Chile remains committed to foreign investment, and investment legislation has been incrementally liberalized since 1974. The flexibility of the well-educated workforce is a major attraction to foreign investors, and international capital will continue to flow into export-oriented industries such as mining, manufacturing and agriculture. However, plans to levy royalties on profits made by companies in the mining sector are raising concerns among foreign companies in the sector. Restrictions exist for investment into the fisheries sector.

Canadian investment in Chile has increased sharply, making Canada Chile's second largest investor after the United States. Canadian foreign direct investment in Chile totalled $5.8 billion in 2002, according to Statistics Canada. Although primarily concentrated in the mining sector, important investments have also been made in energy, financial services, equipment manufacturing and communications.

The CCFTA and the Canada–Chile Double Taxation Agreement significantly improved the overall legal regime applying to Canadian investors in Chile by providing them with additional benefits and guarantees unprecedented outside the NAFTA context. The CCFTA ensures that Canadian investors will be treated in a similar fashion to Chilean investors and will receive benefits equivalent to those Chile may grant to other countries in future agreements.

Market Access Results in 2003

- A direct air link between Canada and Chile was re-established in December 2003, with flights to operate regularly between the two countries.

Canada's Market Access Priorities for 2004

- Seek a satisfactory resolution to a customs valuation and tax issues that have affected Canadian auto exporters.
- Encourage engineering professions in both countries to complete the negotiation of a Mutual Recognition Agreement.
- Commence negotiations on government procurement to broaden the CCFTA.
- Hold a first meeting of the CCFTA Sanitary and Phytosanitary Committee and begin work on a longer-term structure for managing these issues.
- Continue representations aimed at the removal of Chile's BSE measures on imports from Canada.

IMPROVING ACCESS FOR TRADE IN GOODS AND SERVICES

Automobiles

The Supreme Court of Chile ruled on April 1, 2003, that the 85% tax applied by the Chilean government on automobiles of over $16,232 in value was equivalent to a tariff and thus contravened the CCFTA. Canada's position is that since Chile is applying an import duty that is not referred to in Chile's schedule of commitments under the CCFTA or the GATT 1994, it is acting in violation of its obligations under both agreements. In November 2003, Chile amended its domestic law so that commencing January 1, 2004, the luxury tax will be phased out according to the timetable agreed to under the Chile–U.S. FTA. This will provide vehicles from Canada with treatment on par with that accorded to vehicles imported from other countries, including the United States.

Bovine Spongiform Encephalopathy

Following Canada's May 20, 2003, announcement of a BSE case, Chile issued a ban on imports of bovines and bovine products from Canada. Canada has kept all its trading partners, including Chile, fully informed of the results of its investigations and regulatory response, and it is requesting a resumption of trade on scientific grounds. (For further information, see the BSE overview in Chapter 2.)

Pet Food

In September 2003, a very stringent certificate for exporting pet foods was agreed upon between the Canadian Food Inspection Agency and its counterpart in Chile, the Servicio Agricola y Ganadero. Further discussions have made possible a less-restrictive certificate, which will allow most companies that were exporting pet foods to Chile prior to the discovery of the BSE case in Alberta to resume exports.