

EMBASSY OF INDIA

CHILE

ORGANIC CHEMICAL MARKET SURVEY

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Commissioned from Ms. Carmen Gloria 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 organic chemical 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 and import and export statistics, among other data. It also contains qualitative information about companies, products, health policies, entry and registration product requirements, etc.

1. Market Overview

1.1 Chilean chemical industry

According to ASIQUM (Chilean Association of Chemical industries), there are about 300 local chemical companies dedicated to the production and distribution of over 400 different chemical substances. Their sales represent about 4% of national GDP and 20% of the industrial GDP.

Companies (belonging to ASIQUM) can be classified in three groups: producers (58 %), service providers (27 %) and distributors/ representatives (15%). From them, about 62% are multinationals (with a branch in Chile) and 28% have sales over US\$ 20 million.

1.2 Organic chemical market

Most of organic chemicals used in Chile are imported.

In Chile, organic chemicals are used as raw materials in a very wide range of industries, being energy, pharmaceutical and animal farming the main ones.

In the case of energy, organic chemicals are mainly used for oil and gasoline processing. In Chile, there is only one oil refinery (the state-owned company ENAP). ENAP imports the organic chemical methyl-tert-butyl ether (MTBE), which is used in gasoline as an octane booster and oxygenator.

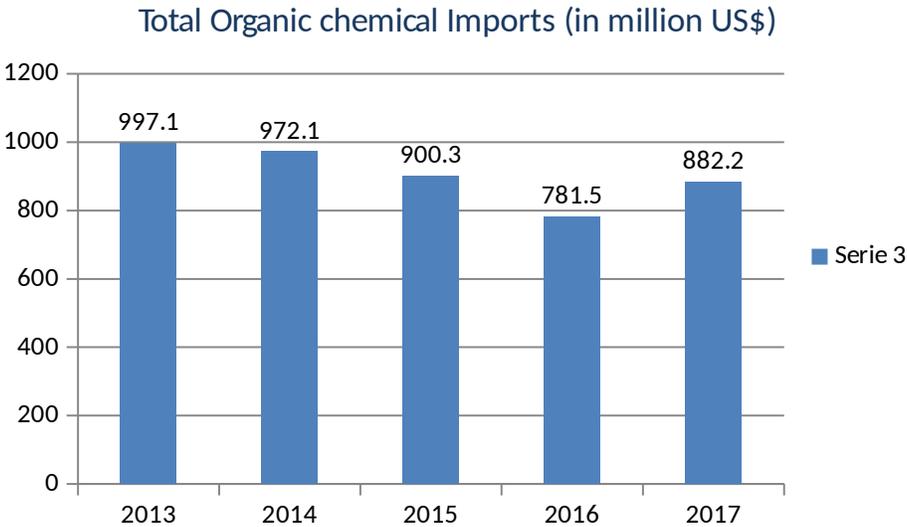
The pharmaceutical industry imports a several different organic chemicals used for the local manufacturing of medicines. Main laboratories producing in Chile are Recalcine (belonging to Abbott), Laboratorio Chile (belonging to Teva), Laboratorio Saval and Mintlab. All of them commercialize mainly copycat and generic products.

The Chilean animal farming industry has had a steady growth within the last two decades, being salmon, poultry and pig the main animal species raised by companies. These three industries are very dynamic and technologically advanced, exporting their products and derivatives to several international markets

Currently, Chile produces about 790 M tonnes of salmons, being the world's second largest producer after Norway. In 2017, salmon exports reach around US\$ 4.650 million. Main organic chemical imported by this industry is the florfenicol, used as a broad-spectrum, primarily bacteriostatic and antibiotic.

According to Expocarnes (the Chilean Association of Meat Exporters), chicken and pork are the main types of meat produced in Chile, representing 44.8 and 34.6% of total, respectively. In 2017, Chile produced 632.5 M tonnes of chicken meat and 489 M tonnes of pig meat. Chile ranks in 6th and 12th position among world exporters of pig and chicken meat, respectively. Main imported organic chemical in both industries correspond to lysine, used as an amino acid for animal feed.

In Chile, total imports of organic chemicals (classified under HS Chapter 29) reached US\$ 882 million in 2017. See chart below



Source: Chilean Customs Statistics

2. Imports and exports

Organic chemicals include a very wide range of products intended for different sectors and usages.

At client's request, this survey considers import and export statistics of the organic chemical products classified under the following Harmonized System (HS) code chapters:

Chapter	Description
29.02	Cyclic hydrocarbons.
29.09	Ethers, ether-alcohols, ether-phenols, ether-alcohol-phenols, alcohol peroxides, ether peroxides, ketone peroxides (whether or not chemically defined), and their halogenated, sulphonated, nitrated or nitrosated derivatives
29.15	Saturated acyclic monocarboxylic acids and their anhydrides, halides, peroxides and peroxyacids; their halogenated, sulphonated, nitrated or nitrosated derivatives
29.22	Oxygen-function amino-compounds
29.33	Heterocyclic compounds with nitrogen hetero-atom(s)
29.41	Antibiotics

2.1 Imports

2.1.1 Imports by type of product

In 2017, almost a 53% of imported organic chemicals correspond to products classified under the HS chapter 29.09 (Ethers and derivatives). See chart below.

Total Imports by type of product (in US\$)

HS Chapter	2013	2014	2015	2016	2017
29.02	62.241.806	54.104.974	35.633.879	34.790.246	42.925.891
29.09	254.561.364	249.374.934	212.957.095	185.336.170	231.854.672
29.15	37.483.039	39.780.315	36.416.792	32.046.090	31.315.703
29.22	48.075.944	42.269.061	48.505.288	39.130.933	46.214.630
29.33	61.810.084	56.637.677	53.618.518	52.363.935	51.727.863
29.41	31.432.085	33.487.838	56.382.059	31.293.966	30.169.135
Total	497.604.322	475.654.799	443.513.630	374.961.340	434.209.894

Source: Chilean Customs Statistics

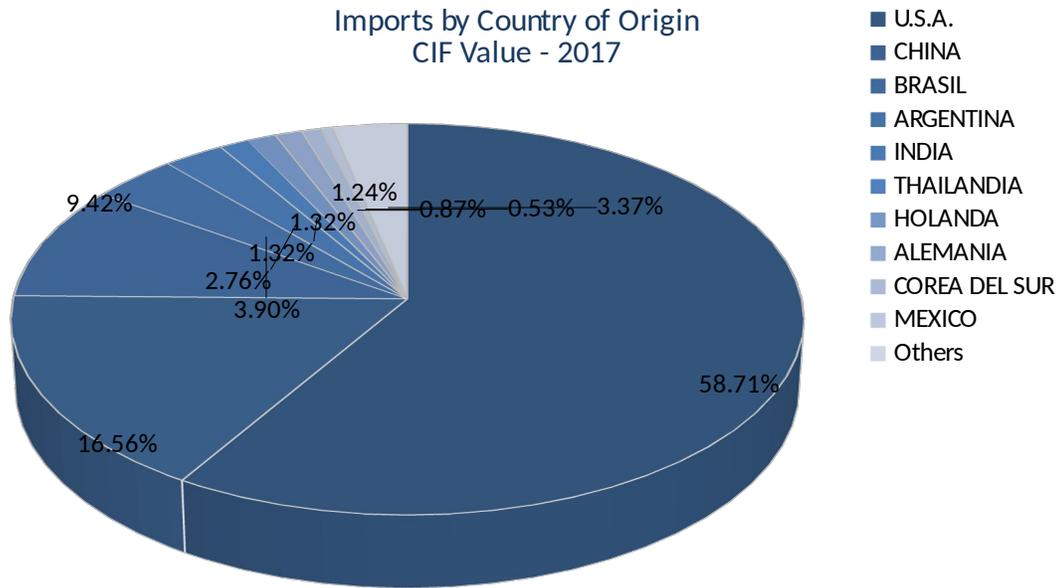
Over the years, about a half of imports have corresponded to one single product (Methyl-tert-butyl ether or its acronym MTBE). In fact, the fluctuation of the MTBE unitary import price has been the main reason of the variation of total imports within the last years. MTBE (HS code 29.09.19.10) is imported by one single company (the state-owned oil refinery company ENAP).

Florfenicol (HS code 29.41.40.00) and lysine (HS code 29.22.41.00) ranked in second and third position among most imported products in 2017. Florfenicol is mainly used in the salmon farming industry, while lysine is mostly used in poultry and pig farming.

2.1.2 Imports by country

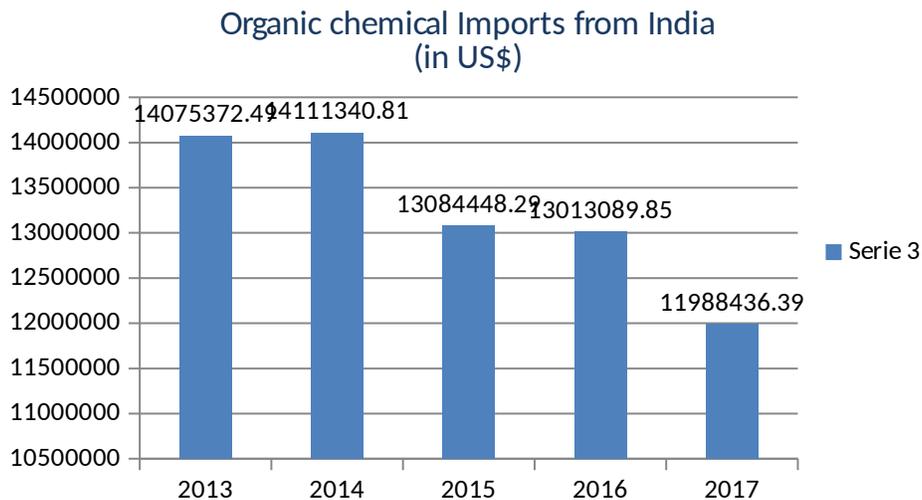
In 2017, organic chemical imports came from 55 different countries.

U.S.A. is, by far, the main country of origin (58.7%), followed by China (16.6%) and Brazil (9.4%). See chart below.



Source: Chilean Customs Statistics

In 2017, imports from India accounted for almost US\$ 12 million, representing 2.8% of total. Imports from India have been decreasing within the last 5 years. Within the same period, India has fluctuated between 4th and 6th position among import countries of origin. See chart below.



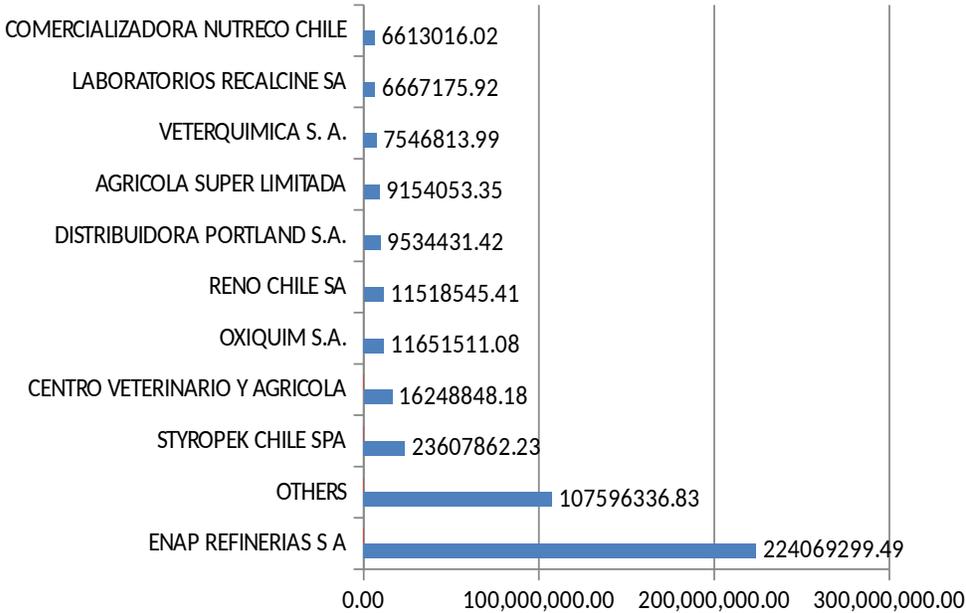
Source: Chilean Customs Statistics

In terms of type of product, in 2017 most organic chemical imports from India corresponded to products belonging to HS chapter 29.33 (64.1%), followed by HS chapter 29.22 (16.8%). In both cases, products are imported as raw materials by local pharmaceutical products manufacturers.

2.1.3 Imports by company

In 2017, almost 350 Chilean companies and natural persons imported organic chemicals. Ten of these importers gathered around 76.6% of total imports, being ENAP S.A. by far the main one (52.4%). The rest of these main companies corresponded to producers and providers of the salmon farming and pharmaceutical industries, together with companies dedicated to distribute chemical products in general. See chart below.

Organic chemical Imports by Company – 2017 (CIF Value)- In US\$



Source: Chilean Customs Statistics

In 2017, a total of 48 companies and natural persons imported organic chemicals from India. Most of them were pharmaceutical laboratories, being main ones Laboratorio Recalcine (17.6%), Laboratorio Saval (14.4%) and Laboratorio Mintlab (9.9%).

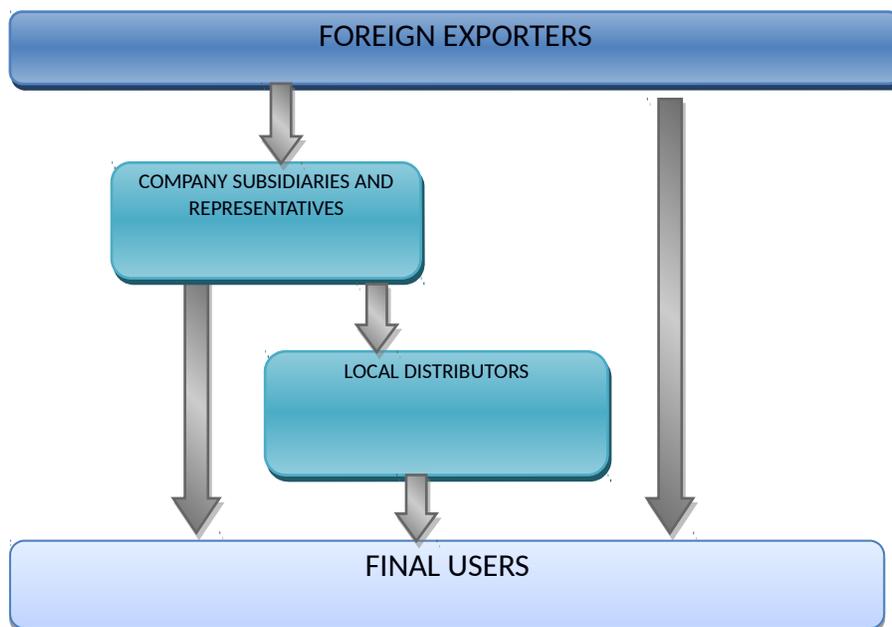
2.2 Exports

In 2017, exports of organic chemicals accounted for US\$ 8.3 million. Almost 51.4% corresponded to alpha pinene, a sub-product of coniferous trees, which is classified under HS code 29.02.19.90. This product is manufactured and exported by the local chemical company Harting Aromas S.A.

Main export destination countries were Mexico (17.1%), Peru (16.8%) and U.S.A. (15.9%).

3. Distribution channels

The following chart shows main distribution channels of organic chemicals in Chile.



ANNEX 1 shows the contact data of some of the main producers, representatives and distributors importing organic chemicals.

3.1 Representative/Company subsidiary

Representatives are local companies importing and distributing organic chemicals, conducting the whole product supply process. They buy the products to the foreign manufacturers they represent and are responsible of importing them, requesting previous authorizations (if applicable) 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. These companies sell directly and/or through other local distributors.

Several chemical foreign 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. 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 products directly to final clients or thru distributors.

3.2 Local Distributors

Local distributors are usually companies commercializing a wide range of chemical products to different industries.

They usually have points of sale in different regions of the country and a sales force which visit companies periodically.

Local distributors usually do not import, but buy to local producers, representatives and multinational subsidiaries in Chile.

4. Import and commercialization formalities

Organic chemicals imported and commercialized in Chile should meet some formalities. Some of them are the usual to any import, but some are specific for some products, necessary to their 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 Import authorization

Most raw materials used for the production of pharmaceutical and cosmetic products for human usage do not require previous registration, but should be part of the previously authorized ingredient list of those products.

Despite the above, some organic chemicals are subject to the strict control of health authorities. Companies willing to import, use and/or commercialize them should request a previous authorization. This is the case, for instance, of psychotropic substances and narcotics.

Psychotropic substances and narcotics can only be imported by pharmaceutical laboratories, drugstores, hospitals and medical or scientific research centers. Each year, these companies or institutions should submit to the Institute of Public Health (ISP) the quantity of psychotropic substances and narcotics they expect to import or export within the following year. The ISP will then set then an import or export quota to each company.

To import psychotropic substances and narcotics under the allowed quota, companies should previously ask for an Official Import Certificate upon the ISP. This document should be requested electronically at least 30 days before the product arrival to Chile.

Additionally, importers should request to the ISP a Resolution for Usage and Disposition ("Resolución de Uso y Disposición"), which authorizes the usage and distribution of the imported products.

Other products, as those considered by authorities as hazardous substances¹, are also subject to previous formalities for their import and commercialization. Importers should

¹ To see the list of hazardous substances click on this link: www.leychile.cl/Navegar?idNorma=201185
E/I Santiago/Economic Diplomacy Division, MEA

request to health authorities (SEREMI) a Custom Destination Certificate (“Certificado de Destinación Aduanera” or CDA). This document authorizes to move the products from Customs area to the establishment (meeting the requirements established by the law) where they will be stored. This authorization is requested for Customs clearance.

As same as in the above case, hazardous chemical importers should also request a Resolution for Usage and Disposition (“Resolución de Uso y Disposición) to be able to further use and/or commercialize the products.

4.2 Labelling requirements

In October 2018, Chilean authorities approved the regulation ruling the implementation of the Globally Harmonized System of Classification and Labelling of Chemicals (GHS).

Its entry into force date is not yet determined, but once this occurs, all chemical products will need to be labelled according to the GHS standards, in order to be allowed for sale.

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, if applicable
- International Transport Document (Bill of Lading or Air Way Bill)
- Packing List, when necessary
- Value declaration
- Other Documents (i.e. CDA, if applicable)

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. Organic chemicals imports are subject only to duty taxes and VAT (19%).

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 26 Commercial Agreements with 64 markets, representing 63% of total world population and 86.3% of world GDP. These agreements grant tariff preferences to the import of some products.²

India and Chile have signed a Partial Scope Trade Agreement (PSA) giving to some products a tariff preference. Products covered in this survey and benefiting of this preference are the ones classified under the following HS codes:

Chapter/code	Description	Tariff preference
29.09	29.09.41.00 29.09.44.00 29.09.49.90	100% 80% 80%
29.15	29.15.39.20 29.15.39.30 29.15.39.40 29.15.39.90 29.15.60.00 29.15.70.00 29.15.90.90	80% 80% 80% 80% 100% 80% 100%
29.22	29.22.18.00 29.22.19.90 (except triethanolamine salts) 29.22.29.20 29.22.29.90 29.22.39.00 29.22.41.00 29.22.49.00	80% 80% 100% 80% 100% 100% 100%

² 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/

	29.22.50.00	100%
29.33	29.33.11.00 29.33.19.00 29.33.21.00 29.33.29.00 29.33.31.00 29.33.33.00 29.33.39.99 29.33.41.00 29.33.49.00 29.33.53.00 29.33.59.00 29.33.69.00 29.33.72.00 29.33.79.00 29.33.91.00 29.33.92.00 29.33.99.20 29.33.99.90	100% 80% 100% 100% 100% 100% 100% 100% 100% 100% 100% 100% 100% 100% 80% 100% 100% 100% 100%
29.41	29.34.10.00	100%

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 also appoint a local representative.

5. Market opportunities and conclusions

6.1 SWOT analysis

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

SWOT ANALYSIS

Strengths <ul style="list-style-type: none">• Good quality of Indian chemical products.• Competitive prices• Wide variety of products.• Existence of experienced Indian producers and exporters.• General good image of Indian products.• Duty tax preference (India-Chile Partial Scope Agreement).	Opportunities <ul style="list-style-type: none">• Total market is expected to continue growing given good sales forecasts of final markets (energy, pharmaceutical, poultry, salmon, pigs).• Opportunities for less toxic or less hazardous products
Weaknesses <ul style="list-style-type: none">• Small presence of India organic chemical exporters in the Chilean market	Threats <ul style="list-style-type: none">• New labelling regulation expected to entry into force soon.• Possible restrictions• Strict health control to hazardous products and psychotropic, according to Chilean regulation.• High competition from international companies.• Possible future restrictions to some organic chemicals used in animal farming

6.2 Main conclusions

Chilean organic chemical market is expected to continue growing, mainly due to good growth prospects of main final markets in which these products are used (energy, pharmaceutical and animal farming).

There are good opportunities for organic chemicals of low toxicity for human health. A high percentage of animal farming products produced in Chile are exported to developed countries, which are increasingly demanding meat with no residues of harmful chemicals (i.e. some types of antibiotics). In the same context, organic chemical causing fewer damages to environment will be more and more demanded, given the increasingly strict regulation in the country.

It is important that Indian exporters take into consideration that organic the demand for some organic chemicals is quite concentrated. For instance, MTBE (representing about half of total organic chemical imports) is imported practically by only one company (ENAP). Also, organic chemicals used in the pharmaceutical industry are imported by only four laboratories, which are the ones having manufacturing plants in the country.

It is noteworthy that the recently approved labelling regulation will require producers and importers to comply with GHS standards, to be allowed to commercialize their products in Chile

Even if direct sales are possible, Indian exporters are strongly advised to appoint a local representative or sales agent, who can be permanently in contact with potential clients, as well as to deal with registration processes and import procedures, if necessary.