chilean market could focus on current representatives willing to add new brands to their portfolio. Although this option could be

⁶International Organization of Motor Vehicle Manufacturers
E/I Santiago/Economic Diplomacy Division, MEA

attractive because of the market knowledge and well reputation of these representatives, it should be evaluated the effort and resources they will assign to a new brand.

Another way to entry the Chilean market is to set up a subsidiary. The steps to follow to create a new company are well defined and are, in general, quite simple. Nevertheless, it is recommended to foreign investors to get advice from a local lawyer, who can even act as legal representative and provide a commercial address (both are requirements for a company creation).