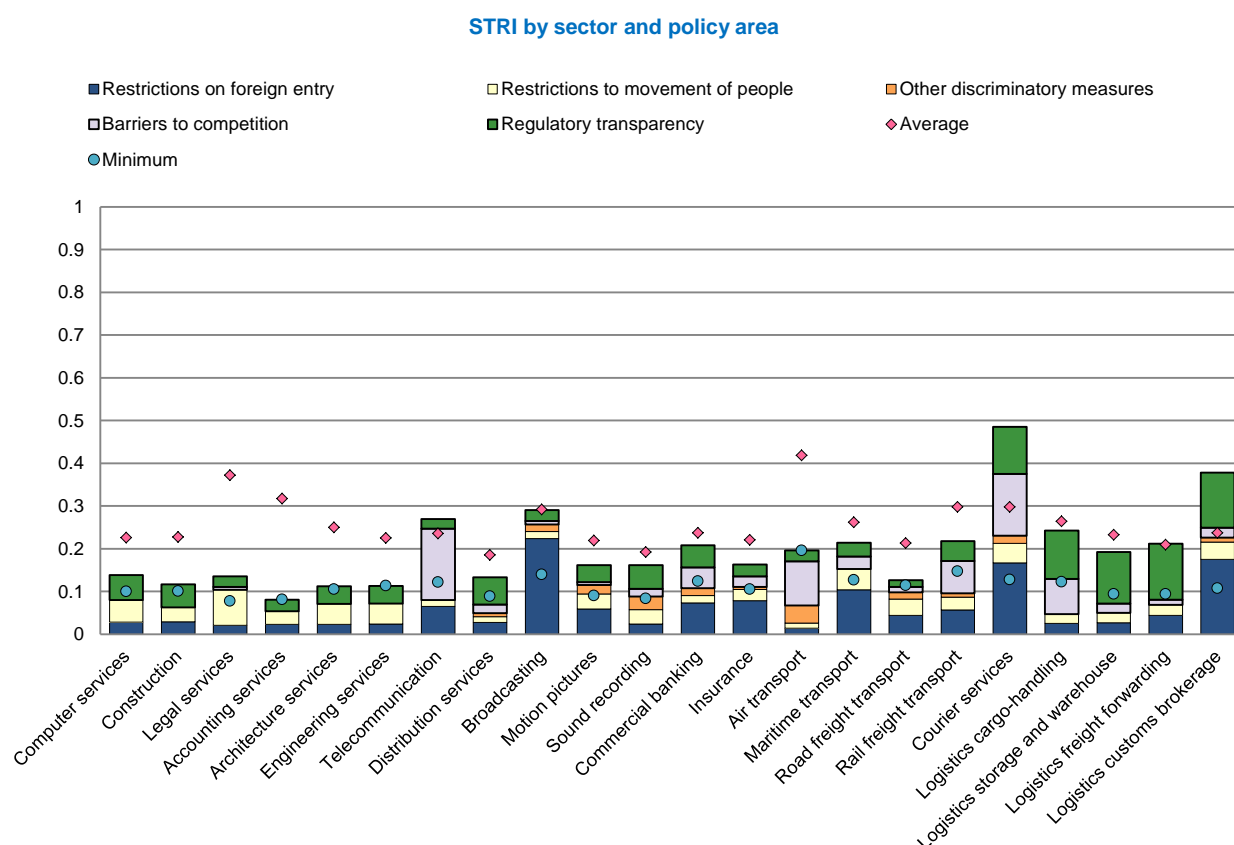


OECD Services Trade Restrictiveness Index (STRI): Chile

Chile exported services worth USD 9.8 billion and services import value was USD 13.6 billion in 2015. Maritime transport is both the largest services exporting sector and the largest category of services imports. Services account for about 25% of inward and 35% of outward foreign investment stock in Chile in 2014.

Chile's score on the STRI in the 22 sectors is shown below, along with the average and the lowest score among the 44 countries included in the STRI database for each sector.



Note: The STRI indices take values between zero and one, one being the most restrictive. They are calculated on the basis of the STRI regulatory database which contains information on regulation for the 35 OECD Members, Brazil, China, Colombia, Costa Rica, India, Indonesia, Lithuania, Russia and South Africa. The STRI database records measures on a Most Favoured Nations basis. Preferential trade agreements are not taken into account. Air transport and road freight cover only commercial establishment (with accompanying movement of people).

Horizontal policy measures

Chile has a lower score on the STRI than the average in 18 out of 22 sectors. Limitations on the temporary movement of people affect services providers in all sectors, whereby natural persons may stay in the country for up to 24 months on their first entry permit. Other measures that apply horizontally to all sectors are limitations on acquisition of land or real estate by foreigners along the coast and frontier areas, and lack of a general obligation to publish laws and regulations before they enter into force or to open draft regulations for public comment, although specific mechanisms for civil society consultation exist in some sectors.

Chile offers two possible routes to foreign investors. Investments may be realised under the general international exchange regulations, or under the voluntary regime of the Foreign Investment Statute. Under the general international exchange regulations there are no specific conditions applying to foreign investors, but under the voluntary regime, a foreign investment, above a given monetary threshold, needs to be approved, non-discriminatory treatment is guaranteed, and there is a contract setting out the rights and obligations of the

Chilean government and the investor in matters such as taxes and the entry and repatriation of capital. The vast majority of foreign investors opts for the regime of the Foreign Investment Statute since it offers special incentives and a guarantee of stability of rules.

The sectors with the relatively lowest STRI scores

Accounting/auditing, legal services and air transport are the three relatively best performing sectors in Chile. Professional services are relatively liberal sectors in Chile. Accounting and auditing, and legal services, the latter for the provision of legal advice on international or foreign law, are not regulated professions in Chile. The scores are mostly driven by limitations on the movement of people, particularly important in skilled labour-intensive sectors such as professional services. There are, however, some sector-specific constraints such as restrictions to fee setting and the requirement for foreign lawyers to have a domicile in the country to practice domestic law. In air transport services, restrictions are mostly found in landing and take-off slots, which are not allocated according to competitive best practices, and the commercial exchange of slots is not possible. Lack of transparency in the awarding of contracts for universal service obligations also contributes to the index.

The sectors with the relatively highest STRI scores

Courier and postal services, custom brokerage services and telecommunications are the three sectors with the highest score relative to the average in Chile. In courier and postal services, Chile maintains a monopoly on the admission, transport and delivery of letters and postcards, which essentially closes the letter segment to private competitors. The incumbent operator, *Correos de Chile*, wholly-owned by the government, also enjoys preferential treatment on the application of VAT and other exemptions, and no regulation is in place to avoid cross-subsidisation of competitive and uncompetitive activities.

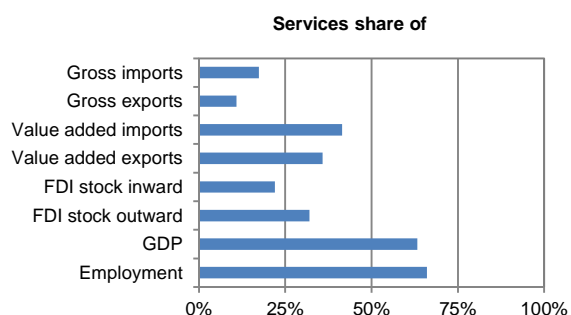
The score of custom brokerage services is largely driven by the general regulatory framework and a few sector-specific restrictions such as foreign ownership ceilings at 49% of equity shares and nationality requirements to get a licence to operate as custom broker.

In telecommunications, the current legislation requires foreign operators to establish locally in order to be granted concessions for the provision of telecommunications services. Furthermore, access to the incumbents' public telecommunications networks is not yet mandated and, although there has been an increase in transparency requirements imposed on the incumbent operators, local loop unbundling is still not foreseen by the general telecommunications law.

Recent policy changes

There are no policy changes that affect the score on the STRI during the period 2015-2016.

Efficient services sectors matter



Services account for 11% of Chile's gross exports, 36% of value-added exports and nearly a quarter of inward FDI. The contribution of services to exports is, however, lower than average. Chile could further increase this share and improve the efficiency of its economy by prioritising reforms that enhance competition in services markets, particularly by strengthening pro-competitive regulation in sectors that are essential to value chains, such as postal and courier services and telecommunications.

More information

- » Access all of the country notes, sector notes and interactive STRI tools on the OECD website at <http://oe.cd/stri>
- » Contact the OECD Trade and Agriculture Directorate with your questions at stri.contact@oecd.org