CHILE-INDONESIA JOINT STUDY GROUP ON THE FEASIBILITY OF A FREE TRADE AGREEMENT: FINAL REPORT

This study was prepared by the General Directorate of International Economic Affairs, Ministry of Foreign Affairs, Republic of Chile and Ministry of Trade, Republic of Indonesia

DIRECON
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DEPARTEMEN PERDAGANGAN REPUBLIK INDONESIA
Ministry of Trade Republic of indonesia

Bali, Indonesia, November 11-12, 2009

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Executive Summary

Indonesia and Chile had agreed in November 2008 to conduct a joint study group on the merits of a bilateral free trade agreement. Both countries agreed that the study would be completed by early 2010, with recommendations for their political authorities.

The bilateral relationship has developed considerably in recent years, such as the establishment of a Joint Commission reflecting the shared commitment of the two countries to advance cooperation on a wide range of bilateral and regional interests. Indonesia and Chile have worked closely and they are willing to expand further its relationship given the importance of the two nations in the Southeast Asia and Latin America region. Indonesia the largest economy in ASEAN and the world’s fourth most populous nation, and Chile one of the most developed economies in the Latin America region.

Despite of trade potentials, trading relationship between two countries is still very limited. Indonesia and Chile trade mostly in non oil and gas commodities and two-way bilateral trade amounted to some US $ 400 million in 2008. Chile currently ranks 51st in Indonesia’s export destinations and Indonesia ranks 35th in Chile’s export destinations. There are significant trade complementarities between the two countries. Chile supplies agricultural, resource-based products, manufactured goods and services, whereas on the other hand, Indonesia supplies a variety of processed food products and other labor-intensive goods and other manufactures.

There is substantial scope and opportunities to strengthen the trade and investment relationship, including by addressing barriers to trade and investment in both economies. In recent years, there have not been investments between the two countries; With the Joint Study Group (JSG) it was possible to explore the potential of trade in goods and services, investment and cooperation.

In preparing the study both Governments accorded priority to consultations with key stakeholders, including different levels of government, business and other interested groups. In addition, both sides undertook economic modelling to investigate the economic impact of a bilateral FTA. These consultations in combination with the economic modelling have established the basis for the results obtained in this study.

The study aims to shed light on the main impacts that a liberalization of trade and investment based on a WTO-consistent Free Trade Agreement (FTA) would have on both economies, and which aspects might be included in an FTA between both countries.

The feasibility study finds that a bilateral FTA between Indonesia and Chile would provide valuable benefits for both countries. More broadly, however, the feasibility study confirms that while a range of obstacles to bilateral trade could be eliminated by each country as part of the Indonesia and Chile FTA.

The study shows that gains would be achieved under an FTA as results of a reduction of tariffs and non-tariff barriers to trade between the two countries

A bilateral FTA would be expected to cover a services sector of importance to each country.

The main sectors for foreign investment in Chile are mining, electricity gas and water supply;; services, transport and communications and financial sector. Indonesia would be better placed to attract Chilean investment especially in communication, mining, and financial sector..

A bilateral FTA would be expected to intensify and strengthen cooperation between Indonesia and Chile, including areas such as custom procedures, standards, technical barriers to trade, sanitary and phytosanitary, government procurement, competition policy and intellectual property rights.

The Joint Study's main conclusions indicate that an FTA between Chile and Indonesia would have a positive impact on the economic relationship of the two countries:

- An FTA between Chile and Indonesia would, as a result of the tariff elimination, increase bilateral trade for both countries. Even more, the trade facilitation associated to the FTA could make possible to trade goods that at present are "non traded goods" in bilateral terms.
- An FTA, with disciplines that provide legal certainty would improve the investment environment and would have a positive impact in the export of services including those associated to the increase of trade in goods.
- An FTA between Chile and Indonesia would induce a reduction in the transaction costs of trade between the two countries, due to the inclusion of trade facilitation measures.
- Both Indonesia and Chile have solid networks of economic relations in their respective regions. Indonesia has agreements with ASEAN, Japan, China, Korea, India, Australia and New Zealand economies and is currently commencing negotiation with major trading partner, bilaterally and regionally. On the other hand, Chile has commercial and economic agreements with all Latin American countries and with the USA and Canada. Indonesia could be a gateway for Chile to the South East and East Asia as Chile could be the gateway for Indonesia to Latin America.

The conclusions and recommendations of this study advise to the Indonesian and Chilean Governments on the positive results obtained by the "Chile-Indonesia Joint Study Group on the Feasibility of a Free Trade Agreement", so that appropriate decisions concerning future negotiations between Chile and Indonesia should be considered.

Chile-Indonesia Joint Study Group on the Feasibility of a Free Trade Agreement

I. INTRODUCTION

I.1 Background of the Study

Indonesia and Chile have agreed in November 2008 to conduct a joint study group on the merits of a bilateral free trade agreement. Both countries agreed that the study would be completed by early 2010, with recommendations for their political authorities.

Indonesia and Chile, who are members of Asia and Pacific Cooperation (APEC), have a few ranging relationship, encompassing extensive political, commercial, developmental and people-to-people links. The bilateral relationship has developed considerably in recent years such as the establishment of Joint Commission between Indonesia and Chile, reflecting the shared commitment of the two countries to advance cooperation on a wide range of bilateral and regional interests. Indonesia and Chile have worked closely and likely to expand further its relationship in the future given the importance of the two nations in the Southeast Asia and Latin America region, with Indonesia the largest economy in ASEAN and the world's fourth most populous nation, and Chile one of the most developed economies in the Latin America region.

Despite of trade potentials, trading relationship between two countries is still very limited. Indonesia and Chile trade mostly in non oil and gas commodities and two-way bilateral trade amounted to some US $ 400 million in 2008, for which Chile currently ranks 51^{st} in Indonesia's export destinations. There are significant trade complementarities between the two countries. Chile supplies some agricultural, resource-based products and services whereas on the other hand, Indonesia supplies a variety of processed food products and labor-intensive and other manufactures.

There is substantial scope and opportunities to strengthen the trade and investment relationship, including by addressing barriers to trade and investment in both economies. Recent years, there is no investment between the two countries; therefore, a Joint Study Group (JSG) is highly feasible to explore the potential of trade in goods and services, investment and cooperation in certain areas.

I.2 Objectives of the Study

The study aims to shed light on the main impacts that a liberalization of trade and investment based on a WTO-consistent Free Trade Agreement (FTA) between the two countries would have on their economies, and which aspects might be included in an FTA between both countries. The outline of the study was agreed by both sides which include among others:

- Comprehensive tariff liberalization;
- Enhancing bilateral trade by addressing non-tariff barriers;
- Broad-based liberalization of the services sector;
- Addressing impediments to the two-way flow of trade and investment;
- Measuring attributes to strengthen intellectual property regimes;
- Competition policy reform;
- Improving customs procedures;
- Addressing technical barriers to trade, such as technical regulations and standards;
- Economic cooperation and information exchange on other issues of cooperation;
- Environment and international trade, and
- Labor and gender issues.

I.3 The Environment for a Bilateral Free Trade Agreement

The global economic slowdown, which gathered real momentum in late 2008, continues to challenge policy makers in both Indonesia and Chile. Both countries are members of APEC countries which confirmed the vital importance of resisting protectionist pressures and advancing trade reform to support economic growth and development. An open trading system and further reform – whether multilateral or bilateral – will be important to the long-term growth prospects for both Indonesia and Chile. The FTA that addresses impediments to bilateral trade and investment will help promote this goal.

For many of the economies of South East Asia and Latin America, which have strong interest in an open, rules-based international trading system, the recent slow progress of the WTO Doha Round negotiations has been disappointing. Both Indonesia and Chile seek, as the highest priority of trade policy, a successful and substantial outcome from the Doha Round and have worked actively in the WTO, in APEC and other international and regional fora. A substantial Doha Round outcome would not only lay the basis for a stronger world economy in the medium and longer term, but would also have an immediate impact on global economic confidence.

For many countries, including Indonesia and Chile, FTAs have emerged as an important complement to WTO disciplines. The spread of FTAs is underpinned by a variety of factors, including: a desire to improve market access, to build global networking and/or maintain economic competitiveness as other countries negotiate FTAs, as well as limited progress at the WTO. In addition, some countries seek FTAs to pursue broader non-economic foreign policy or strategic objectives, while in other cases the contribution such agreements would improve domestic reform initiatives. Through its membership of ASEAN, Indonesia is a party to the ASEAN Free Trade Area (AFTA). It is also a party to the ASEAN Framework Agreement on Services (AFAS), the Agreement on the ASEAN Investment Area (AIA), and a Framework Agreement on Intellectual Property Cooperation. ASEAN's aim is to form an ASEAN Economic Community, with a single market for goods and services by 2015. AFTA commits six member nations (Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand) to eliminate import duties, except on sensitive and highly sensitive products by 2010, and the other four member nations (Cambodia, Laos, Myanmar and Vietnam) to similarly eliminate duties by 2015 except on sensitive and highly sensitive products.

Again through its membership of ASEAN, Indonesia has been involved in FTA negotiations with a number of other economies. It is thus a member of separate agreements between ASEAN and China, the Republic of Korea, and Japan. It is a party to AANZFTA and participated in the recently concluded negotiations between ASEAN and India. Indonesia also recently concluded its first bilateral trade agreement with a non-ASEAN member, the Economic Partnership Agreement with Japan. Indonesia is also negotiating bilateral agreements with Pakistan. After concluded Joint Feasibility Study of Bilateral FTA with Australia and India in March 2009, Indonesia is going to immediately negotiate a bilateral FTA with Australia, and European Free Trade Area (EFTA) member countries. By mid of June 2009, Indonesia has signed an agreement of Joint Feasibility Study for Trade and Economic Cooperation with Tunisia.

An Indonesia-Chile FTA could add high value to the existing trade agreements by: (a) providing more extensive tariff elimination between the two economies; (b) making additional commitments in areas such as services and investment, as well as customs procedures, intellectual property and competition policy; and (c) strengthening economic cooperation in a wide range of areas such as science and technology, small and medium enterprises, education, tourism, logistics, etc. These valuable opportunities are detailed in this report.

I.4 Political and Strategic Implications of FTA

For Indonesia and Chile, broader economic and strategic objectives are taken into account in determining partners for FTAs. From a bilateral relations perspective, an FTA would be an important further step in current efforts to broaden and deepen Indonesian-Chilean ties. Both Governments have demonstrated strong commitment to expand further trade relationship. Both Governments acknowledge, however, that two-way trade and investment relationships are still limited. Therefore, an FTA should explore the potential of strong complementarities between the two economies.

As the largest economy in South East Asia region, Indonesia has helped to drive its emergence as a key forum in Asia Pacific region. Indonesia is also emerging as a significant player in global issues including trade, climate change and the development of democracy. Reflecting this expanding regional and global role, Indonesia places very high priority on developing relations with Asia Pacific Economic Cooperation member countries, including to the Latin America as well as the economies of North America. A strong bilateral FTA between Indonesia and Chile would set a positive example by encouraging greater trade liberalization, economic reform and economic integration across Asia Pacific region.

From Indonesian perspective, Chile is the third significant merchandise trading partner in Latin America. In addition, Chile has also the most stable and transparent commercial environment, and the highest GDP per capita among Latin America region. In fact, Chile has implemented bilateral FTA with 59 countries which signaling opportunities as entry point for Indonesian products to Latin America region along with complementary of products between the two countries. Moreover, through good governance, it is noted that Chile’s basic infrastructures have been developed significantly to ensure economic cooperation with other countries.

A freer flow of goods, services under a bilateral FTA would help bring the countries closer: a strategic goal of both nations. Experience has shown that closer people-to-people links follow naturally from intensified economic engagement. Closer economic ties can contribute to Indonesia's and Chile’s economic development and then its prosperity and stability, are positive for economic integration in the Asia Pacific region.

For Indonesian side, a bilateral FTA with Chile would help economic integration with Chile. Indonesia offers Chilean companies export potentials in agriculture products, food and beverages; including mining products. There is also scope to expand services exports in construction and infrastructure development, finance, education and transportation sectors.

Indonesian producers also consider expanding markets in Latin America. Latin American region is considered one of the important and under developed trading market for Indonesian producers, with trade value in 2008 of only two per cent of total trade. Because Chile has a strong trade and investment presence in Latin America economies, an FTA with Chile could allow the expansion of trade networking for Indonesia with the rest of Latin American region.

The Ministry of Trade of the Republic of Indonesia put the study as one of the priority program in 2009. In preparing the study, Indonesian side would collect secondary and primary data from government institutions sources, international institutions and others relevance sources. Indonesian side also will undertake public consultation with related Department/Ministry and private sector in capital and a few provinces to help in preparing the report of the study.

The methodology in this study is detailed in Chapter V. The analysis aims to estimate the effects that a tariff reduction would bring about in bilateral trade between Chile and Indonesia. The methodology "will consider a set of partial equilibrium models, one for exports and one for imports, taking into consideration Chilean and Indonesian trade data from 2007 and 2008 respectively. The final results in terms of imports and exports are given by the difference between demanded and supplied goods after the application of the tariff reduction. Other models might be analyzed, but in our experience partial equilibrium models are better suited for the impacts in developing economies. Since this analysis is performed only on traded goods, it leaves aside the potential trade between the two countries (trade in non-traded goods). This subset of products is important to analyze too, because allows to quantify the total gain of a Free Trade Agreement". This modeling would also provide benefit and cost of the tariff reduction under the bilateral FTA between the two countries. Modeling results should also be used only to infer the outcome of trade liberalization and the magnitude of such impacts.

A bilateral FTA would strengthen the emerging strategic partnership between Indonesia and Chile and carries positive symbolic value for the global community. Indonesia and Chile are democratic countries and a middle income standard of living in the Asia Pacific region. Indonesia and Chile can send significant message to the global community that despite long distance between the two countries and different histories and circumstances, two countries are able to work closely and productively to advance their mutual interests.

II. OVERVIEW OF CHILE/INDONESIA TRADE AND INVESTMENT

II.1 Main Characteristics

II.1.A Macroeconomic Features

II.1.A.1 Chile

A high and sustained economic growth and a marked improvement in social development have been the most distinctive characteristics of the Chilean economy since the 90s; noteworthy was the reduction of poverty. The governments since 1990 supplemented growth-oriented economic policies with focused social policies and an enhancement in investment in human capital, coupled with a liberalization of the economy. Although growth slowed down at the end of the 90's due to external factors[1] and the firs[2]t years of the 2000s, a period of economic recovery was experienced since 2004 and in 2009 a slow down of the economy is expected, as the international economy has experienced a severe financial crisis since September, 2008. This has meant a GDP growth of 5.5% in the last 17 years and an expected growth in the region of -0.75 and +0.25% in 2009[3], higher than the average of Latin America and the world[4], and a recovery since 2010, based on the macroeconomic fundamentals that created the sustained growth since the 90's.

The national development strategy is based on a social market economy open to international trade, where the foreign trade sector is a main driving force of growth. At the same time, the core elements of the economic policy over the past 15 years have been based on macroeconomic stability, elimination of domestic market distortions and a gradual lowering of barriers to foreign trade. In the years of high copper prices and expansion of the world economy, the macroeconomic policy was able to save a large part of the additional incomes, which has meant that the country is better prepared for the international crisis of 2008/2009. Under such conditions, the Chilean economy has achieved a high level of competitiveness and opening to the world economy.

Chile's macroeconomic stability and its general socioeconomic performance have been acknowledged by the main international risk rating agencies. In 2008, the Economist Intelligence Unit rated the country-risk as one of the lowest in the world, lowest than Japan, the United States and other developed nations, and slightly higher than the risk of Germany or the United Kingdom[5], and the less risky in the whole of Latin America and in an equal standing with many countries with high development levels. In 2008, IMD (Geneva) ranked Chile as the 26th more competitive nation (the most competitive in

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[1] In the late 1990s, end of 1998 and early 1999, Chile's economy experienced an impact of the Asian crisis with adverse effects on its terms of trade and export volumes, "sharp fluctuations in domestic interest rates, exchange rate pressures, and a serious drought (attributable to the weather phenomenon La Niña)" in Aninat, Eduardo (2000) "Chile in the 1990s: Embracing Development Opportunities", Finance & Development March 2000, Vol. 37, Number 1, IMF, Washington, D.C

[2]

[3] The Budget Director estimates a -0.75% to + 0.25% GDP growth in 2009. in Alberto Arenas "Evaluación de la Gestión Financiera del Sector Público en 2008 y Actualización de Proyecciones para 2009" Presentación ante la Comisión Especial Mixta de Presupuestos, 15 June 2009 in http://www.dipres.cl/572/articles-45382_doc_ppt.ppt#307,17,Diapositiva 17

[4] IMF(2009) "World Economic Outlook-Update", January 2009 in http://www.imf.org/external/index.htm

[5] Economist Intelligence Unit, May 2008, quoted in Comité de Inversiones Extranjeras (Chile) CINVER in http://www.cinver.cl/clima/competitividad_agencias_agencias_clasif.asp

Latin America), and just below Belgium (24) and France (25)[6]. The sovereign risk of Chile is the lowest in Latin America, and compares favorably with Asia and Europe: the EMBI reached 353 for Chile in November 2008, while it was 739 for Latin America, 619 for Asia and 707 for Europe[7].

II.1.A.1.1 Chile: Gross Domestic Product

The economic activity has shown high dynamism and sustained growth over the last two decades, and particularly after the recession that hit the country in the early 80s. According to the Central Bank of Chile, in the period 1990 – 2007, the economy grew at an annual rate of 5.5 percent[8]. In 2009, the growth rate of GDP is expected to reach between 2% and 3%, in the middle of the international financial crisis. As a result, these indexes basically doubled in the course of the 90s decade. At the end of the 90s, economic growth first slowed down (3.4 percent in 1998) and then dipped (-1.1 percent in 1999). In the year 2000, the Chilean economy began a reactivation process and is estimated that for current 2009, GDP will get a rate of growth in the region of -0.75%-+0.25%, while for 2010 most forecasts suggest that it will recover and further increase, according to the evolution of the international financial crisis.

The fastest growing sectors in the last years (2003 – 2007) have been communications, financial services, commerce, agriculture, construction and transport. During 2007 the share of services (financial, firms and personal) in the total economic activity represented 34.3 percent of GDP, commerce, hotel and restaurants 11.1 percent, manufacturing industry 17.1 percent; mining 7.7 percent and agriculture and fishing 5.2 percent. Among the rest of the economic sectors, transport and communications attained increasing importance over time, reaching 10.3 percent in 2007, and construction has recovered with the increase in investment reaching to 7.6 percent of GDP in 2007.

II.1.A.1.2 Chile: Inflation

The endemic problem of persistently high inflation rates that characterized the Chilean economy in the past has been reined in and is a priority target in the macroeconomic management. One of the most significant bases of the inflation control policy has been the independence of the Central Bank. In the early 90s, the Central Bank established a policy aimed at the gradual reduction of the inflation rate, announcing the inflation goal to be reached annually, which was strictly met ever since.

As from 1994 the inflation rate fell to a one-digit figure, reaching the levels exhibited by developed economies. While in 1990 inflation stood at 27.3 percent, in the period 1995-1999 it was less than 6 percent. Although in 2007 inflation showed an increase, reaching 7.8%, mostly because of the international inflation in commodities and food prices in that period, by the end of 2008 inflation had been reduced (7,1%), and the expectations for 2009 are that it will be reduced and be in the region of 3.1%[9]-3.5%[10],

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[6] IMD (2008) "World Competitiveness Yearbook 2008", Geneva in http://www.imd.ch/research/publications/wcy/upload/scoreboard.pdf

[7] EMBI global spread from JP Morgan Chase in http://www.bcentral.cl/publicaciones/estadisticas/informacion-integrada/pdf/bm122008.pdf

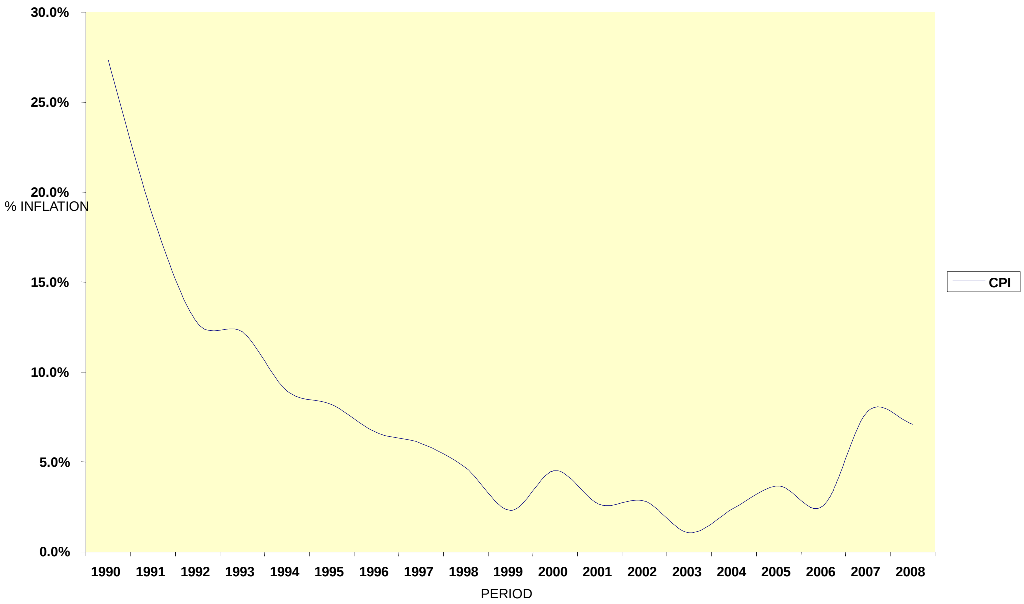
[8] GDP Series since 2003 at 2003 constant prices; earlier series at 1996 prices linked by Central Bank of Chile in Stanger V., Michael (2007) "Empalme del PIB y de los Componentes del Gasto: Series anuales y trimestrales 1986-2002, Base 2003", Nº 55, March, 2007, Santiago, Chile and GDP at 2003 prices series published in http://www.bcentral.cl

[9] Banco Central de Chile(2009) "Informe de Política Monetaria", January 2009 in http://www.bcentral.cl/publicaciones/politicas/pdf/ipm012009.pdf . The forecast of inflation for 2009 by the

keeping within the target range of the monetary policy. The inflation goal has been deemed to be the nominal anchor of the economy, becoming a determinant sign for private stakeholders. Until 2006, the inflation goal established by the Central Bank stood in the range 2 – 4 percent, in line with the experience in the last 5 years[11], while since 2007 the target is to keep the rate of inflation in 3% (+-1%) most of the time[12].

Chart 2.1 Chile's Consumer Price Index 1990-2008

(Yearly % change, December)



Source: Calculated from Central Bank data

II.1.A.1.3 Chile: Export Sector

A driving force behind economic growth has been the export sector. With growth rates well above GDP, exports multiplied by more than eight between 1990 and 2008[13]. Considering that there is a direct relation between economic growth and the development of foreign trade (exports plus imports), the rate of growth of foreign trade was around 9.4% percent per year, between 1990 and 2007, higher than the growth of the GDP which reached annually in average 5.5%. Total foreign trade represents in

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Central Bank was 3.1% at the beginning of the year, and has been reduced in the following months, being in the region of 0.6% in May of 2009, as in "Presentación del Informe de Política Monetaria ante la Comisión de Hacienda del Honorable Senado de la República" José de Gregorio, Presidente, Banco Central de Chile, 13 de mayo 2009 in http://www.bcentral.cl/politicas/presentaciones/consejeros/pdf/2009/jdg13052009.pdf, page 16.

[10] Banco Central de Chile "Encuesta mensual de expectativas económicas", January 2009 in http://www.bcentral.cl/estadisticas-economicas/series-indicadores/xls/expectativas/resultado.xls

[11] Central Bank of Chile "Informe de Política Monetaria" 18 de enero de 2006, Santiago de Chile. "The Board ...keeps a projected inflation in the range of 2 to 4%, centered in 3% in the customary policy horizon of 12 to 24 months".

[12] "El Consejo reafirma su compromiso de conducir la política monetaria de manera que la inflación proyectada se ubique en 3% en el horizonte de política", Central Bank of Chile "Informe de Política Monetaria" 16 de mayo de 2007, Santiago de Chile, page 50

[13] In 1990 Chilean exports were US$ 8.4 billion and reached in 2008 US$ 67.8 billion

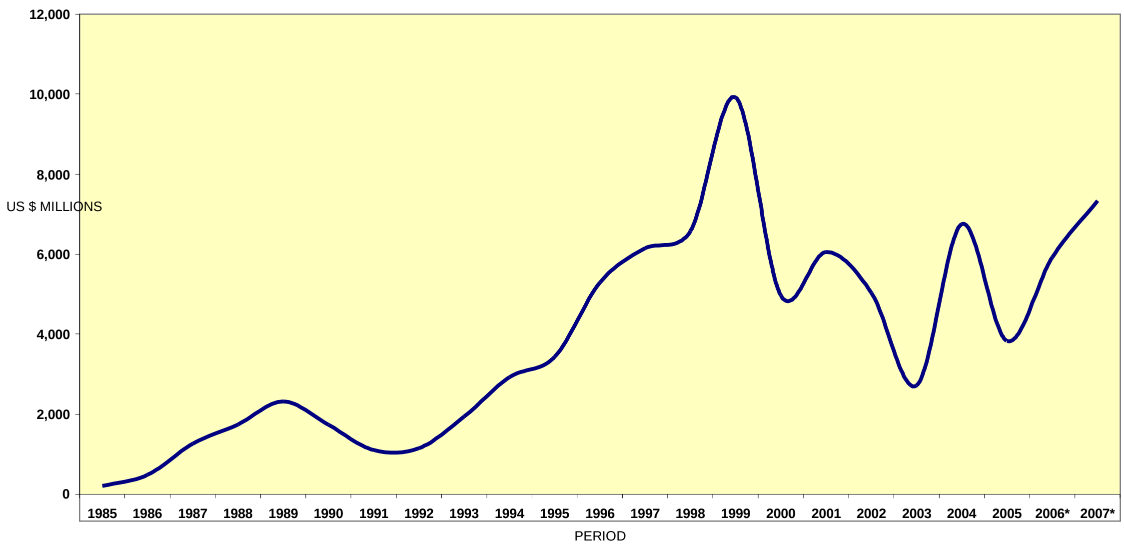
2007, 86% of GDP.[14] The opening of the Chilean economy to international markets has been beneficial for the growth prospects. From 1996 to 2008, exports of goods grew at an annual average of 12%[15]; reaching a peak in 2008, with an amount that exceeds 67 billion dollars.

Between 1990 and 2008 Chile continued to open to international markets. The nominal foreign tariff was reduced from a flat 15 percent to an 11 percent rate in 1992, with unanimous Congress agreement. As from 1999, the flat tariff rate was scheduled to drop 1 percent each year until 2003, remaining at 6 percent. It should be noted that flat tariffs are a central aspect of the non-discriminatory market economy that characterizes Chile's economic policy.

II.1.A.1.4 Chile: Foreign Investment

As a result of the liberalization process, foreign direct investment has exhibited a significant growth. In the period 1990 – 2007 foreign direct investment totaled 82.9 billion dollars. This figure compares favorably with the 8.6 billion dollars of FDI recorded in the period 1974 – 1989[16]. Foreign direct investment in 1990 represented 5.7 percent of GDP and reached 7.6 percent in 2004[17]. In 2007, foreign investment reached a level of US $ 7.340 millions.

Chart 2.2 Chile's Foreign Investment 1985-2007



Source: Foreign Investment Committee (CINVER)

The increasing flows of exports and foreign investment have been the two cornerstones of the Chilean economic globalization in the 1990 – 2008 period. Reserves reached 16,910 million dollars in 2007, an amount that represents more than 6 months of imports, while net foreign debt (foreign debt minus international reserves) in relation to

[14] Exports+imports of goods and services/GDP at constant 2003 prices, Chilean Central Bank in http://si2.bcentral.cl/Basededatoseconomicos/951_excel.asp?c=CN_B03_27&i=E&f=A&l=29&crec=n&tm=n&dec=0&sep=punto
[15] In current US $
[16] Includes investment through the Foreign Investment Statute (D.L.600), Chapter XIV and Chapter XIX.
[17] Includes investment through the Foreign Investment Statute (D.L.600), Chapter XIV and Chapter XIX.

Chilean exports dropped from a 3.13 ratio in the period 1984 – 1989 to 0.65 in the period 2004 – 2006. In 2007, the ratio of net foreign debt in relation to Chilean exports reached a 0.58 figure[18].

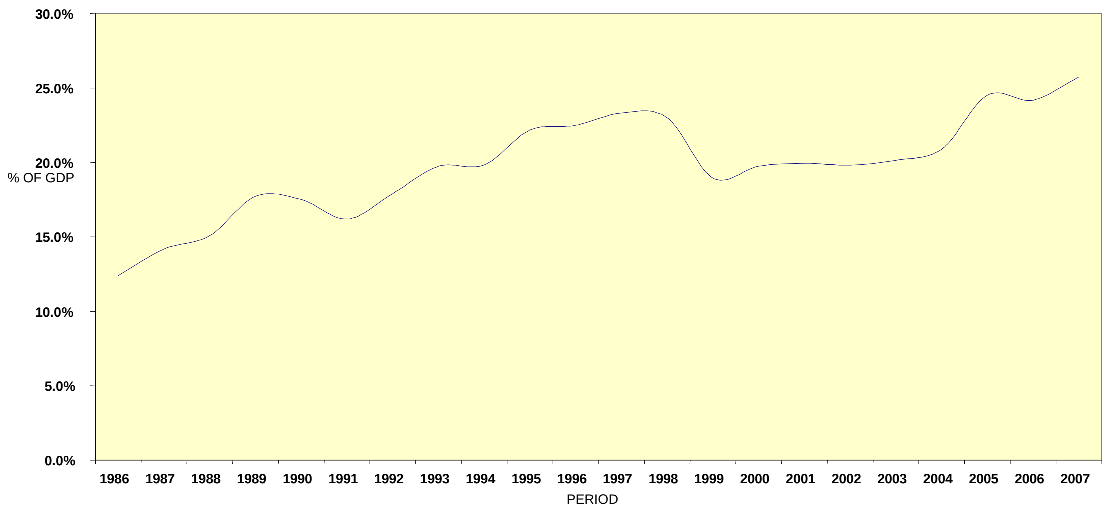
II.1.A.1.5 Chile:Investment and Savings

The great dynamism of the Chilean economy in the 90's was spurred by the high investment rates recorded during the period, which also constitute the best guarantee of future growth, although at the end of that period there was a fall due to the economic slump as a result of the Asian crisis. While in the period 1986 – 1989 investment represented 14.8 percent of GDP, in 1990 – 2007 this rate reached an average 20.9 percent[19]. Very important indeed was also the high rate of domestic savings in the 90s and the first years of the new millennium, with an average of 21.6 percent over the GDP for the period 1996-2006, one of the highest in Latin America, and a record of 25.7 percent over the GDP in 2007[20].

In 2005-2007, there was an increase in investment; mostly due to an improvement in expectations, a sound macroeconomic policy, a recovery in the prices of Chilean exports, and the firm expansion of the international economy. This was also supplemented with the growth of infrastructure investment in public transport (highways, underground metropolitan transport of Santiago, urban rail net in Viña – Valparaiso and other cities).

Chart 2.3 CHILE's INVESTMENT RATE AS % OF GDP 1986-2007

(CONSTANT 2003 PRICES)



Source: Calculated from Central Bank data.

[18] Figures calculated from Central Bank data

[19] Central Bank of Chile in Stanger V., Michael (2007) "Empalme del PIB y de los Componentes del Gasto: Series anuales y trimestrales 1986-2002, Base 2003", Nº 55, March, 2007, Santiago, Chile and series

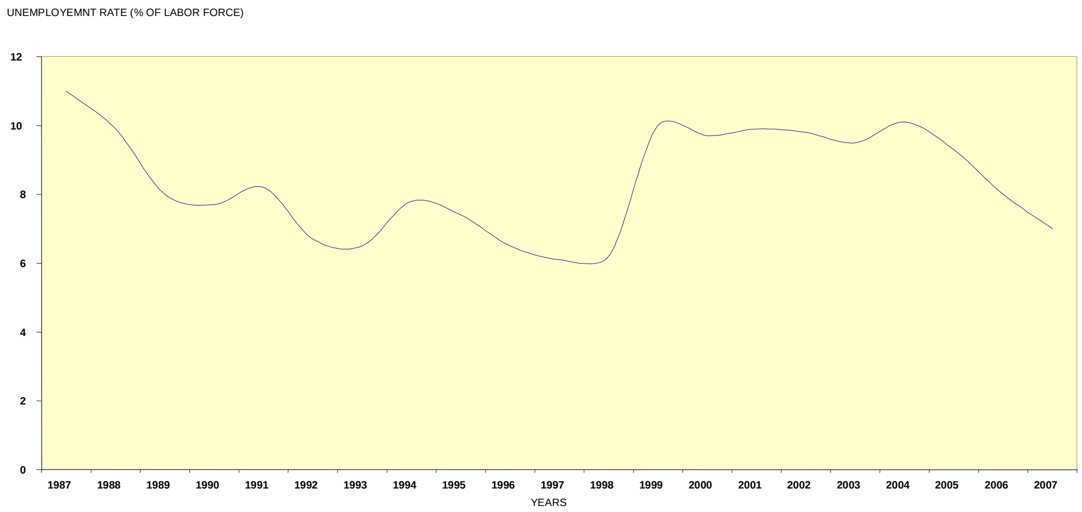
[20] Savings data in current pesos in Central Bank , http://si2.bcentral.cl/Basededatoseconomicos/951_705.asp?f=A&s=PPIB7&idioma=E&sep=coma&a=0.7801773865312633&crec=n

II.1.A.1.6 Chile: Employment and Salaries

The reduction of inflation, high GPD growth rates and export increases went hand-in-hand with high investment and domestic savings rates, which favored a high employment creation. While in the period 1986 – 1989 the average unemployment rate was 10.2 percent, in the period 1990 – 1998 it fell to 7.0 percent. However, as a result of the Asian crisis, unemployment climbed considerably in 1999, reaching its highest level in 1999 (10 percent). The unemployment rate has been reduced since 2004 and has continued to drop, standing at 7.0 percent for 2007, below the 8.0 percent of 2006. Preparing to the consequences of the international financial crisis in the Chilean economy, economic reactivation and pro-employment measures fostered by the government, together with interest rates cuts by the Central Bank since December 2008, unemployment increase is expected to be moderate during 2009. The rate of creation of new jobs had been of 148 thousand jobs each year on average, since 2000[21].

Equally important has been the rise in real salaries, for these have grown at an average 2.3 percent in the period 1994 – 2006, which translates into a 32 percent increase for that period. It should be noted that from 1990 to 1997 real salaries rose at 3.1 percent annually. In 2006, real wages had increased by 2.0%.[22]

Chart 2.4 Chile's Rate of unemployment 1987-2007



Source: Calculated from Central Bank data.

On the other hand, average labor productivity also rose significantly since the 90s. In the period 1986 – 1989 it grew at only 2.5 percent annually; while in the period 1990 – 2007 the average annual growth rate was 3.3 percent, with a peak of 9.2 percent in 1995. Productivity growth has been a decisive factor in the competitiveness of national industries. As a result of this important productivity growth, the rise of real salaries has not affected the inflation goals set by economic authorities.

[21] Employment reached 6.45 million people in 2007, as compared to 5.41 million people in 2000 (Source of data is National Institute of Statistics-INE- published in website of Chilean Central Bank)

[22] Figures from National Institute of Statistics (INE) in http://si2.bcentral.cl/Basededatoseconomicos/951_705.asp?f=A&s=REM_R_HORA&idioma=E&sep=coma&a=0.7508357498669635&crec=n

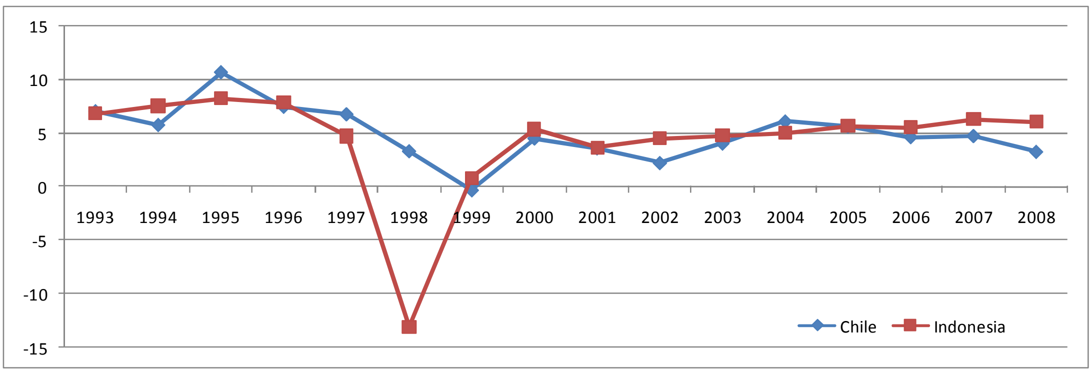
The evolution of employment and productivity are two of the most positive characteristics of recent economic performance, with an emphasis on social progress. These have been the main mechanisms whereby the benefits of economic growth have been transferred to the poorer sectors of the Chilean society. The population below the poverty line fell from 45 percent in 1987 to only 22 percent in 1998, a reduction that constitutes the most significant progress among all Latin American countries for this period**.** Moreover, the most recent available survey shows that this trend has been further established, as the population below the poverty line for 2006 was reduced to 13.7 percent[23]

II.1.A.2 Indonesia

Indonesia has the largest economy in South-East Asia and is the world's fourth most populous nation. In 2008, Indonesia's GDP reached US$ 511.8 billion, representing 300.8 per cent of Chile's GDP (in current US dollar terms). The Indonesian economy grew at an average rate of 5.4 per cent per annum between 2002 and 2008. The manufacturing sector accounted for 28.1 per cent of GDP in 2008, with services; agriculture; and mining accounting for 48.7; 14.3 and 8.9 per cent of GDP respectively. During 2008, Indonesian's economy maintained adequate performance amid the global turmoil. Overall economic growth reached 6.1% in 2008, slightly below the 6.3% recorded in the previous year. This growth was driven by private consumption and exports. In Q1/2009, the economy charted more modest growth at an estimated 4.6%. A key factor in this slowdown is the export downturn brought on by the global economic recession.

However, the share of private consumption to GDP eased in comparison to 2007, in contrast to the mounting share of exports (Table 2.1). The increased share of exports to GDP is explained to some extent by export growth driven by soaring commodity prices in the first half of 2008. Accordingly, export demand and private consumption retained their place as the most important contributors to total economic growth in 2008. On the demand side, the effect of weakening global demand in the first half of 2008 was still offset by high world commodity prices. As a result, exports and investments maintained growth.

Chart 2.5
GDP Growth in Chile and Indonesia



Source: World Bank, 2009

Analyzed by distribution of GDP, private consumption and exports again dominated GDP in 2008. The vigorous growth in exports and investment bolstered public

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[23] CASEN 2006 survey, performed by the Ministry of Planning MIDEPLAN in MIDEPLAN (2007) http://www.mideplan.cl/final/noticia.php?idnot=1336

purchasing power, with household consumption forging ahead in the first half of the year. In the second half of 2008, however, Indonesian exports were hit by the downturn in global economic growth and heightened uncertainty on financial markets, and slowed significantly during the final quarter of the year 2008.

Table. 2.1. Distribution and Growth of GDP

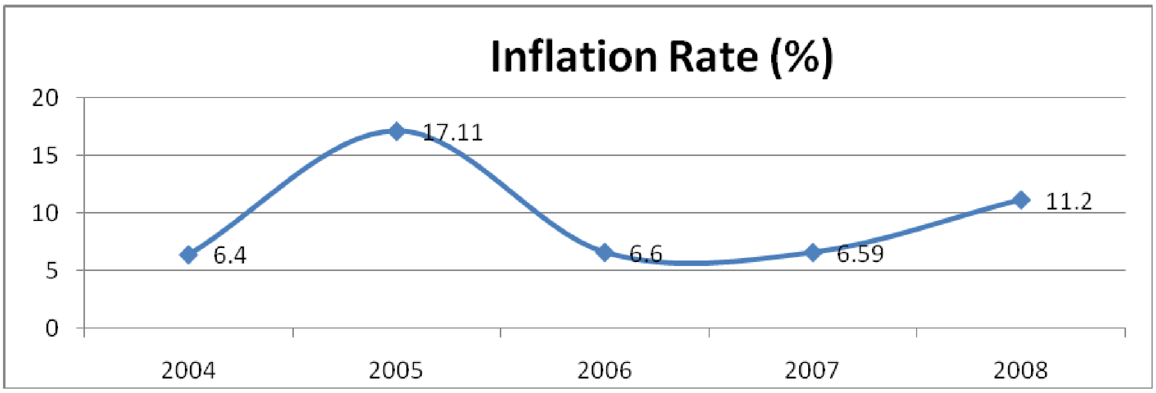
Expenditure	2005	2006	2007	2008	2009*
Distribution (%)					
Household final consumption	**65.4**	**62.7**	**63.5**	**61**	**59.2**
Government final consumption	**8.2**	**8.6**	**8.3**	**8.4**	**9.9**
Gross Domestic capital formation	**22.0**	**24**	**24.9**	**27.7**	**31.3**
Changes in Inventories	**0.3**	**0.6**	**0**	**0.1**	**0.2**
Export of goods and services	**33.5**	**30.9**	**29.4**	**29.8**	**23.6**
Import of Goods and services (-/-)	**29.2**	**26.1**	**25.3**	**28.6**	**20.7**
Gross Domestic Bruto	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**
Growth (%)					
Household final consumption	**3,9**	**3,2**	**5,0**	**5,3**	**5,4**
Government final consumption	**8,1**	**9,6**	**3,9**	**10,4**	**18**
Gross Domestic capital formation	**9,9**	**2,9**	**9,2**	**11,7**	**3,0**
Export of goods and services	**8,6**	**9,2**	**8,0**	**9,5**	**-17,2**
Import of Goods and services (-/-)	**12,35**	**7,6**	**8,9**	**10,0**	**-24,9**
Gross Domestic Bruto	**5,6**	**5,5**	**6,3**	**6,1**	**4,2**
Source : Statistics Indonesia of The Republic of Indonesia					

Note: * Semester I-2009

During 2008, household consumption charted more vigorous growth compared to the previous year. The high rate of household consumption was buoyed by stable public purchasing power and improving levels of consumer confidence. Also bolstering public purchasing power were rising incomes from the surge in export commodity prices, higher incomes in the middle to upper class earning brackets and the Government programme for Direct Cash Transfers. At the same time, consumer confidence, which suffered a drop triggered by the mid-year fuel price hike, managed to recover alongside improvement in purchasing power and income expectations.

Concerning prices, inflationary pressure in Indonesia remained strong until Q3/2008, but began to ease in Q4/2008. The high inflation until Q3/2008 was fuelled primarily by soaring international commodity prices, led by oil and food. Taken together, CPI inflation in 2008 came to 11.06%. However, the monthly inflation maintained a downward trend throughout Q1/2009, primarily from the first and second round effects of the cut in fuel prices. Added contribution to low inflationary pressure came from improvement in inflation expectations and softening domestic demand. Annual CPI inflation at the end of the quarter Q1/2009 came to 7.92% (y-o-y), far below the previous 11.06% (y-o-y) one quarter earlier. The drop in inflationary pressure created room for Bank Indonesia to lower the BI Rate to 7.50%.

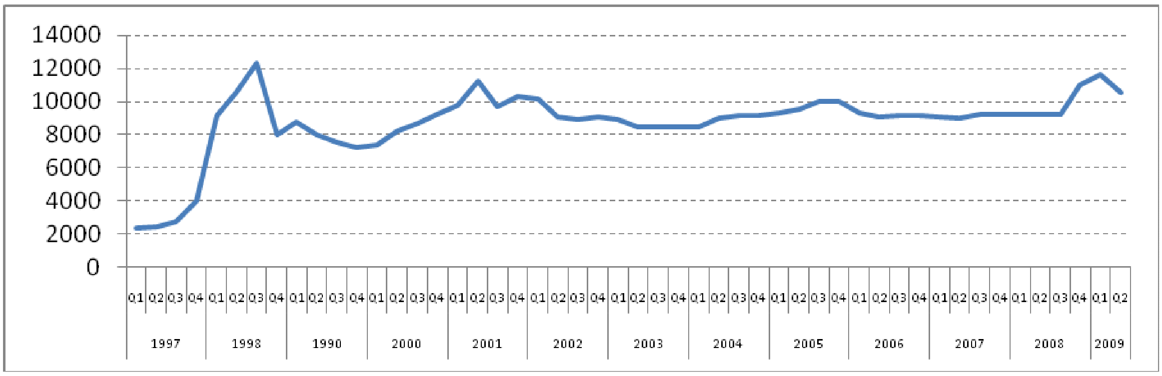
Chart 2.6. Inflation Rate Period 2004 – 2008



Source : Statistics Indonesia
1) The consolidated CPI for the year of 2002 and 2003 (based year of 1996) has been published in April 2004 Edition.
2) Since 2004, CPI has been calculated from 45 cities based on 2002 = 100
3) Since June 2008, CPI has been calculated from 66 cities based on 2007 = 100

Since economic crisis hit Indonesia in mid of year 1997, the biggest depreciation came in second quarter of 1998, which currency reached Rp.16.000/US$1. After the crisis Indonesia changed the currency system from managed floating exchange rate system into floating exchange rates system, started 14 August 1997. In 1998 rupiah's currency moved fluctuated. Early 2000, through some policies such as the signed of Letter of Intent (LOI) between the Government of Indonesia and IMF and tight monetary policy, rupiah able to strengthen reached Rp. 8000. Since early of 2002 rupiah appreciated and quite stable until the end of 2008.

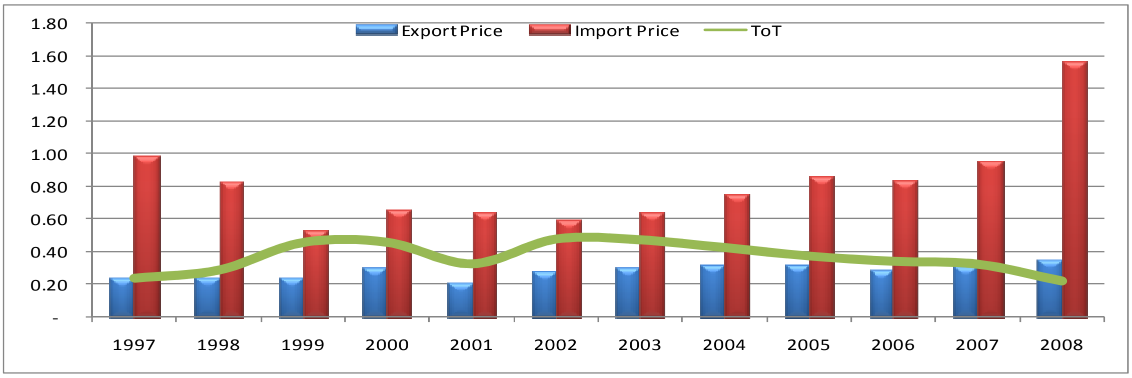
Chart 2.7. Fluctuation of Rupiah (Rupiah/US$)



The impact of the global crisis is also reflected in the movement of the rupiah, which since October 2008 has seen considerable volatility combined with strong downward pressure. On average for the year, the rupiah depreciated by 5.4% from Rp 9,140/US$ (2007) to Rp 9,666/US$ (2008). The pressure on the rupiah still occured in Q1/2009. The downward movement in the exchange rate was driven more by negative sentiment over the increasingly pessimistic outlook for the global economy.

The Term of Trade (ToT), a relative price of exported and imported goods was influenced by the movement of imported product price. Despite the exported price has also fluctuated and has risen in the latest three years, the imported price has risen much higher than the exported product price. The condition was likely supported by the fact that Indonesia still exported primary products and imported capital and intermediate products. Indonesia's non oil and gas products ToT fluctuated during the last 12 years. During period of 1997-1999 ToT increased sharply, and decreased three years later, then recovered in 2002. Since then, the ToT began to slow down gradually until 2008.

Chart 2.8. Indonesia's Non Oil and Gas Products Term of Trade



Source: Statistics Indonesia of Republic of Indonesia (processed)

II.1.B Trade Policy Regime: Formulation and Implementation

II.1.B.1 Chile

II.1.B.1.1 Legal and Institutional Framework

The Constitution of 1980 defines Chile as a unitary and democratic republic. For administrative purposes, the country is divided into 15 regions. The regions consist of provinces, which are subdivided into communes (*comunas*), which are administrated by municipalities.

Executive power is exercised by the President of the Republic who is also the Head of State and is elected by universal suffrage for a term of four years. The President appoints cabinet ministers.

Legislative power is exercised by the National Congress, which comprises a House of Representatives and a Senate. The House of Representatives is composed of 120 members elected for a four-year term. The Senate is composed of 38 senators elected for an eight-year term. Members of both chambers may be re-elected. The next presidential and congressional elections are scheduled for December 2009.

Judicial power is vested in the Supreme Court of Justice, 17 regional courts of appeal, and other courts established by law. The 21 Supreme Court judges are appointed by the President and confirmed by a two-thirds majority in the Senate. The Supreme Court appoints members of the lower courts.

II.1.B.1.2 Chile: Trade Policy Objectives and Formulation

Chile's trade policy follows a number of objectives, the most important being: stimulating the efficiency and competitiveness of national producers; reducing the level of effective protection and any existing anti-export bias in the tariff structure; and fostering regional economic cooperation. The authorities consider secured and permanent access to foreign markets, together with the capacity to attract foreign investment, essential to Chile's economic growth. To this end, efforts towards the negotiation and administration of new preferential trade agreements have intensified in recent years.

Trade policy formulation is under the responsibility of the Executive, with the General Directorate of International Economic Affairs (DIRECON), in the Ministry of Foreign Affairs, taking the lead role in trade negotiations. Other Ministries involved in the formulation of trade policy include the Ministries of Finance, Economy, and Agriculture. Chile's mission to the WTO is under the competence of the Ministry of Foreign Affairs.

The Inter Ministerial Committee for International Economic Negotiations, advises the President in matters regarding international economic negotiations. The Minister of Foreign Affairs chairs the Committee; its members are the Minister of Finance, the Minister of the Presidency, the Minister of Economy and the Minister of Agriculture.

The government is in permanent dialogue with the private sector in various forums, being the most important the Export Council, which was created in April 2003. It brings together representatives of the private and public sectors and its main objective is to make recommendations on export policy formulation. The Council has several working groups: on trade facilitation, international integration, support of exporters, on promotion of exports and tourism and transport.

II.1.B.1.3 Chile: Main Trade Laws and Regulations

Table 2.2

Main Domestic Laws and Regulations Relating to Foreign Trade, January 2009

Name or description	Domestic statute	Date of issue
General legislation		
Constitution of Chile	**n.a.**	**8.8.1980**
Incorporation of WTO Agreements into domestic law	**Supreme Decree Nº 16 of the Ministry of Foreign Affairs**	**17.5.1995**
Law on the Importation of Goods	**Law Nº 18,525**	**30.6.1986**
Reduction of MFN tariffs	**Law Nº 19,589**	**14.11.1998**
Preferential trade agreements		
Free Trade Agreement between the Government of Canada and the Government of the Republic of Chile	**Decree Nº 1020**	**05.07.1997**
Free Trade Agreement between the Republic of Chile and the United Mexican States	**Decree Nº 1.101**	**31.07.1999**
Free Trade Agreement between Chile and Central America **. Addendum to the Free Trade Agreement between Chile and Central America (Chile – Costa Rica)** **. Addendum to the Free Trade Agreement between Chile and Central America (Chile – El Salvador)** **. Addendum to the Free Trade Agreement between Chile and Central America (Chile – Honduras)** **. Addendum to the Free Trade Agreement between Chile and Central America (Chile – Guatemala)**[24]	**Decree Nº 14**	**14.02.2002**
Agreement Establishing an Association between the Republic of Chile and the European Community	**Decree Nº 28**	**01.02.2003**
Chile- United States of America Free Trade Agreement	**Decree Nº 312**	**31.12.2003**
Free Trade Agreement between the Republic of Chile and the Republic of Korea	**Decree Nº 48**	**01.04.2004**

[24] Under domestic approval of the National Congress.

Name or description	Domestic statute	Date of issue
Free Trade Agreement between the Republic of Chile and the EFTA States	**Decree Nº 262**	**01.12.2004**
Free Trade Agreement between the Republic of Chile and the People's Republic of China	**Decree Nº 317**	**23.09.2006**
Trans-Pacific Strategic Economic Partnership	**Decree Nº 354**	**08.11.2006**
Preferential Trade Agreement Between the Republic of Chile and the Republic of India	**Decree Nº 148**	**18.08.2007**
Agreement Between the Republic of Chile and Japan for a Strategic Economic Partnership	**Decree Nº 143**	**03.09.2007**
Free Trade Agreement between the Republic of Chile and the Republic of Panama	**Decree Nº 25**	**07.03.2008**
Chile – Australia Free Trade Agreement	**Decree Nº 30**	**06.03.09**
Tariff agreements under ALADI (Latin American Integration Association)		
ACE 22 Chile-Bolivia	**Decree Nº 402**	**30.06.1993**
ACE 23 Chile-Venezuela	**Decree Nº 321**	**30.06.1993**
ACE 24 Chile-Colombia[25]	**Decree Nº 1535**	**27.04.1994**
ACE 32 Chile-Ecuador[26]	**Decree Nº 1967**	**18.05.1995**
ACE 35 Chile-Mercosur	**Decree Nº 1411**	**04.10.1996**
FTA Chile-Peru	**Decree Nº 12**	**01.03.09**
ACE 42 Chile-Cuba	**Decree Nº 171**	**28.08.2008**
Customs		
Customs Law	**Decree with Force of Law Nº 30/2004 of the Ministry of Finance**	**18.10.2004**
Regulations on the Application of GATT Article VII	**Decree Nº 1134**	**20.6.2002**
Tax and tariff concessions		
Simplified duty drawback system	**Law Nº 18,480**	**19.12.1985**
Modification of export promotion programs	**Law Nº 19,589**	**14.11.1998**
Contingency measures		
Law on the Importation of Goods	**Law Nº 18,525**	**30.6.1986**
Intellectual property		
Intellectual Property Law	**Law Nº 17,336**	**2.10.1970**
Law establishing Rules Applicable to Industrial Privileges and Protection of Industrial Property Rights	**Law Nº 19,039**	**25.1.1991**
Law on the rights of breeders of new varieties of plants. This regulation incorporates UPOV (78) standards	**Law Nº 19,342**	**11.03.1994**

n.a. Not applicable.

Law Nº 18,525 of 19 June 1986, establishing Rules on the Importation of Goods, is Chile's main trade law. The Law has been amended and modified a number of times since 1997 and contains regulations on customs valuation, customs duties, contingency

[25] FTA (addendum to ACE 24) has been approved by the National Congress but domestic legal procedures remain to be completed by Colombia.
[26] A new agreement has been negotiated with Ecuador which will enter into force once the necessary domestic legal procedures of each Party are completed.

measures, and a price band system for a limited number of agricultural products. Moreover, the Customs Law (Decree Law Nº 2/97 of the Ministry of Finance) of 12 November 1997, which consolidates a number of former legal instruments (including Decree with Force of Law Nº2/97 of the Ministry of Finance),, contains provisions on export and import procedures. Law No. 19.589 of 14 November 1998 provided for a reduction of Chile's MFN tariffs and revised some export promotion programs with a view to bring them into line with Chile's WTO commitments.

A law on miscellaneous WTO-related matters (Law 19.912) entered into force as of November 4, 2003 with the aim to bring various individual provisions of Chile's legislation in line with the WTO Agreements. It contains provisions on customs valuation, technical regulations, taxation, and intellectual property. The law provides for notification procedures for technical regulations and conformity assessments. It also eliminates the Dispatch Tax on goods imported duty-free, and some trade-related investment measures in the automotive sector. Furthermore, it amends Chile's intellectual property legislation by specifying protection for computer programs, data compilations, and textile designs.

Chile does not have any pending implementation of WTO Agreements.

Participation in the World Trade Organization

Chile is a founding member of the GATT, and as such it has unwaveringly maintained its commitment to the multilateral trading system as represented by the WTO. Thus, it actively supported efforts to launch a new round of negotiations in the Ministerial Conferences in Seattle (1999) and Doha (2001). Chile welcomed the launching of the Doha Development Round, which represents an opportunity to settle problems in our trade relations, which have proven impossible to solve in the context of bilateral or regional agreements. This has been the case, specially, for agricultural subsidies and the abuse of anti-dumping measures.

In line with these objectives, Chile has submitted various negotiating proposals and has participated actively in formal and informal coalitions with other Members that share its interests. These coalitions include, in particular, the Cairns Group and the G20 in agriculture, and the Friends of the Anti-Dumping Negotiations (FANs). We have also been active in other areas of the Doha Development Round such as market access for non-agricultural products and the reform of the Dispute Settlement Understanding.

The importance that Chile attributes to the WTO is not limited to the gains to be achieved through negotiation. For Chile, the WTO also derives its importance from the ongoing work of its different technical bodies, above all the Dispute Settlement Body. This is the mechanism that ultimately ensures that multilateral trade rules are respected and that countries of extremely varied political and economic weight can solve their problems on the basis of commonly agreed rules, on an equal footing, and with the full opportunity to present their arguments, rather than being subjected to the decisions of the most powerful. Chile has in fact been active in using the DSB as complainant, respondent and third party.

II.1.B.2 Indonesia

The period since 1998 is known as the era of reform in Indonesia (*era reformasi*) in which good governance has been a central theme of governmental reform program. Until the end of 2003, economic reforms helped stabilize the macro economy, restructure the financial sector, dismantle state monopolies, and reinforce policies of trade and investment liberalization. Since 2004, the Government has made improvement of Indonesia's investment climate a priority and has focused its reform agenda on revising Indonesia's investment, tax, customs, and labor laws while continuing to liberalize trade. It has also been undertaking an effective anti-corruption campaign and laying the groundwork for judicial and civil service reform.

Indonesia has undergone a relatively rapid transition to a democratic and decentralized state. The decentralization process, under way since 1999, has transferred control of large amounts of public expenditure and service delivery from the central government to 440 local governments. This process could benefit potential investors as local governments start to vie with each other to create the most favorable location for investment.

The Government has set a goal of creating a more efficient economy through opening markets and liberalizing trade, protecting intellectual property rights, and strengthening the rule of law, transparency, improving the business climate, and encouraging competition. In order to meet this goal, the Government has begun a review of rules and regulations related to imports and exports and business licensing, the intention being to identify and rectify onerous bureaucracy and poorly conceived trade and investment policies.

Indonesia has begun to follow a triple-track strategy of international trade negotiations: multilateral, under WTO auspices; regional, centered on ASEAN and ASEAN+ agreements; and bilateral. Indonesia has implemented its first bilateral trade agreement with Japan (Indonesia Japan Economic Partnership Agreement/IJ-EPA) in addition to possible bilateral agreements with other countries. To achieve its goals, the Government has established a National Trade Negotiation Team, which is responsible for overall international trade negotiation matters.

The overwhelming majority of foreign investment proposals which are considered are approved. In 2007-08, for example, 8548 proposals were considered, but only 14 proposals – less than 0.2 per cent of the total – were rejected. All of the proposals which were rejected involved the acquisition of residential real estate.

Indonesia welcomes foreign direct investment and the Government has introduced a series of policy reforms to encourage greater foreign investment in Indonesia. For example, in February 2006 an investment policy package was introduced covering the following areas: i) general investment policies; ii) customs; iii) taxation; iv) the labor market; and v) small and medium-size enterprises (SMEs). In March 2006, the Government also introduced The Infrastructure Development Package to provide a policy framework for public private partnerships and risk sharing to enable an acceleration of infrastructure development. In July 2006, the Financial Sector Reform Package was introduced, which aims to strengthen the banking industry, non-bank financial institutions and capital markets. In addition, an ongoing program of deregulation and administrative and bureaucratic reforms aims to increase the efficiency and good governance of the public service.

Indonesia recently adopted a new Investment Law that introduces several new principles. The New Investment Law (Law No. 25 – 2007) was approved by the Parliament on 29 March 2007. The principles underpinning the new investment law include: legal certainty; equal treatment for foreign investors; protection from nationalization and expropriation; provisions regulating dispute settlement; and transparency and accountability. In addition, the new law seeks to: provide clearer guidelines regarding which sectors of the economy are open to foreign investors; streamline procedures for investment approvals; provide incentives for new investors in selected sectors (e.g. pioneer sectors) and regions and streamline immigration for expatriates.

Indonesia's main general and sector-specific trade policy goals and priorities are to improve its business climate and regional competitiveness; attract greater foreign and domestic investment, especially in infrastructure and export sectors; and generate high-quality job growth needed for sustained economic development. To this end, the authorities maintain that Indonesia should reassert itself in bilateral, regional, and multilateral trade forums and negotiations, with the aim of expanding international markets and supporting global efforts to liberalize trade while protecting Indonesia's economic interests and maximizing the potential benefits for national welfare.

For Indonesia, the concept of development is at the heart of the Doha Development Round. Accordingly, development is not only about trade reforms but also about managing market causing severe adjustment costs. The development benefits from trade reforms through capacity building also related to other necessary policy and institutional changes.

Around 45% of the Indonesian is engaged in the rural sector making it imperative that agricultural sector (special products) critical for food security, rural livelihood, and development, should be treated differently. Indonesia is also keen to ensure that special and differential (S&D) treatment remains at the heart of the negotiations and is made operational and effective, as mandated in the Doha Development Agenda.

Regarding market access for non-agricultural products (NAMA), improved and secure access to markets is a prerequisite for export-oriented development strategies. Promoting exports of non-oil and -gas products is a top priority in order to achieve sustainable growth and create jobs. Indonesia advocates a longer time-frame for developing countries to maintain a certain level of tariffs, to allow time for their trade policy reforms and complementary policies and institutional changes to work.

The framework on services should allow developing countries to open up sectors in a manner and at a pace consistent with their level of development. Indonesia has also stressed the need to address implementation issues that remain unsolved from the Uruguay Round, including anti-dumping provisions, and more flexibility for developing countries under Annex VII of the Agreement on Subsidies and Countervailing Measures.

II.1.C Structure and Features of the Market

II.1.C.1 Chile

Chile has an open economy with low tariff levels and a liberal trade and investment environment. Domestically, competition is enforced through the application of the Chilean Competition Act, which is becoming increasingly important in maintaining market efficiency and reaping the benefits of an open economy.

Although the first Chilean Competition law was enacted in 1959, the proper legal basis of the Chilean Competition law is Decree Law Nº 211 of 1973 of the Ministry of Economy, as amended by D.F.L. Nº 1, 2004, published in the Chilean Official Gazette on the 7th March, 2005.

In 1999, law 19610 led to the institutional strengthening of the Competition enforcement agency, the National Economic Prosecutor’s Office (FNE).

In 2003, law Nº 19911 introduced important reforms to the original Decree Law Nº211. It fulfilled the need for increased independence of the decision-making body and for a more technical assessment of cases. Law Nº 19911 created a Competition Tribunal and clearly separated the functions of the enforcement agency, the FNE, and the decision-making body, the Court. The Tribunal is a special judicial body fully independent of the FNE. To ensure its independence, the Supreme Court of Justice may remove its members only on legally established grounds. The Tribunal has its own budget and staff (lawyers and economists) and its members are remunerated and have a fixed period in office. The Tribunal has the power to sanction and provide remedies (including interim measures) and is also responsible for merger decisions. Likewise, law Nº 19911 strengthened the enforcement powers of the FNE.

Law 19911 explicitly sanctions abuse of dominant position such as resale price maintenance, tying or territorial distribution by dominant firms and predatory practices.[27] In addition, this law eliminated criminal sanctions with respect to anticompetitive practices but substantially increased the amount of the fines that can be imposed. This is to prevent competition cases being tried by criminal judges with no expertise in competition while providing sufficiently high fines that work as deterrents.

Chile is involved in international cooperation in the competition policy arena at various levels. In this respect, Chile has signed Cooperation Agreements with Canada, Mexico, Salvador and Costa Rica, and it has included Competition Policy Chapters in most of the Trade Agreements it has negotiated. Chile participates in OECD, APEC, UNCTAD and ICN activities, and in 2003, Chile was subject of a Peer Review by the Latin American Competition Forum organized by the OECD and the Inter American Development Bank.

II.1.C.2 Indonesia

Indonesia has a market-based economy in which the government plays a significant role. It owns more than 164 state-owned enterprises and administers prices on several basic goods, including fuel, rice, and electricity. The state owns all oil and mineral rights. In the aftermath of the financial and economic crisis that began in mid-1997, the government took custody of a significant portion of private sector assets through acquisition of non-performing bank loans and corporate assets through the debt restructuring process.

The Indonesian economy grew at an average rate of 5.9 per cent per annum between 2005 and 2008. The industrial sector accounted for 38.9 per cent of GDP in 2008, with services and agriculture accounting for 46.7 and 14.4 per cent of GDP respectively. Economic growth was also strongly assisted by exports of goods and services, which represented 29.8 per cent of GDP in 2008.

Indonesia's rapid economic development has transformed it from a rural economy to a manufactures-based economy. In the 1980's, more than 30 per cent of Indonesia's GDP was derived from agriculture, with manufacturing representing almost 30 per cent of the economy, and the services sector accounting for the remainder of economic output. Today, the manufacturing sector dominates Indonesia's economy led by mineral resource intensive products while technology and capital intensive industries remain relatively under-developed.

[27] It should be noted that even though there was no explicit prohibition, abuse of dominant position was already sanctioned by the Antitrust Commission prior to the reform that took place in 2003 on the basis of a generic reference in Article 6 of Law DL211.

Over several years Indonesia had relied on economic deregulations and liberalizations as a method to urge competitive behavior of domestic firms. In 1999, for the first time, the Anti-Monopoly and Unfair Competition Law (No. 5/1999) has been introduced, with main objective to maintain a competitive environment that benefits consumers and ensures equal opportunity for businesses.

The law covers a wide spectrum of anti-competitive behavior, including prohibited business activities, and agreements to abuse a dominant position, as well as the competitive consequences of mergers and acquisitions. There are various exemptions from the law; these include small enterprises, certain activities by cooperatives and state-owned companies as well as the production and marketing of goods and services deemed vital to public welfare.

The Commission for Supervision of Business Competition (*Komisi Pengawas Persaingan Usaha* - KPPU) is Indonesia's independent regulatory agency to enforce competition law. KPPU has made a number of important recent rulings which seek to uphold competition within the Indonesian economy. In addition to key enforcement action and decisions, KPPU has a central role in making proposals to Government for policy initiatives to focus on the promotion of competition principles and, where appropriate, the removal of any anti-competitive aspects of policy.

II.1.D Banking System and Credit Policies

II.1.D.1 Chile

II.1.D.1.1 General Overview of the Banking System

The modern Chilean banking system dates from 1925 and has been characterized by periods of substantial regulation and state intervention and by periods of deregulation. After the Chilean financial crisis of 1982 and 1983, the Central Bank and the Superintendence of Banks and Financial Institutions (SBIF is its acronym in Spanish), established strict controls on the funding, lending and general business matters of the banking industry in Chile. The SBIF regulates the banking sector while the Central Bank, which is fully independent of the government, oversees exchange rate policy, regulates international capital movements and certain bank operations, and oversees the stability of the financial system.

A total of 24 banks were operating in Chile at end-2008; 12 were domestically-owned and 12 foreign-owned. In terms of the total assets of the banking system in December 2008, the former held 59.4% of the total and the latter 40.6%. There is only one State-owned bank, the BancoEstado, which is the third largest bank in the system. The regulator for BancoEstado is the Superintendent of Banks and Financial Institutions, which applies the same rules to all banks. As of December 2008, total outstanding loans in the Chilean banking system amounted to US$ 58.2 billion.

Commercial banks in Chile face growing competition from several sources, which has led to consolidation in the banking industry. Competition in credit provision has come increasingly from department stores and foreign banks.

II.1.D.1.2 Banking Regulation

According to the Chilean Constitution, the main objectives of the Central Bank are to maintain the stability of the Chilean peso and the orderly functioning of Chile's internal and external payment systems. To this end the law gives the Central Bank the authority to set reserve requirements for banks, to regulate the amount of money and credit in circulation, to operate as a lender of last resort and to establish regulations and guidelines regarding financial institutions, the formal exchange market and bank deposit-taking activities. These attributes provide the Central Bank with a wide range of policy tools for controlling monetary and exchange rate policy.

The SBIF regulates and supervises Chile’s banks. Additionally, the SBIF authorizes the licensing of new banks and has broad powers to issue, interpret and enforce banking regulations (both legal and regulatory). The SBIF must also approve any bank’s merger, amendment to its bylaws, or capital increase, and any acquisition of 10% or more of the equity interest in a bank.

Chilean banks may conduct only those activities allowed by the General Banking Act. Banks may lend and accept deposits and, subject to limitations, invest and perform financial services. The General Banking Act limits investments by banks to real estate investments for their own use, gold, foreign exchange and debt securities. Directly or through subsidiaries, banks may also engage in certain specified activities, such as securities brokerage services, mutual fund management, factoring, financial leasing and insurance brokerage services (except for pension funds insurance).

Foreign banks can perform banking business activities as subsidiaries (Chilean corporations) or as branches of foreign corporations. In either case they can provide the same services as Chilean banks and their minimum capital requirements and other prudential regulations are the same as for Chilean-owned banks. Branches of foreign bank must effectively enter their capital into Chile and this capital is the basis upon which their activities are regulated (i.e. their world capital is not taken into consideration). Foreign banks can also open offices of representation.

II.1.D.1.3 The Chilean Insurance System

Insurance companies are Chile’s second largest institutional investors, based on total assets. Although the total asset volume of insurance companies has grown consistently, its rate of increase has not been as large as that of the pension funds during the same period. As of December 31, 2008, the combined value of the portfolios of insurance companies stood at US$ 32.57 billion.

The Insurance Companies Act of 1979 introduced a framework for the regulation of insurance companies. The basic principles established include market determination of rates and commissions, equal access for foreign insurance companies, minimum capital and solvency criteria and rules for setting up reserve funds. As a general rule, life insurance companies can have liabilities equal to a maximum of 15 times their capital and reserves, while non-life insurance companies are permitted to take on liabilities up to a maximum of five times their capital and reserves.

Under the Insurance Companies Act, any person or entity offering insurance, whether directly or indirectly, must first obtain authorization from the “Superintendencia de Valores y Seguros” (SVS, Superintendence of Securities and Insurance Institutions). Neither individuals nor legal entities may enter into insurance contracts in Chile with an insurer not licensed to operate in Chile.

Of the 29 life-insurance companies operating in Chile in December 2008, 12 were foreign-owned and held 53.4% of the insurance premia. Foreign-owned non-life insurance companies also dominate that market with 69.2% of the premia. There are 23 non-life insurers in Chile, of which 12 are foreign-owned. Branches have been allowed only since 2007 and as of end-2008 no foreign insurers had chosen this form of establishment.

As in the case of banks, foreign insurance companies can operate in Chile either as subsidiaries or as branches. In the latter case, their capital effectively entered into Chile is used for regulatory purposes. There are no differences in capital requirements between these forms of establishment and those of Chilean insurance companies and they can all provide the same type of insurance.

II.1.D.1.4 Mutual Funds

Mutual funds were first created in Chile in the 1960s and their legal framework was comprehensively reformed in 1976. The Chilean mutual fund system faced serious difficulties during the financial crisis of the early 1980s.

Currently, there are three types of mutual funds: mutual funds investing in short-term fixed-income securities, mutual funds investing in medium- and long-term fixed-income securities, and mutual funds investing in variable-income securities, including corporate stocks and similar investments. As of December 2008, 21 managers offered shares in 1,480 different mutual funds in Chile, with over one million shareholders and US$ 17.9 billion in assets invested in Chile and abroad.

The most recent industry reform was introduced in 2001 and reduced the regulations on mutual funds, allowing them greater flexibility in investment policy while imposing higher standards of transparency and disclosure. Additionally, the legal structure for a general fund management firm was introduced, allowing mutual funds, investment funds and housing funds to be organized under a single management structure, making use of economies of scale in the fund management. The reform bill also provided tax benefits for retirement saving in mutual funds and exempted highly traded stocks from capital gains tax. Naturally, this has led to rapid growth in the industry: assets under management grew by approximately 24.1% between 2000 and 2008.

II.1.D.1.5 Investment Funds

As of June 2009, a total of 63 investment funds were based in Chile, and total assets amounted to US$ 5.7 billion, distributed mainly among funds specializing in real estate investment, venture capital, securities and international investment.

Investment funds, like mutual funds, have also benefited from the new legal structure created under the first capital markets reform law: the general fund management firm. This development notwithstanding, the second capital market reform law approved by Congress in 2007 provides this industry with more incentives to grow by extending the capital gains tax exemption to the venture capital industry.

II.1.D.1.6 Foreign Capital Investment Funds and Foreign Investment Venture Capital Funds

The Foreign Capital Investment Funds (Fices) are pools of assets funded by investors outside Chilean territory for the purpose of investment in publicly offered securities in Chile, and are managed by a Chilean corporation on behalf of and at the risk of the contributors. Most of the relevant regulation can be found in the Law 18657 and as a complementary in Decree Law 600. The capital contributed to a Fice may not be removed from the country in the five years following its initial entry into Chile. However, profits may be repatriated at any time, subject to a single tax at a flat rate of 10%.

As of July 2009, the 4 existing funds have combined assets amounting to US$ 264.6 million[28].

Another category of fund is the Foreign Investment Venture Capital Funds (Ficer), which allows investors outside Chile to make venture capital investments within Chile. As of July 2009, the 5 existing funds have combined assets amounting to US$ 70.4 million[29].

In 2000, several changes to the laws regulating Fices and Ficers took effect, aimed at deregulating these investment vehicles. As of 2001, Fices and Ficers are exempt from capital gains tax on the sale of highly traded equity and bonds effected in authorized stock exchanges in Chile, provided that the holders of shares in the respective funds are non-residents of Chile.

II.1.D.1.7 The Chilean Pension System

Chile began a comprehensive reform of its social security system in the early 1980s with the adoption of the Private Pensions Funds Act, which eliminated many of the problems associated with the former social security system. Under the Private Pensions Funds Act a privately administered system of individual pension accounts replaced the existing pay-as-you-go social security system. Under the latter system contributions from current workers were used to fund the pension payments of current retirees, although a weak relationship existed between the amount contributed and the amount received by each worker upon retirement.

The first capital market reform of 2001 created a new multi-fund system that allowed affiliates to choose to invest their individual pension accounts in one of 5 funds, each of which caters to a specific risk-appetite. Moreover, a tax benefit (mentioned earlier in connection to mutual funds) was created to stimulate retirement saving by those not obliged to participate in the system by law (free-lance workers) and to increase saving beyond mandatory levels by those already in the system (known as APV). This has also generated an increased flow of funds into the system.

The current pension system is based on individualized accounts with fully funded, vestable and portable benefits. As of November 2008, the pension funds had accumulated approximately US$ 73.5 billion in assets.

A total of 5 pension fund managers were operating in Chile in December 2008, 3 were foreign-owned, 1 was domestically-owned and 1 was half foreign-owned and half domestically-owned. The participation that they have in the total assets is 56.5%, 18.9% and 24.5% respectively.

II.1.D.1.8 Financial Services in Chile's FTAs

Chile's financial authorities have a strong preference for unilateral and gradual liberalization and deregulation of financial services. Such liberalization has gradually eliminated the major restrictions to foreign participation in Chile's financial services markets. Foreign investors generally receive national treatment and there are no

[28] This information was obtained from: http://www.svs.cl/sitio/estadisticas/valores_fondosinversionextranjero_evolucion.php. The values are displayed in the website in pesos, the value in dollars was obtained using the average observed price of the dollar for each month.

[29] This information was obtained from: http://www.svs.cl/sitio/estadisticas/valores_fondosinversionextranjero_evolucion.php. The values are displayed in the website in pesos, the value in dollars was obtained using the average observed price of the dollar for each month.

quantitative restrictions such as limited number of licenses, limits to foreign participation in ownership of financial institutions or market-share quotas for foreigners.

Until the trade agreements with the US and the EU Chile did not include financial services in bilateral agreements. Its only international commitments were those scheduled in the Uruguay Round negotiations. The negotiations with the US and the EU established the basic precedents for Chile's approach in negotiating financial services. These have been maintained in the agreements with Japan and Australia.

Firstly, financial services, when they are included in an agreement, are negotiated in a separate and self-contained chapter. Particularly, they are treated separately from and are subject to different disciplines than the rest of services. This allows for a more straightforward approach that addresses the specificities of the financial services industry and the fact that it is a heavy regulated industry because of the economic consequences of financial crises, the risk of moral hazard behavior and the existence implicit or explicit guarantees.

Secondly, in terms of specific provisions, great care is taken not to affect the powers of the regulatory authorities to apply prudential measures, in spite of the commitments taken. The emphasis is on establishment commitments rather than on cross-border trade. Transparency of regulation is also an important discipline that Chile supports. Finally, a separate dispute settlement for financial services is included, particularly when it comes to the members of the panels: they have to be experts in financial services.

Thirdly, Chile insists that the benefits of the agreement can only be granted to financial services providers of the other Party. This excludes, for example, extending the benefits to branches of banks or other financial service providers of third parties established in the other Party to the agreement.

All of the above are among others and as a matter of policy, *sine qua non* conditions for negotiating financial services bilaterally.

In addition to the above, the decision to include financial services in a bilateral agreement is made on the basis of the overall balance of the agreement, but also on the characteristics of the counterpart's level of liberalization and deregulation, the quality of its financial supervision and the interest of the private sector.

II.1.D.2 Indonesia

II.1.D.2.1 Bank Indonesia at a Glance

A new chapter in the history of Bank Indonesia as an independent central bank was initiated when a new Act No. 23/1999 on Bank Indonesia, was enacted on May 17, 1999 and have which has been amended with Act No.3/2004 on January 15, 2004. The Act confers it the status and position as an independent state institution and freedom from interference by the Government or any other external parties.

As an independent state institution, Bank Indonesia is fully autonomous in formulating and implementing each of its task and authority as stipulated in the Act. External parties are strictly prohibited from interfering with Bank Indonesia's implementation of its tasks, and Bank Indonesia has the duty to refuse or disregard any attempt of interference in any form by any party.

Such unique status and position are necessary so that Bank Indonesia can implement its role and function as monetary authority more effectively and efficiently.

Whether as a public legal entity or as civil legal entity, the position of Bank Indonesia is regulated by the statutes. As a public legal entity, Bank Indonesia has the authority to issue policy rules and regulations, which are binding to the public – at – large. As a civil legal entity, Bank Indonesia is able to represent itself in and outside the court of law.

II.1.D.2.2 The Implementation of Inflation Targeting Framework

The ultimate goal of Bank Indonesia is to achieve and maintain stability in the rupiah (Article 7). This mandate clearly defines the role of the central bank in the economy, enabling Bank Indonesia to focus more closely on achievement of its single objective, a low and stable inflation.

In July 2005, Bank Indonesia implemented new and enhanced monetary policy measures within the Inflation Targeting Framework (ITF) which encompasses four main areas: the use of the BI rate as an operational target, enhanced decision making process, more transparent communications strategy, and strengthened policy coordination with the Government. The move is intended to strengthen the effectiveness and to provide good governance to its monetary policy making to achieve price stability needed to support sustainable economic growth and attain social welfare. With the ITF, the inflation target is the overriding objective and nominal anchor of monetary policy. In this regard, Bank Indonesia will apply a forward-looking strategy to steer present monetary policy towards achievement of the medium term inflation target.

The BI Rate is the published policy rate reflecting the monetary policy stance adopted by Bank Indonesia. The BI Rate is a signal for achieving the medium to long-term inflation target and is announced periodically by Bank Indonesia for a specific period. To strengthen the operational aspect of monetary policy, Bank Indonesia had shifted from the use of the 1-month SBI rate as the operational target to the overnight interbank rate which took effect from June 9, 2008. In monetary operations, the BI Rate is implemented through liquidity management on the money market to achieve the monetary policy operational target, reflected movement in the overnight interbank money market rate. To enhance the effectiveness of liquidity management on the market, a set of standing facilities in combination with an interest rate corridor is employed in day-to-day monetary operations.

Application of the ITF does not mean that monetary policy will not take account of economic growth. This policy will retain the fundamental paradigm of monetary policy in striking an optimal balance between inflation and economic growth in both the establishment of the inflation target and in monetary policy response, which will be targeted towards low, stable inflation in the medium and long-term. The inflation targets are set by the Government after coordinating with Bank Indonesia. For 2008 and 2009, the Government set CPI inflation targets at 5% and 4.5% respectively with deviation of ± 1%. The BI Rate is used to convey the monetary policy stance and operational targets. The BI Rate is a one-month interest rate regularly announced by Bank Indonesia for a specific time frame.

II.1.D.2.3 Exchange Rate Policy

Since 1978 Indonesia adopted a managed floating exchange rate regime. The increasingly open, integrated, and competitive global economy has brought challenges to monetary management. Massive capital inflows to Indonesia, especially since mid 1990, had made monetary policy less effective and even complicated the situation. High domestic interest rates to control monetary expansion had encouraged more capital inflows and put more appreciating pressures to the rupiah. Thus, under less flexible exchange rate regime, it is difficult to limit real exchange rate appreciation in the face of sustained capital inflows.

Started from 1992, Bank Indonesia turned to greater exchange rate flexibility by gradually widening the intervention band. In July 1997, the contagion effects from the exchange rate turmoil in Thailand spread out to other Asian countries. Accordingly, the rupiah was under strong pressures and forced Bank Indonesia to abandon the managed floating regime. In response to greater pressures on the rupiah and to secure foreign exchange reserves, on August, 1997 Bank Indonesia abandoned the managed floating exchange rate system by eliminating the intervention band. Bank Indonesia decided to modify the foreign exchange system from managed float to free float. Under current exchage rate regime, Bank Indonesia no longer targeted certain level of exchange rate. However, Bank Indonesia occasionally intervenes in the foreign exchange market to safeguard and smooth the volatility of the exchange rate.

II.1.D.2.4 Indonesian Banking Sector

Indonesian financial system is a bank-based one, which banks are leading financial institutions. Capital market is growing but remains undersized in term of intermediary roles. The banking system is deposit to lending model, where banks are heavily dependent on short term deposits (around 93% of deposits have maturity of less than 3 months).

Indonesian banking institutions are typically classified into commercial and rural banks. Commercial banks differ from rural banks in the sense that the latter do not involve directly in payment system, operating on community basis, and have restricted operational area. In terms of operational definition, banks in Indonesia are also classified into conventional commercial bank and sharia-based principles commercial bank (Islamic banks).

Unlike conventional commercial banks, that apparently raise deposits and intermediate financing in the form of credit, Islamic banks have distinctive operational roles. They raise funds in the form of saving comprising demand deposit, saving deposit or other equivalent form based on wadi'ah and other agreements based on Sharia principles (predominantly non-interest, profit sharing agreement). Their financing schemes are based on mudharabah, musyarakah agreement or other agreement not in contravention with Sharia principles.

Rural banks have also distinctive attributes. They serve community and raise funds from the public in the form of deposits comprising time deposits, savings deposits, and/or other equivalent form. On asset side, rural banks extend credit and place funds in Bank Indonesia Certificates (SBIs), time deposits, certificates of deposit, and/or savings deposits in other banks. They are not participants in the payment system.

II.1.D.2.5 Credit Policies

In order to maintain and minimizing potential loss concerning about credit risk factor, banks must comply with some prudential principles, such as: assessment on asset quality which require credit risk and are required to set aside provision for asset losses; capital adequacy ratio including risk weighted assets, and also legal lending limits. All of those prudential principles generally are the best practices issued by Bank of International Settlement (BIS).

Recently, Bank Indonesia envisages some measures to create more flexibility and space for bank lending. First, expand the banking sector role in lending to micro, small, and medium enterprises (MSME credit). Bank Indonesia also has a policy to lowering the risk weighting for MSME loans guaranteed by loan guarantee / insurance institution, including State – Owned Enterprises (SOEs) and non-SOEs, subject to certain requirements. Second, improve bank efficiency in financing to promote activity in the real sector. This policy consists of adjustments to existing requirements concerning asset quality. These adjustments include improvements on quality assessment productive assets and improvements in the Allowance Asset Write – off categories.

II.1.D.2.6 Payment System

The Indonesia payment systems have evolved from currency notes and coins to increasingly cashless and paperless payment systems of the digital era. The use of available banking technology has helped to significantly improve efficiency in the payment systems.

Bank Indonesia, owns and operates 2 inter-bank payment systems, namely Bank Indonesia – Real Time Gross Settlement (BI-RTGS) system and Bank Indonesia – National Clearing System (Sistem Kliring Nasional Bank Indonesia – SKNBI). BI-RTGS system was implemented in November 2000 to reduce settlement risk in Rupiah (IDR) inter-bank large-value funds transfers in the country. All commercial banks are the participant of BI-RTGS system. It is one of the core financial infrastructure supporting economic and financial activities in Indonesia and handles: (1) funds transfers among commercial banks stemming from IDR inter-bank money market transactions, securities transactions and FX transactions; (2) settlement of net positions arising from SKNBI and several ATM networks; and (3) funds transfers between commercial banks and BI, including those for monetary policy operations. Most funds transfers made through BI-RTGS system are credit transfer, but in the case of funds transfers between commercial banks and BI and settlement of net positions arising from SKNBI, debit transfers can also be made. A sending bank can transmit a funds transfer instruction with information regarding its and the receiving bank's customer.

II.1.E Employment Policies, Laws and Salaries

II.1.E.1 Chile

II.1.E.1.1 Employment Policies

Labor policies have emphasized in latest years, modernization in order to respond to the challenges of a more open economy and a more active society.

In particular, the major governmental goals have been:

- Firstly, to enhance the build-up of "social capital" in order to stimulate significant progress in the relationship between employers and employees, resulting in better productivity, innovation and quality.
- Secondly, to create a new labor relationship, responding to the challenges of globalization and accelerated technological changes. It is essential in Chile's view to have powerful bilateral labor relations, and a counterpart of employers able to respond to the challenge of a pact on employability where Trade Unions and Employer Organizations could be major players.

II.1.E.1.2 Laws

Constitutional Guarantees

The Chilean Constitution guarantees the fundamental right for freedom of association. This consists of the right to establish unions without prior authorization and the right to engage in collective bargaining. The Constitution states that law will regulate the exercise of these rights, but that under no circumstances can legislation establish requirements, which, in practice, render the exercise of these fundamental rights null and void.

Trade union organization

There are different types of unions and the so-called *sindicato de empresa* [company union] predominates. This is a union made up of workers from the same company. In addition to the unions known as base unions, there are higher levels of organization, which bring together several base unions, so called *federations* and *confederations*, which are structured based on the association of unions from the same sector of the economy or unions from the same territorial zone. There are also the *centrales sindicales* [nation wide labor unions]. Legislation recognizes the freedom to form or join a union and, conversely, the freedom to withdraw from a union.

The employment of no individual may be conditional upon belonging or not to a union.

When workers decide to form a union, they must simply hold a meeting attended by a minimum number of people as established by law. They acquire legal status by the sole act of submitting their articles of incorporation and the minutes of the meeting to the compliance agency. In other words, they do not require prior authorization to be recognized as a union. Two or more unions are allowed to exist in a company, and this does in fact occur.

It is important to note that union leaders enjoy protection under the so-called "*fuero*". This is in fact a protection measure under which a union leader cannot be fired without prior authorization from a Labor Court Judge, and such authorization can only be given where there is serious non-compliance with the leader's labor obligations. This protection is in effect during the leader's term and for up to six months following the end of his or her term as leader. This protection covers also workers during the collective bargaining process.

Collective Bargaining

Collective bargaining is totally decentralized and is conducted by each company, and even by establishments within the same company. There is no bargaining at the sector or branch level. Although the law allows collective bargaining to include various companies, employers resist this mechanism.

With respect to collective bargaining procedure, the Labor Code provides for two modalities: the first, so called *"regulated bargaining"* is established in the code itself, with stages and formalities and in which the employer is forced to take part in the bargaining process. This bargaining concludes in a collective agreement, which is called a *collective contract.*

The other modality is a mechanism, called *"non-regulated bargaining"* with minimum formal requirements. The parties bargain when they wish but neither party can force the other neither to bargain nor to arrive at an agreement. There are no deadlines, nor right to strike; however, if the agreement is signed, compliance is fully obligatory and this modality does not avoid the other procedures, if there is no agreement.

The latest modality has been very important in businesses, with more mature and cooperation based labor relations. However, the first type of bargaining predominates, which is characterized by a high degree of regulation.

Collective agreements only apply to workers who participate in the bargaining, and the employer has the unilateral authority to extend this contract or agreement to other workers, although this is not automatic.

Particularities of the Public Sector

Public sector employees, i.e., those who work for government in ministries, municipalities and other public agencies are not included in labor regulations. Exceptionally are applied to workers in State-owned companies, who are abiding by the standards of the Labor Code for the private sector. Government or public sector employees did not have the right to take part in a union organization until 1994. In March 1994, law No. 19,296 was passed recognizing their right to establish union-type organizations known as "associations of officials".

It should be noted that in the past, government workers had their own organization and bargained with respect to rights exercised on the margins of the Labor Code. During the military regime, this practice was fully restricted. With the return of democracy, a process was initiated for definitive recognition of the rights derived from freedom of association.

As already indicated, public servants were granted the right to organize and the ILO Convention 151, in regard to this topic, has also been ratified by Chile. Each year, government and organizations of these workers meet to negotiate matters on wages and working conditions, which afterward become the basis for draft legislation.

The Right to Strike

Strikes are legally limited to the extent that they can only take place during the collective bargaining process regulated in the Labor Code. Strikes cannot be used in bargaining, which we have referred to as "voluntary" or "non-regulated”. During the strike, the employer may hire replacement workers as of the fifteenth day of the strike, but the law allows the employer to hire replacement workers as of the first day of the strike provided that the last offer made to the workers gives them the same benefits they had at the time of bargaining, adjusted for inflation and if he gives workers a special bonus of “replacement”, distributed between strikers once the conflict comes to an end. The purpose of this mechanism is to encourage a minimum acceptable offer for workers and to avoid a misuse of the replacement system. The replacement workers are temporary, for as long as the strike lasts.

Penalties for Practices that Violate the Exercise of the Rights of Freedom of Association and Collective Bargaining

Since 1991, Law 19,069 in the Labor Code included a set of standards, which penalize any action, particularly by employers, which violates the right to freedom of association or which affects collective bargaining. A most recent Law, in 2001, Nº 19,759 has strengthened this legislation through more severe penalties and controls. According to these laws, now incorporated in the Labor Code, any worker or organization which feels that these rights are being violated through bad faith actions of the employer (for example, offering better benefits to workers who withdraw from the union or refusing to bargain with representatives of the workers, or other actions--the Law lists many) may appeal to the Labor Court Judge. Courts, by means of brief and simple proceedings, must request a report from the compliance agency (Labor Directorate, "Dirección del Trabajo"), institution that is also entitled to act. Courts may determine whether there are unfair practices on the part of the employer and, if so, order those practices be terminated. A fine will also be applied.

Role of Government

The role of government through the Ministry of Labor is centered mainly on labor policies and regulations. Besides the Ministry, a special agency is in charge of compliance legislation, *Dirección del Trabajo (Labor Directorate*), which has Labor Inspection Offices distributed throughout the national territory.

The Labor Directorate has three major responsibilities:

- The first is monitoring compliance with labor standards, which includes health and safety aspects in the workplace. To fulfill this task, the Directorate sends officials (labor inspectors) to workplaces to ensure compliance with the standards. If these officials detect violations, they apply the fines set out in the law. These actions known as monitoring are done on the initiative of the Labor Directorate or at the request of the worker or union affected, but the tendency is to carry out preventive monitoring.
- The other major area of action is promoting freedom of association. To this end, a set of policies and actions has been established to promote union organization, enhance collective bargaining and help in the development of labor relations. To this end, the Directorate has programs aimed at raising awareness of labor rights, carries out training activities and develops materials such as guides and books.
- Technical assistance is also provided to labor leaders and to business owners, particularly from the small - and medium-sized business sector. Guidance is given prior to collective bargaining and statistical information is provided on previous bargaining. During collective bargaining and in particular during a strike, assistance is offered to the parties to re-establish the bargaining, which has been interrupted.
- Legislation gives to the Labor Director the power to interpret social legislation and regulations. This legal delegation allows the administrative labor authority to specify the meaning and scope of labor standards, which constitutes an important source of interpretation of law in Chile and a permanent reference both for workers and employers, and even for the courts of justice themselves.

II.1.E.1.3 Salaries

Employers and employees determine and regulate salaries on individual or collective basis. The state regulates minimum wages only, normally once a year through legislation, and after consultations with national labor and employer organizations.

II.1.E.1.4 Trade and Labor

Chile has ratified all the fundamental ILO Conventions concerning freedom of association and the effective recognition of the right to collective bargaining, the elimination of all forms of forced or compulsory labor, the effective abolition of child labor and the elimination of discrimination in respect of employment and occupation and respects the principles enshrined in the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up, 1998.

Chilean government has addressed labor issues in several agreements with its trade partners according to its different realities. The latter has been reflected with different modalities and instruments with Canada, the EU, MERCOSUR, OECD and the USA, with Brunei Darussalam, New Zealand and Singapore, with The People's Republic of China, Peru, Panama, as well as with Japan. Chile sees this issue as an important competitiveness factor.

Constituencies and political world ask strongly for the inclusion of a social dimension in FTAs, thinking on the need to respond to their worries about globalization and their impact on labor, so this issue is a need for the approval of the FTA after the negotiations.

Accordingly, provisions about labor have been addressed in our trade agreements containing different mechanisms, such as aside agreements, labor chapter or independent agreements, with accent in cooperation. Through these provisions guarantees have been given about the enforcement of our own legislation, and about the respect of fundamental labor principles and decent work including also acceptable labor conditions, especially in minimum wages, safety and health and work hours.

Ten years after our first agreement on these issues, with Canada, and nearly five with the US, and also after the entry into force of the MOU with New Zealand, Brunei Darussalam and Singapore (P4), no procedure of consultation processes have been initiated under these agreements and, on the contrary, these areas have been covered very successfully in cooperation activities, earlier with Canada, later the USA and more recently with our P-4 partners.

In this vision, Free Trade Agreements partners are not supposed to harmonize their legislation, but to reiterate their common commitments made within the 1998 ILO Declaration on Principles and Rights at Work.

II.1.E.2 Indonesia

II.1.E.2.1 Employment Policies, Laws, and Wages

Legal basis of the employment policy aligns with Act No. 13 / 2003 concerning Manpower. The Provisions of Indonesian labour / workers union according to Act No. 21 / 2000 concerning Labour / Workers Union:

- Article 5 explains that:
  (1) Every worker has rights in organizing and participating as the member of Labour/Workers Union;
  (2) Labour/Workers Union is organized by at least 10 (ten) workers.
- Article 6 explains that:
  (1) Labour/Workers Union has rights in organizing and participating as the member of Labour/Workers Union Federation
  (2) Labour/Workers Union Federation is organized by at least 5 (five) labour/workers unions
- Article 7 explains that:
  (1) Labour / Workers Union Federation have rights in organizing and participating as the member of labour / workers union confederation.
  (2) Labour/workers Union Confederation is organized by at least 3 (three) labour /workers unions federations.
- Article 9 explains that labour/workers union, federation and confederation of labour/workers union are organized upon workers' open willingness without any pressure and interfere from employer, government, political party, or others.
- According to Act No. 13 / 2003 concerning manpower, workers are allowed to have direct action and before doing that way, they have to inform the employers or related

institutions in a written notification 7 (seven) days before the direct actions will be done.

Indonesia's workforce was recorded at 111.95 million persons (August 2008). Workforce expansion was also matched by growth in number of employee to 102.55 million. Open unemployment in August 2008 was down to 8.39% compared to 10.01% in August 2007. The improving condition of the labour market was largely attributable to the first half performance of the agriculture sector in 2008 and the position of agriculture as one of Indonesia's largest sources of employment.

Employment was increasing in all sectors. The highest employment growth was recorded in the social services sector (1.08 million persons), followed by trade (667 thousand persons) and transportation (220 thousand persons). The rising employment in the transportation and communications sector was consistent with the high growth rate of that sector in 2008. Labor productivity improved in the manufacturing, construction and the transportation and communications sectors, but in other sectors maintained a stable trend. In August 2008, university and senior high school graduates represented the fastest growing section of the workforce. In contrast, the least growth was reported among workers with less than primary school education. Even so, Indonesia's workforce continues to be dominated by workers with no more than primary school education.

The improvement in the labor market has had a positive impact on poverty reduction. The total population living in poverty in Indonesia was declined as indicated by data on March 2008. During 2008, the total number of the poor people fell to 34.96 million (15.42%) compared to 37.17 million (16.58%) in 2007. However, a close observation is required on the impact of the economic slowdown in the final quarter of 2008 and indications of worsening labor conditions at year-end, due to the potential deterioration of poverty figures.

Improvement in poverty was also followed by reduction in the poverty depth index and poverty level index in 2008. During the year, the poverty depth index listed to 2.77, indicating that the average spending by the poor was moving closer to the poverty line. A similar development was observed in the poverty level index, which eased to 0.76, indicating a narrowing in spending disparities among the poor.

The government continues to improve business and investment environment in effort to expand employment opportunities with main objectives: to reduce unemployment and disguised unemployment through adding working hours in various business fields, both at rural and urban areas; and augment foreign exchange earnings through the sending of Indonesian workers abroad. The major activities in this effort is: (1) to improve trainings with curriculum related to acknowledging efficient technology, entrepreneurship development, and other supporting skills and expertise in order to make the work force capable of creating job opportunities; (2) to prepare and disseminate information on job market; (3) to set up settlements for new inter-island migration to expand job opportunities in agriculture; and (4) to improve the mechanism of the sending, guidance and selection of Indonesian workers who want to work abroad, and seek out their protection.

There is a program designed to maintain a working and business tranquility in order to create harmonious relations between employees and employers that in turn will improve the welfare of employees and their families. This program is aimed at improving labor institutions in companies, enhancing working conditions, and healthy vocational security.

Liberalization of global trade will pose a tight competition among workers of all countries since it allows the traffic of workers from one country to another much more rapidly. It also will require professional workers, the criteria of which are set forth by developed countries. In facing this situation, it is time for Indonesian workers to adjust themselves to the criteria on each profession to be able to compete with professionals from other countries to fill in vacancies at domestic and international market. This is in line with Law No.13 of 2003, which stipulates among other things the improvement of Indonesian worker's ability and self-capacity to compete, and the utilization of expatriates. Some professions the Indonesian workers have claimed international reputation for are among other things accountancy, oil drilling, construction, seamanship, nursing, and midwifery.

Indonesia was the first country in Asia and Pacific has ratified all eight core ILO Conventions covering the fundamental principles and rights at work. The circumstance of the ratification was unique for Indonesia, as “consequences” of devastating political, social and economical of the crippling Asian financial crisis (1997).

Indonesia has ratified ILO Convention No. 144 (clarification on page 215) concerning tripartite consultation. According to the ratification of ILO Convention on Government Regulation amendment No. 8 / 2005 to becoming Government Regulation No. 46 / 2008 which states that tripartite institutions have cooperated in giving accommodation toward their social partners’ needs especially its labour/workers union. Indeed, tripartite institutions act as the communication forum between employers and workers.

The political change and ratification of ILO Convention No. 87/1948 have interrelated to the respect of workers rights to freedom of association. Before 1998, only single umbrella organization for the private workers, namely FSPSI (*Federasi Serikat Pekerja Indonesia*) and KORPRI (*Korps Pegawai Republik Indonesia* – Indonesia civil employees) was for the civil servants and state-owned enterprises employees.

According to Act No. 21/2000 on Trade Union, the minimum requirement to establish a union at the plant level is ten workers. Nowadays there are 86 federations and 3 confederations with total number of 8.599.877 unionized workers. The adoption of Act No. 21/2000 is a significant step to build a new paradigm in the world of industrial relations in Indonesia, which is based on democratization at plant level. Prior to reformation era, there is only a single union in Indonesia.

According to Government Regulation No. 8 / 2005) on Tripartite. Indonesia has been enforcing to the efforts of problem settlement in bipartite negotiation as well as it is explained by Act No. 13 Paragraph I, general provision article 1 (18) which states that bipartite cooperative institution is a communication and consultation forum. It builds a linkage on related things of industrial relations in a company by which its members contained of employers and labour/workers union that have been legally responsibly noted in employment or labour issues.

II.1.F Environment Policies and Laws

II.1.F.1 Chile

Chile's environmental policy is based on the concept of sustainable development, which serves as the fulcrum of a strategy aimed at reconciling environmental protection with economic development in the context of social equity and transparency in the public sector.

This policy is based on seven principles that lend coherence to and permeate the legal, institutional and instrumental aspects used in the government's environmental management activities: 1) The principle of gradualness which acknowledges that environmental management should be implemented progressively, given that reverting the course of environmental deterioration and reconciling development with the protection of the environmental heritage requires structural reforms that go beyond short- term measures; 2) The principle of realism, which establishes that the objectives should be reachable, given the magnitude of current environmental problems, and the resources available to do so; 3) The preventive principle which implies avoiding situations of deterioration before they are produced; 4) The "the polluter pays" principle; 5) The principle of responsibility, which holds that the party responsible for environmental damage should pay reparations to the victim and restore the deteriorated component; 6) The principle of efficiency that holds that measures adopted to confront environmental deterioration should involve the lowest social cost and privilege instruments that allow for optimal allocation of resources; and 7) The principle of citizen participation.

II.1.F.1.1 The Environmental Agenda.

A set of coherent approaches guide the management of renewable natural resources, pollution control programs and actions, and the protection of the urban environment. They can be summarized as follows: Prioritizing tasks; Assigning real costs to the use of public goods; Minimizing social costs; Using market instruments; Maintaining the State's role in the conservation of the environmental heritage; Respecting the right to property; Envisioning environmental quality as a comparative advantage; and Promoting cooperation between the public and private sectors.

These points support the establishment of environmental priorities that could be summarized in five areas: public health; defining limits to sustainable resource use; equality for all people in relation to the objective of environmental quality ("environmental equity"); State intervention when environmental quality diminishes in an extreme manner; and protection of nature and biodiversity.

II.1.F.1.2 Legal Context

The Chilean Constitution of 1980 grants all Chileans the right to live in a pollution-free environment, and notes that it is the State's responsibility to ensure that this right is not threatened and to guarantee the preservation of nature. It also identifies the conservation of the environmental heritage as one of its social functions.

Law 19,300 on the General Environmental Framework was approved in 1994. This normative body established a structured environmental management system. The law regulates a series of conflicting interests, beginning with the premise that no activity, however legitimate it may be, can be carried out at the expense of the environment. Specifically, the law establishes a set of legal regulations and definitions, environmental management instruments, areas of responsibility, enforcement mechanisms, the environmental protection fund, and government institutions in charge of addressing issues that are related to the environment. The Principal Environmental Management Instruments are: Instruments for Establishing Environmental Quality Standards, Prevention Instruments, Corrective Instruments, Compliance Instruments, Economic Instruments, Education and Research Instruments, Citizen Participation Instruments, and Instruments for Generating Information.

Another issue to be considered is that Chile has applied to become a member of the OECD and the application process contemplates reviewing the environmental legal and institutional frame of the applicant. In this content, new legislation is being proposed and explained in the last paragraph of the following part.

II.1.F.1.3 Institutional Framework.

In 1994, Law 19,300 officially created the Comisión Nacional del Medio Ambiente *CONAMA- (National Commission for the Environment) a public service, functionally decentralized with legal status and own patrimony.

The General Environmental Framework Law did not significantly alter the institutional framework neither within the central government nor in decentralized government levels. However, the law imposes certain tasks and responsibilities on municipalities and confers on them some new authority mainly related to the Environmental Impact Assessment System (SEIA).

After more than a decade of application of Law 19.300 and considering the need of strengthening the environmental institutions, Law 20.173 was issued (March 2007), creating the post of Minister President of CONAMA[30].

During 2008, the Minister proposed to Congress a Bill of Law to create the Ministry of Environment, a Service for Environmental Assessment and a Superintendence for Compliance. Recently, another Bill of Law was presented to Congress to establish Environmental Tribunals. It is expected that both bills will be enacted.

II.1.F.1.4 International Cooperation.

Over the last fifteen years Chile has increased its profile in the international environmental debate, in particular in the scientific verification of "global environmental problems," becoming a signatory of several environmental conventions, among them, the Convention on International Trade in Endangered Species (CITES) (1975)*[31] ; the International Convention on Civil Liability for Oil Pollution Damage (1977)*; the Convention for the Regulation of Whaling (1979)*; the Convention of the Conservation of Antarctic Marine Living Resources (1981)*; the Vienna Convention for Protection of the Stratosphere (1990)*, and the Montreal Protocol on Substances that Deplete the Stratospheric Ozone Layer (1990)*; the Basel Convention on the Control of Trans-boundary Movement of Hazardous Wastes and their Disposal (1992)*; the Convention on Biological Diversity (1994)* and the Cartagena Protocol on Biosafety (2000)**[32] ; the United Nations Framework Convention on Climate Change (UNFCCC) (1995)* and the Kyoto Protocol (2002)*; the Rotterdam Convention on the Prior Informed Consent (PIC) Procedure for certain Hazardous Chemicals and Pesticides in International Trade (2005)*; and the Stockholm Convention on Persistent Organic Pollutants (POPs) (2005)*.

II.1.F.1.5 Trade and the Environment.

Chile considers that a good comprehension of the ties between trade and environment optimizes the benefits of free trade and mitigates possible negative impacts on sustainability of the natural resources. It also considers that a country can ensure growth

[30] On 27th March 2007, Ms. Ana Lya Uriarte Rodriguez was appointed as the first Minister President of CONAMA.
[31] *Year of ratification
[32] **Year of signature

rates that help to improve the quality of life for its people, and, at the same time, protect the environment.

Chile has negotiated FTAs with most of its trade partners, acknowledging the importance of incorporating the environmental dimension in this process of economic internationalization.

Chile considers that FTAs which incorporate environment provisions are an appropriate tool to promote high levels of environmental protection, together with securing an open and fair international trading system, by presenting adequate incentives for better environmental management and minimizing the risk of disguised environment barriers to trade. This approach could optimize the benefits derived from free trade and, at the same time, could enhance potential positive effects and mitigate potential negative impacts on environmental sustainability. Not only is protecting the environment an important aspect of sustainable development, it is an element of competitiveness. Markets are driven not only around the traditional demands of price and quality, but also according to respect for the environment and other social issues.

Chile has addressed environment issues in trade negotiations in a very flexible way and with an approach based on dialogue, exchanges of experiences and cooperation. The main format to incorporate environmental provisions in these agreements has been an Environment Chapter in the main text of the Free Trade Agreement (FTA); a separate agreement on environment cooperation negotiated and signed along with the FTA; or, in a few cases, both.

Canada-Chile Agreement on Environmental Cooperation (CCAEC): This Agreement was signed, along with the FTA, in 1997, with the aim of generating the conditions necessary for making the economic development of both countries compatible with the protection and improvement of environmental conditions. These Agreements are the firsts of this kind that Chile has signed with a developed nation. The agreement privileges cooperation and emphases the importance of the exchange of experience, knowledge and technology in this area. It allows for ample citizen participation. Likewise, it reaffirms the right of each Party to establish its own level of environmental protection, policies, and priorities, and, at the same time, incorporates the commitment to maintain high levels of environmental protection.

Association Agreement between Chile and the European Union (2003): The Preamble states that the Agreement should be implemented consistently with environmental protection and conservation; to promote sustainable development; and, to conserve, protect, and improve the environment by efficient environmental management and an adequate participation in the multilateral environmental agreements. The Chapter on Cooperation emphasizes the need for carrying out social development, economic growth, and environmental protection, and states that the purpose of environmental cooperation (article 28) is, inter alia, to promote conservation and improvement of the environment, to prevent pollution and the degradation of natural resources and ecosystems.

FTA Chile-USA.-Chapter 19 “Environment” (2004) and Environmental Cooperation Agreement (2004): In this case environmental provisions were incorporated into the FTA, with the aim to minimize the risk that environment laws, regulations, policies and practices could be used for trade protectionist purposes, but with the rigorous commitment to comply with the legislation of these matters, with a spirit of cooperation and with methods to solve controversies according to their specific nature. For the first time, the FTA includes a clause that will help to promote good environmental behavior from the productive sector, hence the Parties agreed to encourage corporations that operate in their territory to voluntarily include principles of corporate responsibility in their policies. Chapter 19, acknowledges the right of each Party to establish its own levels of environmental protection, policies, and priorities in environmental development, as well as, consequently, adopting and modifying, its environmental legislation, and taking into consideration ample citizen participation in the implementation of the agreement. Along with the FTA, an Environment Cooperation Agreement was signed that regulates this type of activities between the Parties.

Trans-Pacific Strategic Economic Partnership Agreement (P4) - Agreement on Environmental Cooperation (ECA-P4) (2006): Chile, Brunei Darussalam, New Zealand and Singapore have signed up to the Trans-Pacific Strategic Economic Partnership Agreement in 2005. Alongside the Trans-Pacific SEP, the Parties signed a side Agreement on Environment Cooperation. This Agreement has 2 main aspects: It establishes principles for environmentally sustainable trade between the Parties and encourages environmental cooperation.

Chile-PRChina FTA (2006): In the Preamble of the Agreement, the Parties recognize the importance of pursuing sustainable development and environmental protection. And, its article 108 states that “the Parties shall enhance their communication and cooperation on labour, social security and environment through both the Memorandum of Understanding on Labour and Social Security Cooperation, and the Environmental Cooperation Agreement between the Parties”. Based on that, on September 20, 2007, the National Commission on the Environment of Chile (CONAMA) and the State Environmental Protection Administration of China (SEPA), signed a Memorandum of Understanding on Environmental Cooperation that seeks to promote cooperation in the field of Environment protection, on the basis of equality and mutual benefit.

Panama-Chile Agreement on Environmental Cooperation: Both countries signed an Environmental Cooperation Agreement along with the FTA, which entered into force in March 2008. It has close similarities to the Trans-Pacific SEP Agreement on Environmental Cooperation.

FTA Chile-Colombia-Chapter 18 “Environment” (entered into force in March 2009). The environment provisions in the Chile-Colombia FTA are very similar to those in the ECA-P4 Agreement. The difference is that in the first case they were incorporated into the FTA (Chapter 18), and in the second one they form part of a parallel agreement.

Chile-Japan Agreement for Strategic Economic Partnership - Joint Statement (2007): The environmental provisions were included in the Joint Statement, subscribed by the respective Ministers of Foreign Affairs on the occasion of the signing on the Agreement for a Strategic Economic Partnership.

Chile-Australia Free Trade Agreement (entered into force in March 2009): Environmental provisions were included in Chapter 18 “Cooperation”. Article 18.2 states that *“cooperation on environment will reflect the commitment of both Parties to strengthening environmental protection and the promotion of sustainable development, in the context of strengthening trade and investment relations between them”. And, “Areas of cooperation may be developed through existing agreements and through appropriate implementing arrangements including the designation of national contact points to facilitate activities on environment and labour cooperation”*.

Chile-Turkey FTA (signed 2009): The Chapter on Cooperation (article 37.8) contains provisions regarding the Environment. It recognizes the importance of strengthening capacity to protect the environment and promote sustainable development in concert with strengthening trade and investment relations; and it establishes areas of environment cooperation which will be developed through special programs and projects dealing, inter alia, with the transfer of knowledge and technology.

APEC: Chile presented at the January 2007 meeting of the Committee on Trade and Investment (CTI) of APEC, a Draft Chapter on the Environment for RTAs/FTAs, that was adopted by the Ministers Responsible for Trade, in 2008. The Model Measures respond to the instruction of the Leaders and they built on the Best Practices for RTAs/FTAs adopted by APEC members in 2004. They are intended for economies to use as a reference tool in the process of negotiating RTAs and FTAs, in order to improve their quality and transparency.

MERCOSUR (Integrated by Argentina, Brazil, Paraguay and Uruguay) – Sub-Group #6: Environment**:** Chile participates, as observer, in this Sub-Group.

OECD: Chile has adhered to the Guidelines for Multinational Enterprises, which include a Chapter V on the Environment. Chile has been invited to participate, starting in 2008, as an Ad Hoc Observer, in the Joint Working Party on Trade and the Environment (JWPTE).

II.1.F.2 Indonesia

Indonesia is the world's largest archipelagic state encompassing over 17,000 islands and home to over 237 million inhabitants. Indonesia is endowed with rich biodiversity and natural resources, which to a large extent has constituted the basis for the past decades of macro-economic growth. Indonesia supports tremendous species diversity of both animal and plant life in its pristine rain forests and its rich coastal and marine areas. Nearly 60% of Indonesia’s terrestrial area is forested. The landscape is also mountainous and volcanic with over 500 volcanoes out of which 129 are still active. Furthermore, Indonesia holds at its disposal deposits of petroleum, natural (fossil) gas, and metal ores. Indonesia’s macro-economic development during the past 30 years is to a large extent based on its natural resources.

To narrow the gap between rich forests and poor people, progress can be made by recognizing that forestlands are part of the rural economy and people’s livelihoods. Policies could better address the linkages among community livelihoods, investments, markets and infrastructure, rather than viewing forests as raw material for export-oriented processing. In a longer term there is a large potential for innovative carbon funding for avoided deforestation in Indonesia. Project based transactions, such as Clean Development Mechanism (CDM), Joint Implementation Projects (JIP), or Voluntary programs are possible.

Legal basis of the environment policy aligns with Government Regulation No. 32/2009 concerning Environment Management and Protection jo Government Regulation No. 23/1997 on Environment Management

Indonesia is endowed with resources for renewable energy. The potential for solar energy, geothermal energy and hydro power is rather good. A constraint to technological development within this field is the high price. It is still not competitive compared to fossil energy. An energy price policy could be an opportunity for the country to encourage the development of more renewable energy.

Another opportunity is to continue ongoing support (e.g. to the Indonesian Sanitation Sector Development Program), as needs in urban areas remain vast and networks and contacts are already established. This may prove to be efficient as time and effort for preparation could be minimized.

Indonesia's guiding development document is the Medium Term Development Plan (MTDP) 2004-2009, formulated after the first ever direct presidential elections and outlining the key policy priorities and direction of the government. The MTDP states that access to clean water and basic sanitation is a right. Increased access to water and basic sanitation is included in the first target (poverty alleviation) under the third development goal in the MTDP. Out of several targets in the MTDP, two of them, namely target 4 and target 5 could be elaborated as follows: Target 4 (environment and natural resources) focus on restoring and preserving, and enhancing the quality of the environment, which implicitly would include aspects of wastewater collection and treatment. Meanwhile, related to water, sanitation, sewage, and wastewater treatment, Target 5 (infrastructure) highlights the need to increase the coverage of (affordable, available and of high quality) potable water, as well as to improve the quality of surface water. This will be done inter alia through increasing wastewater processing, developing the wastewater disposal system including a centralized sewerage system for large cities. Overall, the emphasis of infrastructure development shall be on improving rural infrastructure, strategic economic infrastructure and infrastructure in conflict regions.

After the "big-bang decentralization" in 2001, Indonesia is one of the most decentralized countries in the world; as much as one-third of central government expenditures are transferred to the regions. The State Ministry of Environment (MOE) is Indonesia's central environmental authority. It has an overall responsibility for environment including strategy, legislation and policy formulation, and establishing quality standards. It also supervises and supports provincial and local authorities in environmental management and the implementation of national policy and regulations. Monitoring and enforcement is done by the MOE together with various other agencies. Municipalities are responsible for planning and managing environmental services including waste management, water supply, and wastewater treatment. Key duty bearers for water supply and sanitation are thus the MOE and various other agencies.

Indonesia hosted the 13th Conference of the Parties to the United Nations Framework Convention on Climate Change, which served as the Third Meeting of the Parties to the Kyoto Protocol in Bali, December 3-14, 2007. Issues on emissions, impacts, and policy constraints were discussed during the conference.

The largest concern for Indonesia with regards to the impacts of climate change is the risk of decreased food security. Climate change will alter precipitation evaporation, run-off water and soil moisture; hence will have effects on agriculture and thus food security. Climate change will likely reduce soil fertility by 2 percent to 8 percent, resulting in projected decreases of rice yield by 4 percent per year, soybean by 10 percent, and maize by 50 percent. Thoroughly concern and efforts made to deal with climate change would be highly importance toward friendlier climate condition.

Indonesia signed the Kyoto Protocol in1998 and ratified it in 2004 through Law No. 17/2004. Since then, a lot has happened, notably in the field of the clean development mechanism (CDM), although less so in the other fields. There are many good policies and legislations that favor sustainable forest management in Indonesia. Indonesia has also ratified Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) through Presidential Decree of Republic of Indonesia No. 43/ 1978, Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal known as Basel Convention through Presidential Decree of Republic of Indonesia No. 61/ 1993, Montreal Protocol on Substances That Deplete the Ozone Layer through Presidential Decree of Republic of Indonesia No. 23/ 1992, and Cartagena Protocol on Biosafety through Law No. 21/ 2004.

Indonesia is progressing towards expanding biofuel production, both for domestic use in order to reduce oil consumption, and for export due meet strong demand, especially in Europe. Bioethanol is currently produced using mainly sugar and cassava as feedstocks, whereas biodiesel is developed using crude-palm oil (CPO), stearin (the non-edible byproducts of CPO), Jatropha curcas, and others. In 2009, biodiesel from oil palm in Indonesia is projected to reach 700 million liters, or 2 percent of diesel consumption, requiring about 200000 ha of oil palm plantations. Demand for biodiesel is expected to increase in 2025, when it reaches 4,700 million liters, or 5 percent of total diesel consumption. This will need 1.4 million hectares of oil palm plantations – about 2.5 times the area of the island of Bali. Jotrapha curcas can grow in degraded lands and promises a good potential to reforest the degraded areas, while at the sime time providing livelihoods to the poor living near degraded and reducing the use of petro-diesel.

However, the risks of deforestation – and to some extent land use conflicts with biofuels – have not been thoroughly assessed. Historically, oil-palm production in Indonesia has been a major driver of deforestation.

Indonesia is not yet adequately preparing for adaptation to future climate events. The importance of adaptation to climate change has already been acknowledged in the country’s Mid-Term National Development Plan. Chapter 32 of the Plan mentions that Indonesia shall “improve national capacity in adapting climate change issues into development aspects”.

Currently, a draft of the National Strategy on Adaptation has been completed. The draft contains a compilation of research activities, identification of adaptation issues that need to revised and expanded with implementation experience of UNFCCC methodology. At present, the Ministry of Environment is finalizing the strategy in time for the COP 13th meeting. Other Ministries have yet to follow through by implementing recommendations, resulting in weak preparedness of adaptation to future climate events.

In respect to waste management, Indonesia has a newly issued law. This legal instrument is very important in relation to business development. The Waste Management Law No.18/2008 covers solid waste management. There are three types of wastes regulated under the new law, namely household wastes, wastes similar to household wastes, and specific wastes.

With the enactment of the law, waste management must be organised based on the following principles: responsible, sustainable, beneficial, justice, awareness, mutual, safety, security, and economic value, in order to increase public health and environment quality, and to develop waste as resources.

The law explicitly stated that the Government is responsible for serving the public on waste management matters. The law also regulates the tasks and obligations of the Government, both at the national and local level. National and provincial Governments will focus on policy development and coordination, whilst city and regency Government will be responsible in implementing the policy. According to the law, everybody has the right to obtain service in waste management, participate in decision making, obtain information on waste management, and obtain compensation from the negative effect of landfill sites. On the other hand, residential, commercial, industrial, and special developers, as well as other public and social facilities are required to provide a waste sorting facility. All producers are required to place a waste reduction notice and instructions on wastes handling on its packaging. Businesses are responsible to process its own products' packages that cannot or is difficult to be naturally processed (extended producer responsibility).

Waste management activities include waste reduction and waste handling. Waste reduction consisted of reduce waste products, re-use waste, and re-cycle waste (3R). In order to reduce the amount of wastes, the law indicated that the Government could provide incentive to people doing waste reduction and disincentive to for those not doing waste reduction. Waste handling includes sorting, collecting, transporting, and processing.

The new law also regulates: (a) intra-local administration cooperation and partnership with the private sector in managing wastes; (b) prohibition the importation of waste into Indonesia, mixing dangerous and toxic wastes with rubbish, processing wastes that may cause pollution and/or environment destruction, littering, open dumping wastes management, or burning waste not in accordance with waste processing methods; (c) supervision of implementation of waste management policy, as well as supervising of waste management conducted by the waste managers; and (d) administrative sanction and criminal offence on waste management, as well as the imprisonment term and penalty levied.

II.2 Trade in Goods

II.2.A Composition of Trade in Goods

II.2.A.1 Chile

Chilean global trade, exports plus imports, reached 126,546 million dollars in 2008. This figure not only shows a record high in trade flows, but also is a clear sign that the Chilean external sector was able to benefit from the dynamism of the international economy of the 2000´s and the high prices of export commodities, before the financial crisis (since September 2008). The figure exhibited by external trade in 2008 represent an increase of more than 3 times the trade flows since 1999 (+323%) and to an annual average growth of 17.4%.

TABLE 2.3

CHILE'S FOREIGN TRADE, 1999 - 2008

(million of dollars and %)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Exports (FOB)	15,914.6	18,425.0	17,668.1	17,676.3	20,627.2	31,460.1	39,251.9	57,756.6	66,718.6	69,820.6
Imports (CIF)	14,022.0	16,842.5	16,233.9	15,753.2	17,663.6	22,454.2	29,940.1	34,912.0	42,949.0	56,725.6
Trade Balance	1,892.6	1,582.5	1,434.1	1,923.2	2,963.5	9,006.0	9,311.7	22,844.5	23,769.5	13,095.1
Trade Exchange	29,936.6	35,267.5	33,902.0	33,429.5	38,290.8	53,914.3	69,192.0	92,668.6	109,667.6	126,546.2
Grow rate %										
Exports	7.9	15.8	-4.1	0.0	16.7	52.5	24.8	47.1	15.5	4.6
Imports	-17.9	20.1	-3.6	-3.0	12.1	27.1	33.3	16.6	23.0	32.1
Trade Exchange	-6.0	17.8	-3.9	-1.4	14.5	40.8	28.3	33.9	18.3	15.4

Source: Studies and Informations Department, DIRECON (june 2009), based on data from Central Bank of Chile

Exports in the past eight years have also thrived, showing an average annual growth rate above 17.9%. This allowed that in 2006 Chilean exports to exceed the fifty billion dollar barrier, thereof reaching a record high of 69,821 million dollars in 2008. In the past decade exports growth has been the norm, except for 1998 where exports suffered a drop of 13%, due to a massive fall in commodity prices as a result of the Asian crisis. Although exports recovered quickly – in 2000 exports had well recovered all the terrain lost in the 1998 crisis – in 2001 there was another fall in exports, this time as a result of the slump in the regional economic environment, mainly caused by the Argentinean crisis, and a slowdown in global demand in the wake of the September 11 events. Since 2003 the latter was reversed stimulated by the strong growth of demand from Asian markets, especially China, India and Japan that raised international commodity prices. By the end of 2008, commodity prices have been substantially reduced as a result of the world financial crisis. Thus, it is expected a fall in Chilean exports in value and quantum[33].

Imports in 2008 reached 56,726 million dollars, which meant an annual increase of 32.1%, marking a record high, near the growth of the record year 2005 (33%). Chile's trade balance reached in 2008 a surplus of 213,095 million dollars, thereof becoming the tenth consecutive year that the trade balance has been positive. The latter is not only due to the important raise in exports but also in a picture that shows un upsurge in imports during 2005 (that had begun in 2004), after the fall in imports in 1999 and its weak recovery in the earlier years of the present decade. For 2009, a fall in imports according to the slackening of economic activity is expected[34].

II.2.A.1.1 Exports

Table 2.4 shows the structure of exports according to International Standard of Industrial Classification (ISIC). At a first glance it is obvious that most of Chile's exports are highly concentrated in two sectors: Industry and Mining, which represent 94.5% of all exports in 2007.

[33] The Central Bank of Chile released an outlook for the 2009 macroeconomic situation in the "Presentación del Informe de Política Monetaria ante la Comisión de Hacienda del Honorable Senado de la República" José de Gregorio, Presidente, Banco Central de Chile, 13 de mayo 2009 in http://www.bcentral.cl/politicas/presentaciones/consejeros/pdf/2009/jdg13052009.pdf, page 16, by which a reduction of -1.7% is expected in real exports in 2009, page 14

[34] In "Presentación del Informe de Política Monetaria ante la Comisión de Hacienda del Honorable Senado de la República" José de Gregorio, Presidente, Banco Central de Chile, 13 de mayo 2009 in http://www.bcentral.cl/politicas/presentaciones/consejeros/pdf/2009/jdg13052009.pdf, page 16., is expected a reduction of -10.6% in real imports in 2009

TABLE 2.4
CHILE'S EXPORT STRUCTURE ACCORDING TO ISIC, 1999 - 2008
(%)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
I. Agriculture, Fruit, Livestock Silviculture and Extractive Fishery	10.8	8.8	8.8	9.7	9.5	7.1	6.1	4.5	4.6	5.5
Agriculture, Fruit and Livestock	**10.3**	**8.4**	**8.4**	**9.4**	**9.2**	**6.8**	**5.9**	**4.4**	**4.5**	**5.4**
Silviculture	**0.4**	**0.3**	**0.2**	**0.2**	**0.1**	**0.1**	**0.1**	**0.0**	**0.0**	**0.0**
Extractive Fishery	**0.2**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**
II. Mining	42.9	45.7	43.1	41.5	42.4	53.5	56.7	64.9	64.0	59.8
Copper	**36.4**	**39.8**	**37.5**	**35.5**	**36.2**	**45.7**	**44.9**	**57.0**	**56.0**	**52.3**
Other	**6.5**	**5.9**	**5.6**	**6.0**	**6.1**	**7.8**	**11.8**	**7.9**	**8.0**	**7.5**
III. Industry	45.6	44.9	47.4	47.6	47.2	38.8	36.6	29.9	30.5	33.4
Foodstuff and beverages	**20.1**	**17.4**	**18.9**	**19.7**	**19.5**	**15.5**	**14.5**	**11.4**	**11.1**	**12.1**
Textiles and apparel	**1.0**	**1.0**	**1.0**	**0.8**	**0.7**	**0.6**	**0.5**	**0.3**	**0.4**	**0.3**
Forestry and Furniture	**5.8**	**5.1**	**5.7**	**6.6**	**6.2**	**5.5**	**4.6**	**3.5**	**3.0**	**3.1**
Cellulose, paper and by-products	**6.6**	**7.8**	**6.7**	**6.3**	**6.0**	**5.2**	**4.2**	**3.3**	**4.4**	**4.7**
Proccessed and unproccessed chemicals	**6.1**	**8.1**	**9.5**	**8.9**	**10.2**	**8.0**	**8.6**	**7.2**	**5.8**	**7.3**
Glass, clay and porcelain products	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**
Basic steel and iron industry	**1.5**	**1.5**	**1.5**	**1.5**	**1.6**	**1.6**	**1.6**	**2.2**	**3.7**	**3.5**
Metal products, machinery and equipment	**4.2**	**3.6**	**3.7**	**3.4**	**2.6**	**2.1**	**2.2**	**1.9**	**2.0**	**2.2**
Non specified manufactures	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**
IV. Others	0.6	0.6	0.8	1.2	1.0	0.7	0.7	0.6	0.8	1.3
V. Total Exports	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Studies and Informations Department, DIRECON (june 2009), based on data from Central Bank of Chile

Agriculture, Forestry and Extractive Fishery

In 2008, 5.5% of Chilean exports came from this sector, scoring a currency inflow of 3,830 million dollars. Although this sector may appear to be relatively small compared to the industrial and mining sectors, it is of no lesser importance to Chile's economic activity. The average annual rate of growth over the last 9 years has been 9.3%, and has accelerated in the last years stimulated by an increase of Asian and European markets.

TABLE 2.5
AGRICULTURE, FRUIT AND LIVESTOCK EXPORTS, 1999 - 2008
(million of dollars FOB and %)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Agriculture, Fruit, Livestock Silviculture and Extractive Fishery	1,721.4	1,619.8	1,551.4	1,707.7	1,955.2	2,223.3	2,378.5	2,622.8	3,075.8	3,830.2
Agriculture, Fruit and Livestock	**1,633.5**	**1,541.6**	**1,485.2**	**1,655.9**	**1,901.2**	**2,153.4**	**2,311.5**	**2,566.9**	**3,014.8**	**3,746.8**
Silviculture	**57.7**	**51.7**	**39.9**	**28.0**	**26.8**	**39.0**	**30.5**	**21.9**	**19.0**	**28.3**
Extractive Fishery	**30.2**	**26.4**	**26.3**	**23.8**	**27.2**	**31.0**	**36.4**	**34.0**	**42.0**	**55.1**
Structure										
Agriculture, Fruit, Livestock Silviculture and Extractive Fishery	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture, Fruit and Livestock	**94.9**	**95.2**	**95.7**	**97.0**	**97.2**	**96.9**	**97.2**	**97.9**	**98.0**	**97.8**
Silviculture	**3.4**	**3.2**	**2.6**	**1.6**	**1.4**	**1.8**	**1.3**	**0.8**	**0.6**	**0.7**
Extractive Fishery	**1.8**	**1.6**	**1.7**	**1.4**	**1.4**	**1.4**	**1.5**	**1.3**	**1.4**	**1.4**
Growth										
Agriculture, Fruit, Livestock Silviculture and Extractive Fishery	2.3	-5.9	-4.2	10.1	14.5	13.7	7.0	10.3	17.3	24.5
Agriculture, Fruit and Livestock	**0.8**	**-5.6**	**-3.7**	**11.5**	**14.8**	**13.3**	**7.3**	**11.0**	**17.4**	**24.3**
Silviculture	**82.3**	**-10.4**	**-22.9**	**-29.7**	**-4.3**	**45.2**	**-21.7**	**-28.1**	**-13.3**	**48.8**
Extractive Fishery	**-0.5**	**-12.6**	**-0.6**	**-9.4**	**14.1**	**14.0**	**17.7**	**-6.6**	**23.5**	**31.1**

Source: Studies and Informations Department, DIRECON (june 2009), based on data from Central Bank of Chile

Exports show a very high concentration in agricultural goods and it has grown in the last three years, representing 98% of all exports, given the reduction in exports in the other sub-sectors. This is not surprising, specially considering that around 88% of this sub sector is fruit exports.

Mining

In 2008, mining exports amounted to 41,776 million dollars representing 59.8% of all exports. It was a sector that experienced a negative rate of growth in 2008 of -2.2%, because of the change of copper prices since the third quarter of 2008, in the context of lower international demand for these products and reduced copper prices.

TABLE 2.6
MINING EXPORTS, 1999 - 2008
(million of dollars FOB and %)

		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Mining		6,831.5	8,412.9	7,610.8	7,342.4	8,742.2	16,819.1	22,243.4	37,479.2	42,729.7	41,775.9
	Copper	**5,793.0**	**7,332.2**	**6,621.4**	**6,281.7**	**7,474.7**	**14,374.6**	**17,621.2**	**32,903.9**	**37,377.3**	**36,540.7**
	Other	**1,038.5**	**1,080.6**	**989.4**	**1,060.8**	**1,267.5**	**2,444.6**	**4,622.1**	**4,575.3**	**5,352.3**	**5,235.1**
							Structure				
Mining		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Copper	**84.8**	**87.2**	**87.0**	**85.6**	**85.5**	**85.5**	**79.2**	**87.8**	**87.5**	**87.5**
	Other	**15.2**	**12.8**	**13.0**	**14.4**	**14.5**	**14.5**	**20.8**	**12.2**	**12.5**	**12.5**
							Growth				
Mining		12.1	23.1	-9.5	-3.5	19.1	92.4	32.3	68.5	14.0	-2.23
	Copper	**16.7**	**26.6**	**-9.7**	**-5.1**	**19.0**	**92.3**	**22.6**	**86.7**	**13.6**	**-2.24**
	Other	**-8.1**	**4.1**	**-8.4**	**7.2**	**19.5**	**92.9**	**89.1**	**-1.0**	**17.0**	**-2.19**

Source: Studies and Informations Department, DIRECON (june 2009), based on data from Central Bank of Chile

This sector had been one of the most dynamic Chilean export sectors, as well as the most volatile. This volatility is explained by the composition of this sector, which is made mostly of commodities, and thus very sensitive to international price fluctuations.

Copper based exports account for 88% of all mining exports - although 5.3 billion dollars worth of exports coming from the rest of the sector is all but minor. Although Chile has been a traditional copper exporter, given the abundant endowment of this mineral and its relatively low extraction costs, its importance had grown smaller with time, especially considering that in 1960 copper represented almost 70% of all exports and in 2008 it represented 52.3% of total exports. Copper exports had grown by 530% in the last nine years, much higher than industrial exports (+221% in the same period).

Industry

In 2008 industrial exports reached 23,333 million dollars accounting for 33% of Chilean exports, as well as showing a third year of robust growth in sales (14.7%), figure that is above the average growth rate for the 1999 – 2008 period (13.8%).

The industrial sector has not only been a sector that has shown a rapid growth in the past 9 years (+221%), but has experienced more stability, being the only one that has exports growing constantly for the past nine years. This can be explained partly because of the diversity that exists within the sector, where not one single sub-sector concentrates more than 40% of all exports, contrary to what happens in the agricultural and mining sector.

TABLE 2.7
INDUSTRIAL EXPORTS, 1999 - 2008
(million of dollars FOB and %)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Industry	7,264.6	8,273.1	8,372.7	8,418.4	9,731.9	12,192.9	14,366.6	17,279.9	20,348.9	23,332.9
Foodstuff and beverages	**3,197.9**	**3,214.8**	**3,340.5**	**3,477.0**	**4,020.8**	**4,888.1**	**5,701.3**	**6,568.6**	**7,378.6**	**8,463.4**
Textiles and apparel	**163.6**	**180.7**	**175.5**	**142.5**	**149.9**	**186.4**	**192.7**	**200.6**	**266.6**	**225.8**
Forestry and Furniture	**917.8**	**935.0**	**1,013.0**	**1,164.6**	**1,272.7**	**1,734.5**	**1,811.0**	**2,005.4**	**2,034.1**	**2,147.0**
Cellulose, paper and by-products	**1,044.6**	**1,441.0**	**1,183.1**	**1,116.1**	**1,234.7**	**1,628.9**	**1,658.3**	**1,898.2**	**2,927.1**	**3,292.6**
Proccessed and unproccessed chemicals	**965.1**	**1,494.7**	**1,672.5**	**1,575.3**	**2,108.6**	**2,507.3**	**3,387.2**	**4,155.3**	**3,857.7**	**5,085.7**
Glass, clay and porcelain products	**54.5**	**49.4**	**52.4**	**50.7**	**63.6**	**68.1**	**77.6**	**89.3**	**108.9**	**120.5**
Basic steel and iron industry	**235.0**	**282.0**	**258.0**	**271.9**	**329.2**	**512.3**	**642.9**	**1,262.8**	**2,439.0**	**2,446.2**
Metal products, machinery and equipment	**662.9**	**660.1**	**653.0**	**593.9**	**535.4**	**650.4**	**877.5**	**1,078.4**	**1,312.9**	**1,533.6**
Non specified manufactures	**23.1**	**15.5**	**24.7**	**26.3**	**16.9**	**17.0**	**18.1**	**21.3**	**24.0**	**18.2**
					Structure					
Industry	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Foodstuff and beverages	**44.0**	**38.9**	**39.9**	**41.3**	**41.3**	**40.1**	**39.7**	**38.0**	**36.3**	**36.3**
Textiles and apparel	**2.3**	**2.2**	**2.1**	**1.7**	**1.5**	**1.5**	**1.3**	**1.2**	**1.3**	**1.0**
Forestry and Furniture	**12.6**	**11.3**	**12.1**	**13.8**	**13.1**	**14.2**	**12.6**	**11.6**	**10.0**	**9.2**
Cellulose, paper and by-products	**14.4**	**17.4**	**14.1**	**13.3**	**12.7**	**13.4**	**11.5**	**11.0**	**14.4**	**14.1**
Proccessed and unproccessed chemicals	**13.3**	**18.1**	**20.0**	**18.7**	**21.7**	**20.6**	**23.6**	**24.0**	**19.0**	**21.8**
Glass, clay and porcelain products	**0.8**	**0.6**	**0.6**	**0.6**	**0.7**	**0.6**	**0.5**	**0.5**	**0.5**	**0.5**
Basic steel and iron industry	**3.2**	**3.4**	**3.1**	**3.2**	**3.4**	**4.2**	**4.5**	**7.3**	**12.0**	**10.5**
Metal products, machinery and equipment	**9.1**	**8.0**	**7.8**	**7.1**	**5.5**	**5.3**	**6.1**	**6.2**	**6.5**	**6.6**
Non specified manufactures	**0.3**	**0.2**	**0.3**	**0.3**	**0.2**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**
					Growth					
Industry	5.3	13.9	1.2	0.5	15.6	25.3	17.8	20.3	17.8	14.7
Foodstuff and beverages	**2.8**	**0.5**	**3.9**	**4.1**	**15.6**	**21.6**	**16.6**	**15.2**	**12.3**	**14.7**
Textiles and apparel	**-11.8**	**10.5**	**-2.9**	**-18.8**	**5.2**	**24.3**	**3.4**	**4.1**	**32.9**	**-15.3**
Forestry and Furniture	**25.5**	**1.9**	**8.3**	**15.0**	**9.3**	**36.3**	**4.4**	**10.7**	**1.4**	**5.5**
Cellulose, paper and by-products	**8.6**	**37.9**	**-17.9**	**-5.7**	**10.6**	**31.9**	**1.8**	**14.5**	**54.2**	**12.5**
Proccessed and unproccessed chemicals	**1.7**	**54.9**	**11.9**	**-5.8**	**33.9**	**18.9**	**35.1**	**22.7**	**-7.2**	**31.8**
Glass, clay and porcelain products	**11.1**	**-9.4**	**6.0**	**-3.2**	**25.5**	**7.0**	**14.0**	**15.0**	**22.0**	**10.6**
Basic steel and iron industry	**4.5**	**20.0**	**-8.5**	**5.4**	**21.1**	**55.6**	**25.5**	**96.4**	**93.1**	**0.3**
Metal products, machinery and equipment	**0.7**	**-0.4**	**-1.1**	**-9.1**	**-9.8**	**21.5**	**34.9**	**22.9**	**21.7**	**16.8**
Non specified manufactures	**-15.8**	**-32.8**	**59.2**	**6.4**	**-35.8**	**0.5**	**6.6**	**17.6**	**13.0**	**-24.4**

Source: Studies and Informations Department, DIRECON (june 2009), based on data from Central Bank of Chile

In terms of sub-sectors, foodstuffs represent 36.3% of all industrial exports, followed by processed chemicals (21.8%), cellulose and paper (14.1%) and basic steel and iron industry (10.5%). This structure differs to the 1999 structure where cellulose and paper came in second place, processed chemicals in third place and forestry in fourth place. The change in order is due to differences in each sub-sectors growth rate, although none have diminished their exports some have grown faster than others, as is the case of the basic steel and iron industry sub-sector that grew in 941% compared to the 215% growth rate shown by the cellulose sub-sector in the same period.

Although all of the industrial export sub-sectors have expanded their sales, some sub-sectors have seen their exports reduced for some periods. The textile industry has been identified as one of the sectors that have weakened its foreign sales (growth of 38% in the last nine years). The main reason for the reduction in the growth of sales is the loss of foreign market share due to a greater competition, mainly from China and India.

Products

In 2007 Chile exported 5,258 different types of goods from 7,915 different companies. This contrasts favorably with the 2000 scenario where 3,749 products where exported through 5,666 companies.

Table 2.8 shows the top twenty five products that Chile exported to the world in 2007. These twenty five products, which represent only 0.2% of the total number of products that are actually exported, account for 75.2% of the total value of exports. This reveals that although exports are very diverse in number, there is still a high concentration in a small number of products. Thus, the Chilean export sector is still very vulnerable towards external shocks such as sharp changes in international commodity prices.

TABLE 2.8
CHILE'S PRINCIPAL EXPORTS PRODUCTS, 2008
(millions of dollars FOB and %)

HS	Description	FOB	%
74031100	Refined copper cathodes and sections	20,243.2	28.99
26030000	Copper ores and concentrates	13,005.4	18.63
74020010	Unrefined copper blister	2,477.0	3.55
26131010	Molybdenite concentrates roasted.	2,026.6	2.90
160000	Vessels airships international transportation vehicles paseng	1,329.3	1.90
47032100	Chemical woodpulp, soda or sulfate, other than dissolving grades (coniferous)	1,248.5	1.79
47032910	Chemical woodpulp, soda or sulfate, other than dissolving grades (eucalyptus)	1,208.3	1.73
250000	Services considered as export	880.6	1.26
72027000	Ferro-molybdenum	839.4	1.20
71081200	Gold non-monetary other than powder	732.3	1.05
74031900	Other refined copper unwrought	653.0	0.94
44071012	Coniferous wood sawn or chipped lengthwise	510.4	0.73
26139010	Molybdenum concentrates not roasted	490.7	0.70
3041942	Fillets and other meat portions of salmon, fresh or chilled	488.9	0.70
74081110	Wire or refined copper, with a maximum cross-sectional dimension of <=9,5	485.6	0.70
74040019	Other Worn out anodes; copper waste and scrap with a copper content	442.2	0.63
29051100	Methanol (methyl alcohol)	407.1	0.58
28012000	Iodine	371.2	0.53
44123910	Plywood, veneered panels and similar laminated wood-coniferous	343.4	0.49
26011210	Iron pellets	331.3	0.47
3042942	Atlantic and Danube salmon, frozen	326.7	0.47
22042121	Cabernet Sauvignon wine, origin, in less than 2 liters cans	318.3	0.46
8061010	Table grapes, thompson seedless, fresh	316.0	0.45
27101940	Destilate fuel oils (gasoil, diesel oil)	312.2	0.45
28342110	Nitrates, containing more than 98 percent by weight of potassium nitrate	305.7	0.44
	Total Main Products	50,093.2	71.7
	Other Products	19,727.4	28.3
	Total Exports	69,820.6	100.0

(*): Correspond to the 25 top exported products.
Source: Studies and Informations Department, DIRECON, (june 2009), based on data from Central Bank of Chile.

Imports

Imports, according to types of goods, are basically concentrated in intermediate goods, in other words goods that serve as inputs in the production of final goods, be it for internal consumption or export markets. Although traditionally intermediate goods have accounted for more than half of all imports, in 2008 these types of imports reached a record high in value, and also in their concentration. This is not surprising if we consider that 40% of all intermediate imports are fossil fuels or fossil fuel based products, which in the past five years had experienced international prices above average.

TABLE 2.9

CHILE'S IMPORTS ACCORDING TO TYPE OF GOOD, 1999 - 2008

(millions of dollars CIF)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
I. Consumer Goods	2,630.8	3,118.0	3,016.8	2,946.8	3,230.7	3,956.4	4,810.0	5,861.2	9,301.3	11,253.8
II. Intermdiate Goods	8,254.9	10,186.1	9,732.1	9,421.0	10,849.1	14,048.1	18,158.3	21,776.0	26,456.0	36,127.5
Petroleum	**1,099.9**	**1,993.7**	**1,726.8**	**1,615.1**	**2,130.5**	**2,874.6**	**3,779.1**	**4,873.2**	**5,018.3**	**7,175.2**
Other fuels and Lubricants	**793.9**	**1,045.1**	**993.9**	**1,003.9**	**1,191.9**	**1,784.8**	**2,753.5**	**3,568.1**	**5,673.8**	**8,129.9**
III. Capital Goods	3,136.4	3,538.5	3,484.9	3,385.4	3,583.8	4,449.7	6,971.9	7,274.9	7,191.8	9,344.3
IV. Total Imports	14,022.0	16,842.5	16,233.9	15,753.2	17,663.6	22,454.2	29,940.1	34,912.0	42,949.0	56,725.6

Source: Studies and Informations Department, DIRECON (june 2009), based on data from Central Bank of Chile

Consumer goods imports come in at a far second, representing a fifth of all imports (19.8%) in 2008, higher than the 16.8% it represented in 2006. In 2007 there was an increase of 59% in consumer goods imports, higher than the average increase in imports of 23%. Regarding capital goods purchases, this category was also impacted by the drop in internal demand in 1999 but has recovered satisfactorily, reaching in 2008 imports levels a record 9.3 billion dollars, higher than the earlier peaks of 7.3 billion dollars in 2006.

TABLE 2.10

CHILE'S IMPORT STRUCTURE ACCORDING TO TYPE OF GOOD, 1999 - 2008

(%)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
I. Consumer Goods	18.8	18.5	18.6	18.7	18.3	17.6	16.1	16.8	21.7	19.8
II. Intermdiate Goods	58.9	60.5	59.9	59.8	61.4	62.6	60.6	62.4	61.6	63.7
Petroleum	**7.8**	**11.8**	**10.6**	**10.3**	**12.1**	**12.8**	**12.6**	**14.0**	**11.7**	**12.6**
Other fuels and Lubricants	**5.7**	**6.2**	**6.1**	**6.4**	**6.7**	**7.9**	**9.2**	**10.2**	**13.2**	**14.3**
III. Capital Goods	22.4	21.0	21.5	21.5	20.3	19.8	23.3	20.8	16.7	16.5
IV. Total Imports	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Studies and Informations Department, DIRECON (june 2009), based on data from Central Bank of Chile

Contrary to exports, imports show a lesser degree of concentration in terms of products. Table 2.11 shows the top 25 products imported by Chile in 2008. These 25 products, which represent 0.2% of the total number of imported products, account for 39.7% of total import value.

TABLE 2.11
CHILE'S PRINCIPAL IMPORT PRODUCTS, 2008
(millions of dollars CIF and %)

HS	Description	FOB	%
27101940	Destilate fuel oils (gasoil, diesel oil)	5,092.0	8.98
27090020	Petroleum oils and oils from bituminous minerals, crude, testing 25	4,654.6	8.21
27090010	Petroleum oils and oils from bituminous minerals, crude, testing under 25	2,520.7	4.44
87032391	Automobiles for tourism with cylinder >1500 cc =< 3000 cc	1,029.4	1.81
26139010	Molybdenum concentrates not roasted	845.2	1.49
85171200	Cellular phones	742.5	1.31
27011220	Bituminous coal "ECSC" for thermal use, whether or not pulverized, non-aggl	624.9	1.10
87032291	Automobiles for tourism with cylinder >1000 cc =< 1500 cc	512.9	0.90
27111200	Liquefied propane	486.4	0.86
87042121	Ligth trucks	469.0	0.83
27112100	Natural gas in gaseous state	451.8	0.80
28070000	Sulphuric acid; oleum	447.0	0.79
84713000	Digital autiomatic data processing machines not weighing more	442.9	0.78
27101123	Gasoline for terrestrial vehicles, without Pb, of 97 octanes	434.4	0.77
2013000	Meat of boneless bovine fresh or chilled.	418.4	0.74
27101930	Jet Fuel	401.4	0.71
10059000	Other maize	399.0	0.70
87041090	Other motor vehicles for the transport of goods	384.8	0.68
30049010	Other therapeutic or prophylactic medications for use in huma	364.3	0.64
27101951	Fuel oil 6	355.7	0.63
31021000	Urea whether or not in aqueous solution.	324.1	0.57
10019000	Other wheatand meslin	301.5	0.53
87021091	Motor vehicles for the transport of 10 or more persons but not exceeding 15 se	294.8	0.52
39012000	Polyethylene having a specific gravity of 0.94 or more.	268.8	0.47
87012020	Road tractors for semi-trailers, with diesel engine power >200 HP	246.6	0.43
	Total Main Products	22,513.0	39.7
	Other Products	34,212.5	60.3
	Total Imports	56,725.6	100.0

(*): Correspond to the 25 top imported products.
Source: Studies and Informations Department, DIRECON, (june 2009), based on data from Central Bank of Chile.

II.2.A.2 Indonesia

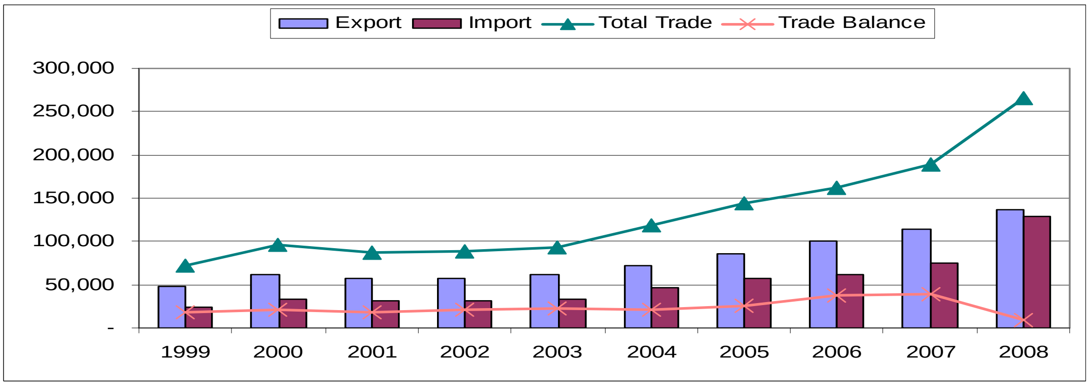
Trade has played an important role in supporting Indonesia’s economic recovery post Asia crisis. Indonesia total trade, total export and import, reached to US$ 266.2 billion in 2008. This big amount not only showed by how important external trade is in Indonesia economy, but also the success of Indonesia to rise from the crisis. Indonesia’s total trade has risen for more than double after the economic crisis. In latest five year, the total trade has grown at annual average growth approximately 20.9% per year.

During the past five years, Indonesia’s has also increased sharply, except for 2001 but than increased slowly in 2002 and risen sharply afterward. Strong growth of export was stimulated by strong demand from new emerging Asia countries such as China and India, as well as substantial demand from Japan and United States and ASEAN countries.

Import in the past five years has also increased sharply after the decrease in 2001, especially in the latest five years. In 2008, import has increased dramatically, making the highest growth in the latest ten years with growth reaching to 73.5%.

Hence, Indonesia's total trade, as it can be seen on the picture, has grown very sharp especially after 2003. The trade balance has increased slowly until 2007 and in 2008 this trade balance dropped especially during the last quarter to almost fair line due to the incredible increase of import.

Chart 2.9. Indonesia Trade Balance (US$ Million)

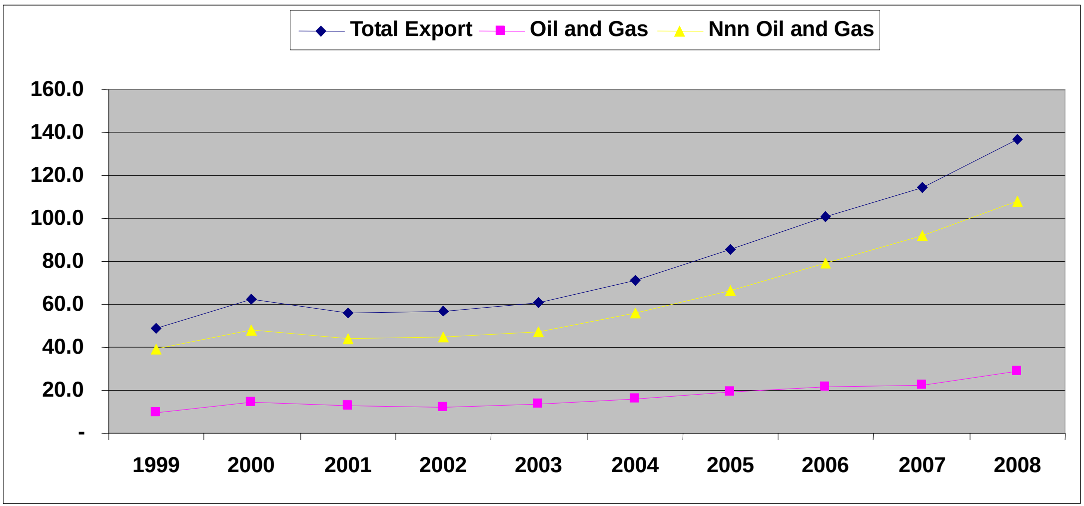


Source: Statistics Indonesia of the Republic of Indonesia

II.2.A.2.1 Exports

Indonesia's export has been dominated by non oil and gas commodity, even though oil and gas products still has its own position in exports with its share roughly at 19% in 2007. The importance between oil and gas products and non oil and gas products has fluctuated over time. Figure 2.10 showed the portion between oil and gas products and non oil and gas products in Indonesia's export.

Chart 2.10. Indonesia's Export Structure (US$ Million)



Source: Statistics Indonesia of the Republic of Indonesia

Indonesia's non oil and gas export has accelerated very fast in the last ten years, rising from US$ 38.8 billion in 1999 to US$ 107.9 billion in 2008. However, the total export movement is constructed by the movement of non oil and gas. In 1999 the share of non oil and gas exports to total exports was 79.9% followed by a slightly lower in 2008 (78.7%). Industrial products contribute a large part on Indonesia's non oil and gas exports with its share up to 81.9% (Table 2.12).

Table. 2.12. Structure of Non Oil and Gas Export by ISIC (US$ Million)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total Non Oil and Gas Export	**38,873.2**	**47,757.4**	**43,684.6**	**45,046.1**	**47,406.8**	**55,939.3**	**66,428.4**	**79,589.1**	**92,012.3**	**107,894.2**
Agriculture, fishery, forestry	2,901.5	2,709.1	2,438.5	2,568.3	2,526.1	2,496.2	2,880.2	3,364.9	3,657.8	4,584.6
Mining	2,634.5	3,040.8	3,569.6	3,743.7	3,995.6	4,761.4	7,946.8	11,191.5	11,884.9	14,906.2
Industry	33,332.3	42,002.9	37,671.1	38,729.6	40,879.9	48,677.3	55,593.6	65,023.9	76,460.8	88,393.5
Others	4.9	4.5	5.4	4.5	5.2	4.4	7.8	8.9	8.8	9.9
Stucture (%)										
Total Non Oil and Gas Export	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Agriculture, fishery, forestry	7.5	5.7	5.6	5.7	5.3	4.5	4.3	4.2	4.0	4.2
Mining	6.8	6.4	8.2	8.3	8.4	8.5	12.0	14.1	12.9	13.8
Industry	85.7	88.0	86.2	86.0	86.2	87.0	83.7	81.7	83.1	81.9
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Statistics Indonesia of the Republic of Indonesia.

Agricultural Sector

Indonesia’s export in 2008 was accounted at 4.2% for agriculture, fishery and forestry sector. The share of this sector decreased almost half compared to that of ten years ago (7.5% in 1999 to 4.2% in 2008). Agricultural product was the main leading in the agricultural, fisheries, and forestry sector with its share to about 63.2% in 2008, followed by fishery product (36.8%). The forestry product including in the agricultural sector is only unprocessed wood that has already been tightly restricted to export. Other derived products of unprocessed wood are included in industrial sector. The share of agricultural product is higher than fishery and forestry sector in last ten years. Coffee, cacao, fruits, and tea are Indonesia’s main agricultural export products, whereas the main products for fisheries are shrimp, frozen crabs and tuna.

Table. 2.13. Structure of Agriculture, Fishery and Forestry Sector
(US$ Million)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Agriculture, fishery, forestry	2,901.5	2,709.1	2,438.5	2,568.3	2,526.1	2,496.2	2,880.2	3,364.9	3,657.8	4,584.6
Agriculture	1,524.4	1,275.4	1,052.0	1,333.1	1,236.1	1,197.7	1,545.6	1,895.7	2,151.9	2,896.4
fishery	1,345.8	1,388.4	1,318.7	1,225.1	1,289.1	1,297.8	1,334.3	1,469.2	1,505.8	1,688.1
forestry	31.2	45.3	67.8	10.1	0.9	0.7	0.3	0.0	0.0	0.0
Stuctrure (%)										
Agriculture, fishery, forestry	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture	52.5	47.1	43.1	51.9	48.9	48.0	53.7	56.3	58.8	63.2
fishery	46.4	51.2	54.1	47.7	51.0	52.0	46.3	43.7	41.2	36.8
forestry	1.1	1.7	2.8	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Growth (%)										
Agriculture, fishery, forestry		-6.6	-10.0	5.3	-1.6	-1.2	15.4	16.8	8.7	25.3
Agriculture		-16.3	-17.5	26.7	-7.3	-3.1	29.0	22.7	13.5	34.6
fishery		3.2	-5.0	-7.1	5.2	0.7	2.8	10.1	2.5	12.1
forestry		45.2	49.5	-85.1	-91.3	-16.7	-57.6	-84.7	-10.6	-14.2

Source: Statistics Indonesia of the Republic of Indonesia.

Industrial Sector

The industrial products export has grown rapidly with its value increased for more than double over the last ten years (from US$ 33.3 billion in 1999 to US$ 88.4 billion in 2008). During the period of 2004-2008, the industrial sector export has grown at 16.3% annually. Even though the value has remarkably increased, its share to the total export has decreased from 85.7% in 1999 to 81.9% in 2008. Crude palm oil contributes the biggest share in Indonesia's industrial product export, increasing from 3.3% in 1999 to 14% in 2008. Other main products that have increased its share are crumb rubber, electrical equipment, iron or steel, copper articles, and tin articles. Other main industrial products are shown in Table 2.14.

Table 2.14. Structure of Industrial Sector (US$ Million)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Industry	**33,332.3**	**42,002.9**	**37,671.1**	**38,729.6**	**40,879.9**	**48,677.3**	**55,593.6**	**65,023.9**	**76,460.8**	**88,393.5**
Palm Oil	1,114.2	1,087.3	1,080.9	2,092.4	2,454.6	3,441.8	3,756.3	4,817.6	7,868.6	12,375.6
Garments	3,818.5	4,702.6	4,476.5	3,887.2	4,037.8	4,352.0	4,966.9	5,608.2	5,712.9	6,092.1
Crumb Rubber	799.4	848.4	748.2	967.5	1,402.4	1,946.1	2,133.4	3,690.8	4,243.3	5,595.2
Electrical Equipment	1,692.4	3,161.9	2,605.1	2,700.0	3,120.6	3,486.1	4,364.1	4,448.7	4,835.9	5,253.7
Paper And Paper Products	1,965.6	2,291.3	2,034.3	2,097.5	2,007.3	2,228.9	2,324.8	2,859.2	3,374.8	3,796.9
Iron Or Steel	756.6	834.0	733.2	713.1	820.0	1,129.1	1,309.3	2,123.3	2,266.6	3,088.6
Audio Visual	1,458.0	3,258.0	3,259.2	3,291.3	2,898.8	2,962.8	2,842.2	2,722.1	2,620.6	2,867.2
Other Textile	1,940.1	1,913.8	1,795.0	1,790.5	1,753.8	2,080.5	2,338.0	2,561.9	2,753.2	2,680.0
Copper Articles	307.5	408.1	420.1	478.9	672.1	798.2	1,257.5	1,904.4	2,731.7	2,202.5
Imitation Of Resin And Prepara	857.0	1,202.1	1,035.3	1,015.2	1,139.0	1,326.6	1,562.1	1,738.2	1,906.7	2,132.5
Tin Articles	250.3	233.3	192.7	224.4	295.7	617.9	920.8	926.8	1,034.2	1,993.5
Footwear Of Leather, Rubber A	1,601.8	1,672.1	1,505.6	1,148.1	1,182.2	1,320.5	1,428.5	1,599.8	1,638.0	1,885.5
Organic Chemical	804.8	1,078.6	1,026.4	1,077.7	1,225.9	1,535.4	1,530.6	1,883.7	2,564.8	1,847.0
Plaited Ware Of Others Materia	993.2	1,262.5	1,198.5	1,274.9	1,312.4	1,377.1	1,543.1	1,571.8	1,631.9	1,629.4
Other Industrial Products	14,972.7	18,049.0	15,560.0	15,970.8	16,557.2	20,074.5	23,316.0	26,567.5	31,277.6	34,953.8
Structure (%)										
Industry	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Palm Oil	3.3	2.6	2.9	5.4	6.0	7.1	6.8	7.4	10.3	14.0
Garments	11.5	11.2	11.9	10.0	9.9	8.9	8.9	8.6	7.5	6.9
Crumb Rubber	2.4	2.0	2.0	2.5	3.4	4.0	3.8	5.7	5.5	6.3
Electrical Equipment	5.1	7.5	6.9	7.0	7.6	7.2	7.9	6.8	6.3	5.9
Paper And Paper Products	5.9	5.5	5.4	5.4	4.9	4.6	4.2	4.4	4.4	4.3
Iron Or Steel	2.3	2.0	1.9	1.8	2.0	2.3	2.4	3.3	3.0	3.5
Audio Visual	4.4	7.8	8.7	8.5	7.1	6.1	5.1	4.2	3.4	3.2
Other Textile	5.8	4.6	4.8	4.6	4.3	4.3	4.2	3.9	3.6	3.0
Copper Articles	0.9	1.0	1.1	1.2	1.6	1.6	2.3	2.9	3.6	2.5
Imitation Of Resin And Prepara	2.6	2.9	2.7	2.6	2.8	2.7	2.8	2.7	2.5	2.4
Tin Articles	0.8	0.6	0.5	0.6	0.7	1.3	1.7	1.4	1.4	2.3
Footwear Of Leather, Rubber A	4.8	4.0	4.0	3.0	2.9	2.7	2.6	2.5	2.1	2.1
Organic Chemical	2.4	2.6	2.7	2.8	3.0	3.2	2.8	2.9	3.4	2.1
Plaited Ware Of Others Materia	3.0	3.0	3.2	3.3	3.2	2.8	2.8	2.4	2.1	1.8
Other Industrial Products	44.9	43.0	41.3	41.2	40.5	41.2	41.9	40.9	40.9	39.5
Growth (%)										
Industry	**-**	**26.0**	**-10.3**	**2.8**	**5.6**	**19.1**	**14.2**	**17.0**	**17.6**	**15.6**
Palm Oil	-	-2.4	-0.6	93.6	17.3	40.2	9.1	28.3	63.3	57.3
Garments	-	23.2	-4.8	-13.2	3.9	7.8	14.1	12.9	1.9	6.6
Crumb Rubber	-	6.1	-11.8	29.3	45.0	38.8	9.6	73.0	15.0	31.9
Electrical Equipment	-	86.8	-17.6	3.6	15.6	11.7	25.2	1.9	8.7	8.6
Paper And Paper Products	-	16.6	-11.2	3.1	-4.3	11.0	4.3	23.0	18.0	12.5
Iron Or Steel	-	10.2	-12.1	-2.7	15.0	37.7	16.0	62.2	6.7	36.3
Audio Visual	-	123.5	0.0	1.0	-11.9	2.2	-4.1	-4.2	-3.7	9.4
Other Textile	-	-1.4	-6.2	-0.2	-2.1	18.6	12.4	9.6	7.5	-2.7
Copper Articles	-	32.7	2.9	14.0	40.4	18.8	57.6	51.4	43.4	-19.4
Imitation Of Resin And Prepara	-	40.3	-13.9	-1.9	12.2	16.5	17.8	11.3	9.7	11.8
Tin Articles	-	-6.8	-17.4	16.4	31.8	108.9	49.0	0.7	11.6	92.7
Footwear Of Leather, Rubber A	-	4.4	-10.0	-23.7	3.0	11.7	8.2	12.0	2.4	15.1
Organic Chemical	-	34.0	-4.8	5.0	13.8	25.2	-0.3	23.1	36.2	-28.0
Plaited Ware Of Others Materia	-	27.1	-5.1	6.4	2.9	4.9	12.1	1.9	3.8	-0.2
Other Industrial Products	-	20.5	-13.8	2.6	3.7	21.2	16.1	13.9	17.7	11.8

Source: Statistics Indonesia of the Republic of Indonesia.

Mining Sector

By and large, the mining sector has shown an increasing level of export during the last five years. Its importance in non oil and gas export has increased by 6.8% in 1999 which two times increased in 2008. As shown by the figures, only coal and copper included in the mining sector share more than 90%. However, the two products have grown in different direction. Coal in one way, has speeded its export in the last five years and copper in contrary has negative trend of export. The other mining products are nickel ores and other mining products.

Table 2.15. Structure of Industrial Sector (US$ Million)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Mining	**2,634.5**	**3,040.8**	**3,569.6**	**3,743.7**	**3,995.6**	**4,761.4**	**7,946.8**	**11,191.5**	**11,884.9**	**14,906.2**
Coal	1,303.7	1,276.5	1,617.6	1,762.4	1,980.1	2,748.8	4,354.1	6,085.7	6,681.4	10,485.2
Copper Ores And Concentrates	1,230.6	1,621.0	1,704.3	1,755.5	1,854.7	1,802.4	3,311.0	4,646.1	4,212.7	3,344.6
Nickel Ores And Concentrates	18.9	42.2	55.5	50.8	59.5	108.4	140.0	217.4	608.4	524.3
Other Mining Product	81.4	101.1	192.2	175.1	101.3	101.7	141.7	242.2	382.4	552.1
Stuctrure (%)										
Mining	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Coal	49.5	42.0	45.3	47.1	49.6	57.7	54.8	54.4	56.2	70.3
Copper Ores And Concentrates	46.7	53.3	47.7	46.9	46.4	37.9	41.7	41.5	35.4	22.4
Nickel Ores And Concentrates	0.7	1.4	1.6	1.4	1.5	2.3	1.8	1.9	5.1	3.5
Other Mining Product	3.1	3.3	5.4	4.7	2.5	2.1	1.8	2.2	3.2	3.7
Growth (%)										
Mining		**15.4**	**17.4**	**4.9**	**6.7**	**19.2**	**66.9**	**40.8**	**6.2**	**25.4**
Coal		-2.1	26.7	8.9	12.4	38.8	58.4	39.8	9.8	56.9
Copper Ores And Concentrates		31.7	5.1	3.0	5.7	-2.8	83.7	40.3	-9.3	-20.6
Nickel Ores And Concentrates		123.7	31.5	-8.5	17.2	82.2	29.1	55.3	179.8	-13.8
Other Mining Product		24.3	90.1	-8.9	-42.2	0.5	39.3	70.9	57.9	44.4

Source: Statistics Indonesia of the Republic of Indonesia

Products

Indonesia exports 4,676 different types of goods in 2008, a decreased number compared to 1999 condition (6,058 products). Table 2.16 shows the top twenty five products of Indonesia exported to the world in 2008. These products represent only 0.5 % of the total number actually exported, accounted to 52.1% of the total export value. Although exports are very diverse in number, there is high concentration of small number of products. Thus, the Indonesian export sector is still very vulnerable towards external shocks, such as sharp changes in international commodity prices.

Table 2.16. Products of Export (US$ Million)

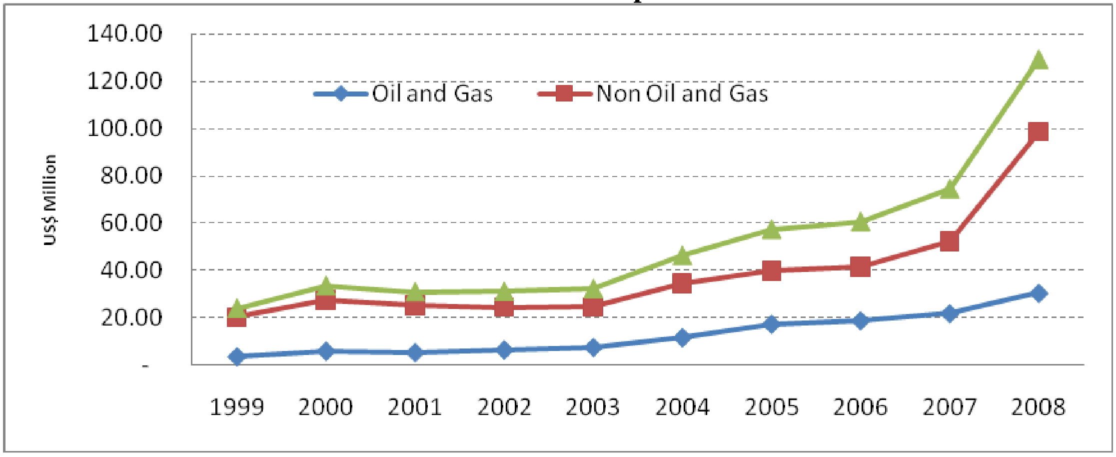
HS Products	Description	Value: US$ Million		Structure (%)		Growth (%)
		2007	2008	2007	2008	2007/2008
2711110000	Liquid natural gas	9,773.1	12,993.5	8.6	9.5	33.0
2709001000	Crude petroleum oil	9,123.6	11,163.6	8.0	8.1	22.4
1511100000	Crude palm oil	3,738.7	6,561.3	3.3	4.8	75.5
4001222000	Tsnr, oth standard indonesian rubber	4,173.1	5,484.7	3.7	4.0	31.4
2701121000	Bituminous coal: coking coal	3,178.0	4,877.9	2.8	3.6	53.5
1511909020	Olein, refined, bleached & deodor ised (rbd)	2,525.9	3,600.7	2.2	2.6	42.5
2603000000	Copper ores and concentrates	4,212.7	3,344.6	3.7	2.4	(20.6)
2701190000	Other coal	1,497.2	2,873.0	1.3	2.1	91.9
2701129000	Bituminous coal: other than coking coal	1,973.3	2,686.4	1.7	2.0	36.1
2713900000	Other residues of petroleum oils or of oils obtained f	968.4	2,319.5	0.8	1.7	139.5
8001100000	Tin, not alloyed	1,011.2	1,957.5	0.9	1.4	93.6
4703290000	Chemical wood pulp, soda, oth than dis solving grad	973.0	1,421.9	0.9	1.0	46.1
7501100000	Nickel mattes	2,346.9	1,380.1	2.1	1.0	(41.2)
1513210000	Crude oil of palm kernel or babassu	807.9	1,172.2	0.7	0.9	45.1
0901111000	Arabica wib or robusta oib, not roasted not decaffeir	622.6	965.4	0.5	0.7	55.1
7403110000	Refined copper for cathodes and sections of cathode	1,153.4	913.2	1.0	0.7	(20.8)
4011100000	New pneumatic tyres,of rubber of a kind used on mot	750.9	888.1	0.7	0.6	18.3
1511909030	Stearin, refined, bleached & deodor ised (rbd)	592.4	882.5	0.5	0.6	49.0
9403600000	Other wooden furniture	865.6	869.9	0.8	0.6	0.5
4802570000	Other paper & paperboard, weight>40g/m2 and =< 15	681.9	859.8	0.6	0.6	26.1
1801000000	Cocoa beans, whole or broken,raw/roasted	622.6	854.6	0.5	0.6	37.3
7108121000	Gold in lumps, ingots or cast bars	687.0	826.1	0.6	0.6	20.3
0306130000	Shrimps and prawns, frozen	792.4	822.9	0.7	0.6	3.9
8443311010	Printer-copier,ink-jet,color,capable of connecting to	555.5	822.7	0.5	0.6	48.1
4412310000	Oth plywood,each thick.<6mm with at least one outer	849.3	787.3	0.7	0.6	(7.3)
Total Main Products Export		**54,476.4**	**71,329.3**	47.7	52.1	30.9
Others		59,624.5	65,691.2	52.3	47.9	10.2
Total Export		**114,100.9**	**137,020.4**	100.0	100.0	20.1

Source: Statistics Indonesia of the Republic of Indonesia

II.2.A.2.2 Imports

Indonesia's oil and gas import steadily increased during the last ten years, from 15.3% in 1999 to 23.6% in 2008 of the total imports.

Chart 2.11. Indonesia Import Structure



Source: Statistics Indonesia of the Republic of Indonesia

Indonesia import majority concentrated in intermediate goods which represent 77% of the total import. The share of capital goods was 16.6% of total import, followed by consumption goods (6.4%). The Indonesian import structure relatively constant in the last ten year.

Table 2.17. Structure of Import (US$ Million)

No	Description	2001	2002	2003	2004	2005	2006	2007	2008
	TOTAL IMPORT	**30,962.1**	**31,288.9**	**32,550.7**	**46,524.5**	**57,700.9**	**61,065.5**	**74,473.4**	**129,197.3**
I.	Consumption Good	2,251.2	2,650.5	2,862.8	3,786.5	4,620.4	4,738.2	6,704.3	8,303.7
II.	Intermediate Good	23,879.4	24,227.5	25,496.3	36,204.2	44,792.0	47,171.4	56,302.4	99,492.7
III.	Capital Goods	4,831.5	4,410.9	4,191.6	6,533.8	8,288.4	9,155.8	11,466.7	21,400.9
	Structure (%)								
	TOTAL IMPORT	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
I.	Consumption Good	7.3	8.5	8.8	8.1	8.0	7.8	9.0	6.4
II.	Intermediate Good	77.1	77.4	78.3	77.8	77.6	77.2	75.6	77.0
III.	Capital Goods	15.6	14.1	12.9	14.0	14.4	15.0	15.4	16.6

Source: Statistics Indonesia of The Republic of Indonesia

In 2008, Indonesia imported 5,318 products, decreased from 6,597 in 1999. Table 2.8 shows the top twenty five products that Indonesia imported from the world in 2008. The products, which represent only 1% of the total actual import, accounted to 31.7% from the total imports value.

Table 2.18. Products of Imports (US$ Million)

HS Products	Description	Import: US$ Million		Structure (%)		Growth (%)
		2007	2008	2007	2008	2007/2008
270900100	CRUDE OIL TO BE REFINED	9,056.9	10,061.5	12.2	7.8	11.1
271000600	DISTILLATE FUEL OILS	600.1	1,216.9	0.8	0.9	102.8
271000290	OTHER MOTOR SPIRIT	3,843.5	6,019.4	5.2	4.7	56.6
870899990	OTHER PARTS AND ACCESSORIES	304.0	1,564.5	0.4	1.2	414.6
520100000	COTTON, NOT CARDED OR COMBED	800.1	1,190.7	1.1	0.9	48.8
100190190	WHEAT OTHER THAN SEEDS	1,160.5	1,975.1	1.6	1.5	70.2
271000300	KEROSENE, OTHER THAN KEROSENE JET FUEL TYPE	546.5	453.2	0.7	0.4	(17.1)
230400000	OIL-CAKE & OTH SOLID RES. RESULTING FROM THE EXTRACT OF SOYA BEAN OIL	702.1	1,040.7	0.9	0.8	48.2
290243000	P-XYLENE	770.6	858.5	1.0	0.7	11.4
852520900	OTH.TRANSMISSION APPARATUS INCORP. RECEPTION APPARATUS	936.7	1,588.4	1.3	1.2	69.6
120100900	OTHER SOYA BEANS WHETHER OR NOT BRO KEN	479.4	694.7	0.6	0.5	44.9
271000700	RESIDUAL FUEL OILS	-	-	0.0	0.0	#DIV/0!
840991900	SPARK-IGNITION INTERNAL COMBUSTION PISTON OF ENGINES FOR AIRCRAFT	386.3	608.8	0.5	0.5	57.6
871419900	OTHER PARTS OF MOTORCYCLES	63.1	129.9	0.1	0.1	106.0
290121000	UNSATURATED ETHYLENE	314.6	544.0	0.4	0.4	72.9
890520000	FLOATING OR SUBMERSIBLE DRILLING OR PRODUCTION PLATFORMS	59.8	544.1	0.1	0.4	810.0
290531000	ETHYLENE GLYCOL (ETHANEDIOL)	255.6	386.2	0.3	0.3	51.1
100590000	MAIZE (CORN) OTHER SEEDS	149.6	84.7	0.2	0.1	(43.4)
470710100	WASTE OF PAPER/P.BOARD OF UNBLEACH KRAFT PAPER FOR PAPER MAKING PURP.	222.4	255.5	0.3	0.2	14.9
290220000	BENZENE	110.3	156.0	0.1	0.1	41.4
470321000	CHEMICAL WOOD PULP,SODA OR SULPHATE BLEACHED, OF CONIFEROUS	218.3	257.4	0.3	0.2	17.9
100640000	BROKEN RICE	118.4	29.0	0.2	0.0	(75.5)
100630000	SEMI-MILLED OR WHOLLY MILLED RICE, WHETHER OR NOT POLISHED OR GLAZED	336.6	86.2	0.5	0.1	(74.4)
271000990	OTHER PETROLEUM OIL	6,718.9	11,191.4	9.0	8.7	66.6
720839000	OTHER OF FLAT ROLLED PROD. OF IRON IN COILS OF A THICKNESS OF < 3 MM	-	-	0.0	0.0	#DIV/0!
Total Main Products Import		**28,154.2**	**40,936.9**	37.8	31.7	45.4
Others		46,319.2	88,260.4	62.2	68.3	90.5
TotalImport		**74,473.4**	**129,197.3**	100.0	100.0	73.5

Source: Statistics Indonesia of The Republic of Indonesia

II.2.B Origin and Destination of Trade in Goods

II.2.B.1 Chile

II.2.B.1.1 Exports

In 2007, Chile exported products to 189 different markets. Although this might seem as very diverse spectrum of export markets, in 2008 only 15 of these markets concentrate 80.3% of total exports. In the same year, China, the United States and Japan were the main export markets for Chilean goods, accounting for 36% of all exports.

China was during the 90's, on average, in the bottom half of the top ten destinations; furthermore, in 1999 China was the twelfth largest buyer of Chilean products, behind France. The huge expansion of exports to the Chinese market has made China the third destination market of Chilean exports since 2002, and the first one in 2007.

In terms of geography, Asia has traditionally occupied the second place among export markets; shipments in 2001, however, declined due to falls in demand and commodity prices, seeing a recovery in 2002 and a defiant rebound since 2003, fueled by higher demands from China, Japan, South Korea and India, and in 2007 it replaced the Americas as the first destination of Chilean exports.

The Americas was the most important destination for Chilean goods, and a very stable one, showing a constant annual growth rate except for 2002, when the negative regional impact of the regional economic turbulence in Argentina and Brazil, that the growth of exports to North America failed to compensate.

TABLE 2.19

CHILEAN EXPORTS ACCORDING TO MARKET DESTINATION, 1999 - 2008

(millions of dollars FOB and %)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
China	**359.1**	**907.2**	**1,021.8**	**1,240.1**	**1,865.4**	**3,227.5**	**4,445.7**	**5,104.4**	**10,120.9**	**9,872.5**
USA	**3,087.5**	**3,183.7**	**3,351.7**	**3,664.7**	**3,705.7**	**4,834.5**	**6,531.6**	**9,290.5**	**8,744.7**	**8,130.6**
Japan	**2,276.3**	**2,548.5**	**2,144.1**	**1,946.7**	**2,287.3**	**3,732.9**	**4,592.1**	**6,374.1**	**7,234.6**	**7,292.4**
The Netherlands	**511.1**	**452.7**	**545.1**	**543.2**	**811.7**	**1,712.5**	**2,341.4**	**3,953.8**	**3,972.3**	**4,311.4**
Brazil	**687.6**	**961.6**	**852.6**	**686.2**	**839.6**	**1,422.8**	**1,736.6**	**2,831.1**	**3,376.2**	**4,164.4**
South Korea	**683.7**	**806.3**	**563.2**	**710.5**	**1,023.4**	**1,821.3**	**2,230.9**	**3,546.2**	**3,837.8**	**3,886.3**
Italy	**636.7**	**825.5**	**812.5**	**862.8**	**924.2**	**1,362.7**	**1,679.6**	**2,927.8**	**3,484.4**	**3,399.1**
France	**495.4**	**633.1**	**610.9**	**640.2**	**743.4**	**1,292.9**	**1,402.0**	**2,478.7**	**2,397.6**	**2,299.0**
Mexico	**622.8**	**818.1**	**830.6**	**912.4**	**926.9**	**1,314.3**	**1,584.4**	**2,293.0**	**2,361.5**	**2,247.1**
Spain	**328.1**	**386.2**	**345.2**	**398.2**	**491.6**	**747.8**	**986.6**	**1,416.3**	**1,374.5**	**2,004.2**
Taiwan	**509.6**	**610.7**	**356.8**	**531.3**	**594.2**	**971.9**	**1,303.7**	**1,596.4**	**1,774.2**	**1,966.6**
Germany	**555.6**	**457.8**	**528.2**	**428.6**	**601.6**	**912.2**	**937.8**	**1,828.1**	**1,669.1**	**1,838.0**
India	**99.3**	**124.9**	**115.0**	**184.5**	**225.4**	**413.1**	**495.5**	**1,604.9**	**2,248.9**	**1,765.1**
Peru	**354.1**	**439.2**	**479.1**	**465.2**	**426.5**	**524.0**	**726.8**	**931.9**	**1,035.3**	**1,489.6**
Canada	**173.5**	**243.7**	**265.6**	**263.7**	**415.0**	**780.3**	**1,071.1**	**1,291.7**	**1,203.2**	**1,416.1**
I. Sub-Total	11,380.3	13,399.4	12,822.3	13,478.5	15,881.9	25,070.8	32,065.8	47,468.8	54,835.0	56,082.3
Others	**4,534.3**	**5,025.6**	**4,845.7**	**4,197.8**	**4,745.3**	**6,389.4**	**7,186.0**	**10,287.8**	**11,883.6**	**13,738.3**
II. Total Exports	15,914.6	18,425.0	17,668.1	17,676.3	20,627.2	31,460.1	39,251.9	57,756.6	66,718.6	69,820.6
I. Over II.	71.5%	72.7%	72.6%	76.3%	77.0%	79.7%	81.7%	82.2%	82.2%	80.3%

Source: Studies and Informations Department, DIRECON (june 2009), based on data from Central Bank of Chile

Exports destined for Europe, although with moderate highs and lows, like America, show a greater degree of stability in their performance. Exports are directed mainly to Western Europe; mostly concentrated in the Netherlands, Italy, France, Spain, Germany and Great Britain.

Table 2.20 shows Chilean exports to all destinations with which Chile has negotiated some form of trade agreement. This is of great importance considering that in 2008, nearly 90% of Chilean exports receive some form of tariff preferences.

TABLE 2.20

CHILEAN EXPORTS ACCORDING TO TRADE AGREEMENTS, 1999 - 2008

(millions of dollars FOB and %)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
China	**359.1**	**907.2**	**1,021.8**	**1,240.1**	**1,865.4**	**3,227.5**	**4,445.7**	**5,104.4**	**10,120.9**	**9,872.5**
Canada	**173.5**	**243.7**	**265.6**	**263.7**	**415.0**	**780.3**	**1,071.1**	**1,291.7**	**1,203.2**	**1,416.1**
Central America	**94.8**	**107.0**	**149.0**	**181.2**	**272.9**	**385.2**	**391.3**	**511.4**	**582.7**	**739.1**
Japan	**2,276.3**	**2,548.5**	**2,144.1**	**1,946.7**	**2,287.3**	**3,732.9**	**4,592.1**	**6,374.1**	**7,234.6**	**7,292.4**
India	**99.3**	**124.9**	**115.0**	**184.5**	**225.4**	**413.1**	**495.5**	**1,604.9**	**2,248.9**	**1,765.1**
Andean Community	**1,059.8**	**1,227.9**	**1,381.6**	**1,339.5**	**1,293.2**	**1,569.2**	**1,986.6**	**2,134.7**	**2,418.4**	**3,187.1**
South Korea	**683.7**	**806.3**	**563.2**	**710.5**	**1,023.4**	**1,821.3**	**2,230.9**	**3,546.2**	**3,837.8**	**3,886.3**
United Satates	**3,087.5**	**3,183.7**	**3,351.7**	**3,664.7**	**3,705.7**	**4,834.5**	**6,531.6**	**9,290.5**	**8,744.7**	**8,130.6**
Mercosur	**1,520.2**	**1,709.0**	**1,517.4**	**984.3**	**1,227.3**	**1,971.7**	**2,475.9**	**4,243.2**	**5,283.4**	**6,747.4**
Mexico	**622.8**	**818.1**	**830.6**	**912.4**	**926.9**	**1,314.3**	**1,584.4**	**2,293.0**	**2,361.5**	**2,247.1**
European Union(27)	**4,146.9**	**4,627.7**	**4,658.6**	**4,336.7**	**5,086.2**	**8,056.6**	**9,440.3**	**15,898.5**	**16,349.4**	**17,234.8**
I. Sub-Total	14,123.9	16,304.0	15,998.6	15,764.5	18,328.6	28,106.6	35,245.5	52,292.6	60,385.3	62,518.7
Others	**1,790.8**	**2,121.0**	**1,669.4**	**1,911.8**	**2,298.6**	**3,353.5**	**4,006.4**	**5,464.0**	**6,333.2**	**7,301.9**
II. Total Exports	15,914.6	18,425.0	17,668.1	17,676.3	20,627.2	31,460.1	39,251.9	57,756.6	66,718.6	69,820.6
I. Over II.	88.7%	88.5%	90.6%	89.2%	88.9%	89.3%	89.8%	90.5%	90.5%	89.5%

Source: Studies and Informations Department, DIRECON (june 2009), based on data from Central Bank of Chile

In terms of the results that Chile's trade agreements have had, it can be said that the performances of the Mexico and Canada FTAs, without a doubt, have been outstanding, thus being perceived by the Chilean exporters as two of the most successful agreements that Chile has signed. Also exports to the European Union have shown important growth within the period that the agreement has been in force (since 2003), an increase of 239%, similar to the increase of 241% (including the European Union) of the countries with which Chile has agreements and for the same period (2008 compared to 2003).

In the case of Mercosur and the Andean Community – the agreements that have been in force for a longer period- although these have not shown a clear positive trend in past years, due to the economic turbulence that has affected the whole region, there are signs of recovery since 2003, reaching to an increase of 294% in the period 2003-2008. The importance of these agreements cannot be diminished, especially if it is taken into account that around 60% of exports to Latin America are manufactured exports.

II.2.B.1.2 Imports

Traditionally and until the nineties, the United States was by far the main supplier of imports to the Chilean economy. This changed since 2000 when Argentinean goods started to catch up with US imports, overtaking them in 2001 and in the following years has extended the gap between them, but in 2006 the United States recovered the top position as Chile largest supplier, and China became the 2nd imports supplier.

TABLE 2.21
CHILEAN IMPORTS ACCORDING TO MARKET ORIGIN, 1999 - 2008
(millions of dollars CIF and %)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
United States	**3,022.5**	**3,338.4**	**2,888.6**	**2,568.6**	**2,576.5**	**3,402.2**	**4,722.6**	**5,592.1**	**7,290.8**	**10,982.2**
China	**660.1**	**951.4**	**1,013.7**	**1,102.4**	**1,290.2**	**1,847.6**	**2,542.7**	**3,491.4**	**4,886.0**	**6,799.5**
Brazil	**968.3**	**1,335.2**	**1,495.3**	**1,619.4**	**2,028.4**	**2,781.7**	**3,780.7**	**4,243.5**	**4,501.0**	**5,275.7**
Argentina	**2,021.5**	**2,876.4**	**3,063.9**	**3,064.3**	**3,776.8**	**4,152.1**	**4,811.3**	**4,508.9**	**4,346.9**	**5,024.4**
South Korea	**405.7**	**535.2**	**540.0**	**438.8**	**540.8**	**699.7**	**1,077.3**	**1,641.9**	**3,114.5**	**3,163.6**
Japan	**635.4**	**710.1**	**560.6**	**546.3**	**636.8**	**803.2**	**1,021.1**	**1,150.0**	**1,613.9**	**2,656.1**
Colombia	**166.0**	**206.3**	**189.3**	**206.9**	**203.5**	**295.1**	**345.9**	**364.4**	**882.8**	**2,127.5**
Germany	**626.5**	**622.1**	**692.2**	**738.8**	**716.9**	**832.3**	**1,198.2**	**1,259.1**	**1,573.8**	**1,919.8**
Peru	**169.2**	**265.8**	**285.6**	**255.9**	**421.1**	**695.2**	**1,108.5**	**1,427.2**	**1,686.5**	**1,845.9**
Mexico	**578.8**	**615.6**	**532.8**	**475.4**	**480.6**	**620.6**	**764.2**	**1,003.2**	**1,349.5**	**1,750.7**
Angola	**-**	**95.1**	**-**	**-**	**64.5**	**430.8**	**1,197.1**	**1,317.2**	**962.5**	**1,671.2**
Ecuador	**227.6**	**254.3**	**123.5**	**92.6**	**77.9**	**138.5**	**271.0**	**607.0**	**757.9**	**1,596.8**
Canada	**407.7**	**511.9**	**427.3**	**321.5**	**333.1**	**348.5**	**406.4**	**482.9**	**979.1**	**963.9**
Spain	**406.8**	**428.0**	**466.1**	**417.3**	**452.9**	**516.1**	**622.5**	**710.0**	**846.5**	**933.7**
France	**417.4**	**447.8**	**575.3**	**623.3**	**595.8**	**510.3**	**682.4**	**706.5**	**792.8**	**930.7**
I. Sub-Total	10,713.4	13,193.7	12,854.1	12,471.5	14,195.9	18,073.9	24,552.1	28,505.2	35,584.6	47,641.6
Others	**3,308.6**	**3,648.8**	**3,379.9**	**3,281.7**	**3,467.8**	**4,380.3**	**5,388.1**	**6,406.8**	**7,364.4**	**9,083.9**
II. Total Imports	14,022.0	16,842.5	16,233.9	15,753.2	17,663.6	22,454.2	29,940.1	34,912.0	42,949.0	56,725.6
I. Over II.	76.4%	78.3%	79.2%	79.2%	80.4%	80.5%	82.0%	81.6%	82.9%	84.0%

Source: Studies and Informations Department, DIRECON (june 2009), based on data from Central Bank of Chile

TABLE 2.22

CHILEAN IMPORTS ACCORDING TO KEY SUPPLIERS, 1999 - 2008

(millions of dollars CIF and %)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Asia	**2,313.4**	**2,863.3**	**2,829.6**	**2,738.6**	**3,157.4**	**4,203.6**	**5,687.0**	**7,663.4**	**11,144.4**	**14,579.4**
Latin America	**4,507.6**	**5,972.6**	**6,062.3**	**6,056.9**	**7,307.6**	**9,131.4**	**11,514.7**	**12,807.3**	**14,226.8**	**18,667.3**
North America	**4,009.0**	**4,466.0**	**3,848.6**	**3,365.4**	**3,390.2**	**4,371.3**	**5,893.3**	**7,078.2**	**9,619.4**	**13,696.7**
European Union (27)	**2,898.1**	**2,924.6**	**3,124.5**	**3,090.0**	**3,328.4**	**3,597.5**	**5,069.0**	**5,229.7**	**6,005.3**	**7,204.1**
I. Sub-Total	13,728.0	16,226.5	15,865.0	15,250.9	17,183.6	21,303.8	28,164.0	32,778.6	40,995.9	54,147.5
Others	**294.0**	**616.1**	**368.9**	**502.3**	**480.1**	**1,150.4**	**1,776.2**	**2,133.4**	**1,953.1**	**2,578.1**
II. Total Imports	14,022.0	16,842.5	16,233.9	15,753.2	17,663.6	22,454.2	29,940.1	34,912.0	42,949.0	56,725.6
I. Over II.	97.9%	96.3%	97.7%	96.8%	97.3%	94.9%	94.1%	93.9%	95.5%	95.5%

Source: Studies and Informations Department, DIRECON (june 2009), based on data from Central Bank of Chile

In a lesser degree than export destinations, imports show some concentration especially if we consider that the top four suppliers (Argentina, United Stated, Brazil and China) account for half of all imports (50%) and the top fifteen account for 84%.

TABLE 2.23

CHILEAN IMPORTS ACCORDING TO TRADE AGREEMENTS, 1999 - 2008

(millions of dollars CIF and %)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
China	**660.1**	**951.4**	**1,013.7**	**1,102.4**	**1,290.2**	**1,847.6**	**2,542.7**	**3,491.4**	**4,886.0**	**6,799.5**
Canada	**407.7**	**511.9**	**427.3**	**321.5**	**333.1**	**348.5**	**406.4**	**482.9**	**979.1**	**963.9**
Central America	**33.4**	**19.3**	**10.6**	**14.2**	**20.7**	**25.7**	**26.5**	**17.8**	**70.8**	**150.3**
Japan	**635.4**	**710.1**	**560.6**	**546.3**	**636.8**	**803.2**	**1,021.1**	**1,150.0**	**1,613.9**	**2,656.1**
India	**55.1**	**70.1**	**75.2**	**82.1**	**70.5**	**100.8**	**134.8**	**164.5**	**207.8**	**478.1**
Andean Community	**795.3**	**993.4**	**808.5**	**736.2**	**868.2**	**1,355.0**	**1,899.2**	**2,457.3**	**3,384.1**	**5,648.2**
South Korea	**405.7**	**535.2**	**540.0**	**438.8**	**540.8**	**699.7**	**1,077.3**	**1,641.9**	**3,114.5**	**3,163.6**
United States	**3,022.5**	**3,338.4**	**2,888.6**	**2,568.6**	**2,576.5**	**3,402.2**	**4,722.6**	**5,592.1**	**7,290.8**	**10,982.2**
Mercosur	**3,092.4**	**4,337.6**	**4,705.3**	**4,826.6**	**5,931.0**	**7,105.2**	**8,810.4**	**9,313.2**	**9,401.0**	**11,088.8**
Mexico	**578.8**	**615.6**	**532.8**	**475.4**	**480.6**	**620.6**	**764.2**	**1,003.2**	**1,349.5**	**1,750.7**
European Union (27)	**2,898.1**	**2,924.6**	**3,124.5**	**3,090.0**	**3,328.4**	**3,597.5**	**5,069.0**	**5,229.7**	**6,005.3**	**7,204.1**
I. Sub-Total	12,584.5	15,007.7	14,687.0	14,202.1	16,076.8	19,905.9	26,474.2	30,544.0	38,302.9	50,885.4
Others	**1,437.6**	**1,834.8**	**1,547.0**	**1,551.0**	**1,586.8**	**2,548.3**	**3,465.9**	**4,368.1**	**4,646.1**	**5,840.1**
II. Total Imports	14,022.0	16,842.5	16,233.9	15,753.2	17,663.6	22,454.2	29,940.1	34,912.0	42,949.0	56,725.6
I. Over II.	89.7%	89.1%	90.5%	90.2%	91.0%	88.7%	88.4%	87.5%	89.2%	89.7%

Source: Studies and Informations Department, DIRECON (june 2009), based on data from Central Bank of Chile

II.2.B.2 Indonesia

II.2.B.2.1 Exports

Indonesia exports to 222 countries in 2008. Nevertheless, Indonesia's export is concentrated to several countries. The fifteen main export destination countries have dominated 81%, such as Japan, United States, Singapore, China and South Korea.

Table 2.24. Indonesian Exports According to Market Destination, 1999 - 2008
(Billions of dollars FOB and %)

Countries	Value (US$ Billion)									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Japan	10.4	14.4	13.0	12.0	13.6	16.0	18.0	21.7	23.6	27.7
United States	6.9	8.5	7.7	7.6	7.4	8.8	9.9	11.2	11.6	13.0
Singapore	4.9	6.6	5.4	5.3	5.4	6.0	7.8	8.9	10.5	12.9
China	2.0	2.8	2.2	2.9	3.8	4.6	6.7	8.3	9.7	11.6
South Korea	3.3	4.3	3.8	4.1	4.3	4.8	7.1	7.7	7.6	9.1
India	0.9	1.2	1.1	1.3	1.7	2.2	2.9	3.4	4.9	7.2
Malaysia	1.3	2.0	1.8	2.0	2.4	3.0	3.4	4.1	5.1	6.4
Australia	1.5	1.5	1.8	1.9	1.8	1.9	2.2	2.8	3.4	4.1
Netherland	1.5	1.8	1.5	1.6	1.4	1.8	2.2	2.5	2.7	3.9
Thailand	0.8	1.0	1.1	1.2	1.4	2.0	2.2	2.7	3.1	3.7
Taiwan	1.8	2.4	2.2	2.1	2.2	2.9	2.5	2.7	2.6	3.2
Germany	1.2	1.4	1.3	1.3	1.4	1.7	1.8	2.0	2.3	2.5
Philiphines	0.7	0.8	0.8	0.8	0.9	1.2	1.4	1.4	1.9	2.1
Italy	0.7	0.8	0.6	0.7	0.8	0.9	1.0	1.2	1.4	1.9
Hongkong	1.3	1.6	1.3	1.2	1.2	1.4	1.5	1.7	1.7	1.8
I. Sub-Total	**39.3**	**51.0**	**45.5**	**46.1**	**49.8**	**59.1**	**70.7**	**82.5**	**92.1**	**111.1**
Others	9.3	11.1	10.8	11.0	11.2	12.5	15.0	18.3	22.0	25.9
II. Total Exports	**48.7**	**62.1**	**56.3**	**57.2**	**61.1**	**71.6**	**85.7**	**100.8**	**114.1**	**137.0**
Share (I to II)	**80.8**	**82.1**	**80.9**	**80.7**	**81.6**	**82.5**	**82.5**	**81.9**	**80.7**	**81.1**

Source: Statistics Indonesia of The Republic of Indonesia

In terms of geography, it is apparent that Asia region is not only the most important destination for Indonesian goods, but also the most stable one, shown by a constant annual growth rate. Europe and America region are also Indonesia's important export destination.

Table 2.25 Indonesian Exports According To Geographic Zone, 1999 - 2008
(billions of dollars FOB)

Countries	Value (US$ Billion)									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Africa	1.1	1.1	1.2	1.2	1.3	1.4	1.7	2.0	2.5	3.3
America	8.1	10.0	9.1	8.9	8.6	10.3	11.7	13.5	14.1	16.1
Asia	30.4	40.2	35.7	36.4	40.4	48.2	58.8	69.3	79.1	95.9
Australia and Oceania	1.6	1.7	2.1	2.2	2.0	2.1	2.6	3.2	3.8	4.8
Europe	7.5	9.2	8.3	8.5	8.7	9.6	11.0	12.9	14.5	16.9
Total	**48.7**	**62.1**	**56.3**	**57.2**	**61.1**	**71.6**	**85.7**	**100.8**	**114.1**	**137.0**
Structure (%)										
Africa	2.2	1.8	2.1	2.2	2.0	1.9	1.9	2.0	2.2	2.4
America	16.6	16.0	16.2	15.6	14.1	14.4	13.6	13.4	12.4	11.7
Asia	62.4	64.7	63.3	63.6	66.2	67.3	68.6	68.7	69.3	70.0
Australia and Oceania	3.3	2.7	3.7	3.8	3.3	3.0	3.0	3.2	3.4	3.5
Europe	15.5	14.8	14.6	14.8	14.3	13.4	12.8	12.7	12.7	12.3
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Growth (%)										
Africa		3.4	7.6	4.5	1.2	8.7	22.8	19.0	26.4	30.7
America		23.2	-8.3	-2.3	-3.4	19.9	12.9	15.8	4.8	13.7
Asia		32.4	-11.3	1.9	11.2	19.2	22.0	17.8	14.2	21.3
Australia and Oceania		4.1	23.1	3.3	-5.4	5.2	20.7	23.2	20.2	25.8
Europe		21.7	-10.1	2.8	2.9	9.6	14.6	17.3	12.9	16.6
Total		**27.7**	**-9.3**	**1.5**	**6.8**	**17.2**	**19.7**	**17.7**	**13.2**	**20.1**

SS

Source: Statistics Indonesia of The Republic of Indonesia

Table 2.26 shows Indonesian exports to all destinations in which Indonesia has implemented preferential trade agreement. Through ASEAN Free Trade Agreement, fully implemented in 2002, Indonesia's export increased by two times in 2008. Export to China have shown incredible growth within the period of 2003-2008, whereas Indonesia's export to China increased dramatically within 5 years, from US$ 3.8 billion in 2003 to US$11.6 billion in 2008.

Different impact was experienced with exports to South Korea under the agreement of ASEAN-Korea FTA, implemented in June 2006. The negative export growth in 2007 was caused by the impact of the global financial crisis. However, in 2008, Indonesia's export growth regained to achieve 20.2%. In addition, through trade agreement with Japan, started in 2007, Indonesia's export increased by 22.2% in 2008.

Table 2.26
Indonesian Exports According To Trade Agreements, 1999 - 2008
(Billions of dollars FOB and %)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
ASEAN	8.2	10.8	9.4	9.9	10.7	12.9	15.7	18.3	22.0	26.9
Japan	10.4	14.4	13.0	12.0	13.6	16.0	18.0	21.7	23.6	27.7
China	2.0	2.8	2.2	2.9	3.8	4.6	6.7	8.3	9.7	11.6
South Korea	3.3	4.3	3.8	4.1	4.3	4.8	7.1	7.7	7.6	9.1
I. Sub-Total	23.9	32.3	28.4	28.9	32.4	38.3	47.5	56.1	62.9	75.4
Others	24.7	29.8	27.9	28.2	28.6	33.3	38.1	44.7	51.2	61.6
II. Total Export	**48.7**	**62.1**	**56.3**	**57.2**	**61.1**	**71.6**	**85.7**	**100.8**	**114.1**	**137.0**
I. Over II.	49.2	52.0	50.5	50.6	53.1	53.5	55.5	55.7	55.1	55.0
Growht (%)										
ASEAN		31.9	-12.8	4.7	8.1	21.1	21.7	16.5	20.1	22.2
Japan		38.6	-9.7	-7.4	12.9	17.3	13.1	20.4	8.7	17.4
China		37.8	-20.5	31.9	31.0	21.1	44.7	25.2	16.0	20.3
South Korea		30.1	-12.6	8.9	5.3	11.7	46.7	8.6	-1.4	20.2

Source: Statistics Indonesia of The Republic of Indonesia

II.2.B.2.2 Imports

Traditionally and until 2002, the United States of America (USA) was one of Indonesian main import origin. Later, its position has been replaced by China who uses preferential tariff from Indonesia through ASEAN-China Free Trade Agreement. Even though Indonesia's import from USA steadily increased, market share of USA tend to decrease, especially after the America's financial crisis in 2007.

The role of China as Indonesia's import country increased significantly since 1999 with 5.2% share of Indonesia total import. In 2008, China market share rose to the second biggest of Indonesia's import country (up to 11.8% of total import).

Indonesia's import was also highly concentrated in several countries. Out of 216 countries, 15 of them supply more than 80% of Indonesia's total import. Singapore, China, Japan, Malaysia, and USA are the main import countries for Indonesia (50% of total import).

Table 2.27 Indonesian Imports According to Market Origin, 1999 – 2008
(Billions of dollars and %)

Countries	Value (US$ Billion)									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Singapore	2.5	3.8	3.1	4.1	4.2	6.1	9.5	10.0	9.8	21.8
China	1.2	2.0	1.8	2.4	3.0	4.1	5.8	6.6	8.6	15.2
Japan	2.9	5.4	4.7	4.4	4.2	6.1	6.9	5.5	6.5	15.1
Malaysia	0.6	1.1	1.0	1.0	1.1	1.7	2.1	3.2	6.4	8.9
United States	2.8	3.4	3.2	2.6	2.7	3.2	3.9	4.1	4.8	7.9
South Korea	1.3	2.1	2.2	1.6	1.5	1.9	2.9	2.9	3.2	6.9
Thailand	0.9	1.1	1.0	1.2	1.7	2.8	3.4	3.0	4.3	6.3
Saudi Arabia	1.0	1.6	1.3	1.1	1.5	2.0	2.7	3.4	3.4	4.8
Australia	1.5	1.7	1.8	1.6	1.6	2.2	2.6	3.0	3.0	4.0
Germany	1.4	1.2	1.3	1.2	1.2	1.7	1.8	1.5	2.0	3.1
Insia	0.3	0.5	0.5	0.6	0.7	1.1	1.1	1.4	1.6	2.9
Taiwan	0.8	1.3	1.1	1.0	0.9	1.2	1.3	1.3	1.5	2.9
Brurei	0.0	0.0	0.0	0.0	0.1	0.3	1.2	1.6	1.9	2.4
Hongkong	0.2	0.3	0.3	0.2	0.2	0.3	0.3	0.3	0.4	2.4
Canada	0.4	0.6	0.4	0.4	0.3	0.6	0.7	0.7	1.1	1.9
I. Sub-Total	**18.0**	**26.2**	**23.7**	**23.7**	**24.9**	**35.3**	**46.2**	**48.5**	**58.4**	**106.5**
Others	6.0	7.3	7.2	7.6	7.6	11.3	11.5	12.6	16.0	22.7
II. Total Imports	**24.0**	**33.5**	**31.0**	**31.3**	**32.6**	**46.5**	**57.7**	**61.1**	**74.5**	**129.2**
I. over II.	**74.8**	**78.3**	**76.6**	**75.8**	**76.6**	**75.8**	**80.1**	**79.4**	**78.5**	**82.4**

Source: Statistics Indonesia of the Republic of Indonesia

In terms of geography, Asia become the most important source of Indonesian goods (almost 75% of Indonesia total import) shown by a constant annual growth rate, except for 2001. Europe and America continents are in the second and third place. The importance those continents were decreased over the last ten years. In 2008, the share of Europe and America were 10.7% and 9.6%, respectively.

Table 2.28 Indonesian Imports According to Geographic Zone, 1999 - 2008
(Billions of dollars)

Countries	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Africa	0.6	0.8	1.4	1.7	1.6	2.3	1.6	1.2	2.3	2.2
America	3.8	4.6	4.0	3.6	3.6	4.8	5.7	6.0	7.4	12.4
Asia	13.9	21.4	19.0	19.8	21.3	30.3	40.4	43.3	52.0	96.0
Australia and Oceania	1.6	2.0	2.0	1.8	1.8	2.4	2.9	3.3	3.5	4.8
Europe	4.1	4.7	4.6	4.5	4.3	6.6	7.1	7.3	9.3	13.8
Total	**24.0**	**33.5**	**31.0**	**31.3**	**32.6**	**46.5**	**57.7**	**61.1**	**74.5**	**129.2**
Structure (%)										
Africa	2.4	2.5	4.4	5.3	4.9	5.0	2.8	1.9	3.1	1.7
America	16.0	13.8	12.9	11.4	11.0	10.3	9.9	9.8	9.9	9.6
Asia	57.8	63.9	61.2	63.3	65.4	65.1	70.1	70.9	69.8	74.3
Australia and Oceania	6.6	5.8	6.6	5.7	5.7	5.3	5.0	5.5	4.7	3.7
Europe	17.2	14.0	14.8	14.2	13.1	14.2	12.2	11.9	12.4	10.7
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Growth (%)										
Africa		44.1	66.1	21.4	-4.4	47.2	-31.4	-26.0	94.5	-3.1
America		20.3	-13.4	-10.6	0.1	34.0	19.5	4.2	23.7	67.6
Asia		54.4	-11.5	4.5	7.5	42.4	33.4	7.0	20.1	84.7
Australia and Oceania		24.2	4.1	-12.4	3.0	33.0	16.7	16.8	5.9	34.6
Europe		13.4	-2.0	-2.9	-4.6	55.8	6.6	3.0	27.2	49.1
Total		**39.6**	**-7.6**	**1.1**	**4.0**	**42.9**	**24.0**	**5.8**	**22.0**	**73.5**

Source: Statistics Indonesia of The Republic of Indonesia

Since Indonesia opens its market through agreements, it becomes a market target by other countries. This is shown by the increasing import growth since the agreement implementation. Indonesia import from ASEAN has increased by six times after full implementation of the agreement until 2008. Indonesia's import from China rose five times since the implementation of the agreement. Likewise, import from Japan and South Korea has also increased by more than double.

Table 2.29
Indonesian Imports According to Trade Agreements, 1999 - 2008
(Billions of dollars and %)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
ASEAN	4.8	6.5	5.4	6.7	7.7	11.5	17.0	19.0	23.8	40.9
China	1.2	2.0	1.8	2.4	3.0	4.1	5.8	6.6	8.6	15.2
Japan	2.9	5.4	4.7	4.4	4.2	6.1	6.9	5.5	6.5	15.1
South Korea	1.3	2.1	2.2	1.6	1.5	1.9	2.9	2.9	3.2	6.9
I. Sub-Total	10.2	16.0	14.2	15.2	16.4	23.6	32.6	34.0	42.0	78.2
Others	13.8	17.6	16.8	16.1	16.1	22.9	25.1	27.1	32.4	51.0
II. Total Import	**24.0**	**33.5**	**31.0**	**31.3**	**32.6**	**46.5**	**57.7**	**61.1**	**74.5**	**129.2**
I. Over II.	42.7	47.6	45.8	48.6	50.5	50.7	56.6	55.6	56.5	60.6

Source: Statistics Indonesia of the Republic of Indonesia.

II.3 Trade in Services

II.3.A Chile

In 2007, the services sector contributed 59.9% to GDP, up from 58.5% in 2003.[35] Employment in the sector grew faster than in other industries. In 2006, 63.7% of the economically active population worked in the services sector, up from 58.1% in 1996. In 2007, Chile's services exports amounted to US$ 8,786 millions and imports amounted to US$ 9,947 millions. According to figures provided by the Foreign Investment Committee, the annual inflows of foreign direct investment in the services sector averaged US$ 1,182 millions between 1996 and 2007, 29% of total foreign investment.

As a consequence of Chile's long running privatization policy, state involvement in services is limited. The State retains ownership of Banco Estado, the postal and railway services, and a public television corporation. The State also owns major seaports and airports; however, these have been increasingly given in concession to private operators. Involvement of the State in any of the sectors mentioned does not in any way preclude private participation.

Chile has implemented a profound economic reform over the last twenty years. Key aspects of such reform are the significant changes introduced to the laws and regulations that govern the service sector. As a result, transformations have taken place in its economic structure, in the dynamism achieved by productive sectors and in the mechanisms of insertion in the global economy.

The increasing presence of foreign service providers, operating in Chile both in terms of commercial presence in the national market or through other forms of service marketing, have characterized Chilean recent development in telecommunications, road services and administration, transport, data processing, information technology and several other industries.

The four principles that regulate service liberalization are the most-favored nation treatment, absence of the requirement of local presence, national treatment and progressive elimination of quantitative non-discriminatory restrictions. These four principles have guided the liberalization of cross-border services in Chile in recent years.

The exchange of commercial services has expanded in the last 7 years, increasing from US$ 8,475 millions in 2000 to a total of US$ 18,733 millions in the year 2007, with a growth rate of 11.2% per annum, while trade of goods increased by 17.4% per year in the same period. (See table 2.30)

[35] Following the UN System of National Accounts, the construction, electricity, and water industries are part of the industrial sector.

TABLE 2.30
Trends of exports and imports of goods and services, 1999-2008
Million dollars and percents

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Exports of goods (FOB)	17,162	19,210	18,272	18,180	21,664	32,520	41,267	58,680	67,666	66,456
Exports of commercial services	3,869	4,083	4,138	4,386	5,070	6,034	7,134	7,830	8,952	10,755
% Export Ss/Export goods	23%	21%	23%	24%	23%	19%	17%	13%	13%	16%
% Export Ss/Export goods and services	18%	18%	18%	19%	19%	16%	15%	12%	12%	14%
Imports of goods (FOB)	14,735	17,091	16,428	15,794	17,941	22,935	30,492	35,900	44,031	57,610
Imports of commercial services	4,606	4,802	4,983	5,087	5,688	6,780	7,756	8,462	9,927	11,401
% Import Ss/Import goods	31%	28%	30%	32%	32%	30%	25%	24%	23%	20%
% Import Ss/Import goods and services	24%	22%	23%	24%	24%	23%	20%	19%	18%	17%
Total commerce of goods (FOB)	31,897	36,302	34,700	33,974	39,605	55,456	71,759	94,580	111,697	124,065
Total commerce of commercial services	8,475	8,885	9,121	9,473	10,757	12,813	14,890	16,292	18,879	22,155
Total commerce of goods and services	40,373	45,186	43,821	43,447	50,362	68,269	86,649	110,872	130,575	146,220
% Commerce Ss/Commerce goods	27%	24%	26%	28%	27%	23%	21%	17%	17%	18%
% Commerce Ss/Commerce goods and services	21%	20%	21%	22%	21%	19%	17%	15%	14%	15%

Source: Studies Departement, DIRECON, based on data of the Central Bank, Monthly Mulletin, march 2009, page 165.

The composition of this trade in services reflects the importance that the flow of services has in total trade: in 2007 it reached a share of 14% in the total Chilean foreign trade in goods and services. The evolution and composition in the last 8 years may be appreciated in Table 2.31. The share of trade services has declined in the last few years due to the large increase in the trade of goods that increased by 250% in 2007 with respect to 1999.

Table 2.31

Chile: Export and Import of Commercial Services 1999-2007

Million dollars

Exports of commercial services									
	1999	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Exports of commercial services									
I. Transports	2,038.9	2,187.6	2,294.0	2,205.4	2,770.7	3,456.8	4,301.2	4,674.8	5,131.1
Sea transport services	**1,230.3**	**1,274.7**	**1,346.3**	**1,336.5**	**1,624.7**	**2,100.0**	**2,751.4**	**2,883.7**	**3,203.8**
Other transports	**808.7**	**912.9**	**947.7**	**868.9**	**1,146.0**	**1,356.9**	**1,549.7**	**1,791.1**	**1,927.2**
II. Travel	910.8	819.4	798.5	897.6	883.4	1,095.0	1,109.1	1,222.3	1,419.3
- Business travellers	**85.9**	**78.7**	**98.2**	**256.5**	**205.8**	**166.6**	**150.7**	**172.8**	**251.6**
- Personal travellers	**824.9**	**740.7**	**700.3**	**641.1**	**677.7**	**928.4**	**958.4**	**1,049.5**	**1,167.7**
III. Other commercial services	919.2	1,075.9	1,045.9	1,282.5	1,415.4	1,481.9	1,723.8	1,927.3	2,235.1
- Communication services	**182.6**	**207.3**	**124.7**	**161.8**	**158.1**	**162.7**	**147.8**	**142.9**	**154.3**
- Construction services	-	-	-	-	-	-	-	-	-
- Insurance services	**76.5**	**76.0**	**70.5**	**137.9**	**124.1**	**136.2**	**163.1**	**189.4**	**216.5**
- Financial services	**42.3**	**37.5**	**34.2**	**24.6**	**29.6**	**31.4**	**34.0**	**37.4**	**40.3**
- Computer and information services	**30.3**	**33.4**	**42.8**	**62.9**	**81.4**	**70.5**	**74.2**	**78.4**	**82.0**
- Royalties and licence fees	**6.0**	**10.0**	**24.9**	**41.1**	**45.5**	**48.5**	**54.0**	**55.2**	**61.3**
- Other business services	**469.6**	**601.6**	**652.0**	**745.3**	**829.9**	**889.8**	**1,087.4**	**1,241.4**	**1,487.5**
- Personal, cultural and recreational services	**23.0**	**21.7**	**29.0**	**38.6**	**67.6**	**58.3**	**69.2**	**78.4**	**84.5**
- Government services, n.i.e.	**88.9**	**88.4**	**67.7**	**70.3**	**79.3**	**84.5**	**94.2**	**104.2**	**108.8**
Total exports of commercial services	3,868.9	4,082.9	4,138.4	4,385.5	5,069.5	6,033.7	7,134.0	7,824.3	8,785.5
Annual rate of growth		6%	1%	6%	16%	19%	18%	10%	12%
Imports of commercial services									
	1999	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Imports of commercial services									
I. Transports	2,059.6	2,191.2	2,259.8	2,299.9	2,585.3	3,353.7	4,135.0	4,571.2	5,274.8
Sea transport services	**1,281.9**	**1,385.0**	**1,497.9**	**1,455.9**	**1,603.1**	**2,213.8**	**2,914.8**	**3,202.6**	**3,788.7**
Other transports	**777.7**	**806.1**	**761.9**	**844.0**	**982.2**	**1,139.9**	**1,220.2**	**1,368.6**	**1,486.1**
II. Travel	752.2	619.8	708.2	672.8	850.3	977.1	1,050.5	1,239.3	1,761.7
- Business travellers	**47.7**	**40.9**	**168.0**	**226.6**	**541.0**	**618.4**	**379.2**	**444.8**	**536.8**
- Personal travellers	**704.5**	**578.9**	**540.2**	**446.2**	**309.3**	**358.7**	**671.3**	**794.5**	**1,225.0**
III. Other commercial services	1,794.4	1,990.7	2,014.5	2,114.3	2,251.9	2,448.8	2,570.0	2,641.9	2,910.6
- Communication services	**129.7**	**110.0**	**95.1**	**137.2**	**155.6**	**159.9**	**158.3**	**137.4**	**149.5**
- Construction services	-	-	-	-	-	-	-	-	-
- Insurance services	**153.1**	**192.3**	**210.6**	**353.1**	**435.1**	**451.3**	**462.8**	**431.2**	**479.0**
- Financial services	**241.5**	**221.7**	**203.4**	**230.4**	**213.9**	**282.9**	**256.2**	**318.8**	**367.7**
- Computer and information services	**49.8**	**78.3**	**46.5**	**40.7**	**75.4**	**73.7**	**71.2**	**73.3**	**67.5**
- Royalties and licence fees	**324.2**	**297.5**	**268.6**	**250.6**	**257.1**	**307.3**	**347.5**	**383.7**	**434.2**
- Other business services	**721.5**	**909.4**	**1,019.5**	**924.5**	**935.4**	**998.5**	**1,037.2**	**1,030.7**	**1,124.6**
- Personal, cultural and recreational services	**42.1**	**43.8**	**36.3**	**44.0**	**47.2**	**48.4**	**52.7**	**55.0**	**59.2**
- Government services, n.i.e.	**132.5**	**137.8**	**134.5**	**133.8**	**132.1**	**126.7**	**184.0**	**211.9**	**228.9**
Total imports of commercial services	4,606.1	4,801.7	4,982.6	5,087.0	5,687.5	6,779.6	7,755.5	8,452.4	9,947.1
Annual rate of growth		4%	4%	2%	12%	19%	14%	9%	18%

Source: Studies Departement, DIRECON, based on data of the Central Bank, http://www.bcentral.cl/publicaciones/estadisticas/sector-externo/ext01h.htm

II.3.B Indonesia

In 2008, services in the Indonesian economy represented 36 % of total GDP, and it has decreased its share from 39% in 2006. Its share in employment comprises 40,9% of total employment in 2008, up from 38,7% in 1994. This sector has been very dynamic as has experienced a higher than average rate of growth of its activity, measured in GDP, employment and investment.

Indonesia export and import in commercial services mostly in transport (including travel) and communication amounted to 62% and 92,6% of export and import in commercial services respectively in 2006. Export in services grew 150% from US$ 4.599 millions in 1999 to US$ 11.518 millions in 2006. Meanwhile import in services grew 75% from US$ 12.376 millions in 1999 to US$ 21.625 millions.

Table 2.32. Indonesia Export and Import in Commercial Services

Indonesia Export and Import on Commercial Services Millions dollars								
Export of Commercial Services								
	1999	2000	2001	2002	2003	2004	2005	2006
Transport	-	-	-	1,058	856	2,279	2,842	2,102
Travel	4,352	4,975	5,276	5,285	4,037	4,798	4,522	4,448
Other services	**246**	**239**	**224**	**320**	**400**	**4,969**	**5,563**	**4,968**
Communications	100	86	85	174	248	835	998	1,103
Construction	-	-	-	-	-	463	484	456
Insurance	-	-	-	3	3	8	15	32
Financial services	-	-	-	-	-	297	367	181
Computer and information	-	-	-	-	-	138	147	118
Royalties and licence fees	-	-	-	-	-	221	263	14
Other business services	-	-	-	-	-	2,669	2,876	2,564
Personal, cultural and recreational	-	-	-	-	-	47	57	74
Government services n.i.e.	146	153	139	144	150	291	355	427
Total services	**4,599**	**5,214**	**5,500**	**6,663**	**5,293**	**12,045**	**12,927**	**11,518**
Annual rate of growth		13.38	5.49	21.13	(20.56)	127.58	7.31	(10.89)
Import of Commercial Services								
	1999	2000	2001	2002	2003	2004	2005	2006
Transport	1,999	2,000	2,001	2,002	2,003	2,004	2,005	2,006
Travel	3,274	4,016	3,877	5,150	4,824	5,474	7,451	8,179
Other services	**2,353**	**3,197**	**3,406**	**3,289**	**3,082**	**3,507**	**3,584**	**3,600**
Communications	6,749	8,424	8,598	8,606	9,495	11,876	11,014	9,846
Construction	50	49	51	171	131	359	495	571
Insurance	-	-	-	-	-	708	726	984
Financial services	272	323	286	313	300	353	338	384
Computer and information	-	-	-	-	-	594	539	363
Royalties and licence fees	-	-	-	-	-	468	561	596
Other business services	-	-	-	-	-	990	961	870
Personal, cultural and recreational	6,190	7,796	7,976	7,846	8,834	7,984	7,017	5,736
Government services n.i.e.	-	-	-	-	-	184	166	124
Total services	**12,376**	**15,637**	**15,880**	**17,045**	**17,400**	**20,856**	**22,049**	**21,625**
Annual rate of growth		26.35	1.55	7.33	2.09	19.86	5.72	(1.92)

Source: Handbook Statistic UNCTAD

II.4 Investment

II.4.A Chile

II.4.A.1 Foreign Investment in Chile

Chile has achieved widespread recognition for its strong track record in attracting FDI. Between 1974 and 2007, materialized foreign investment totaled US$ 91.4 billion, of which 90% entered the country after 1990. The stock of FDI in Chile reached almost 55% of GDP by 2007, up from just 30% in 1995.

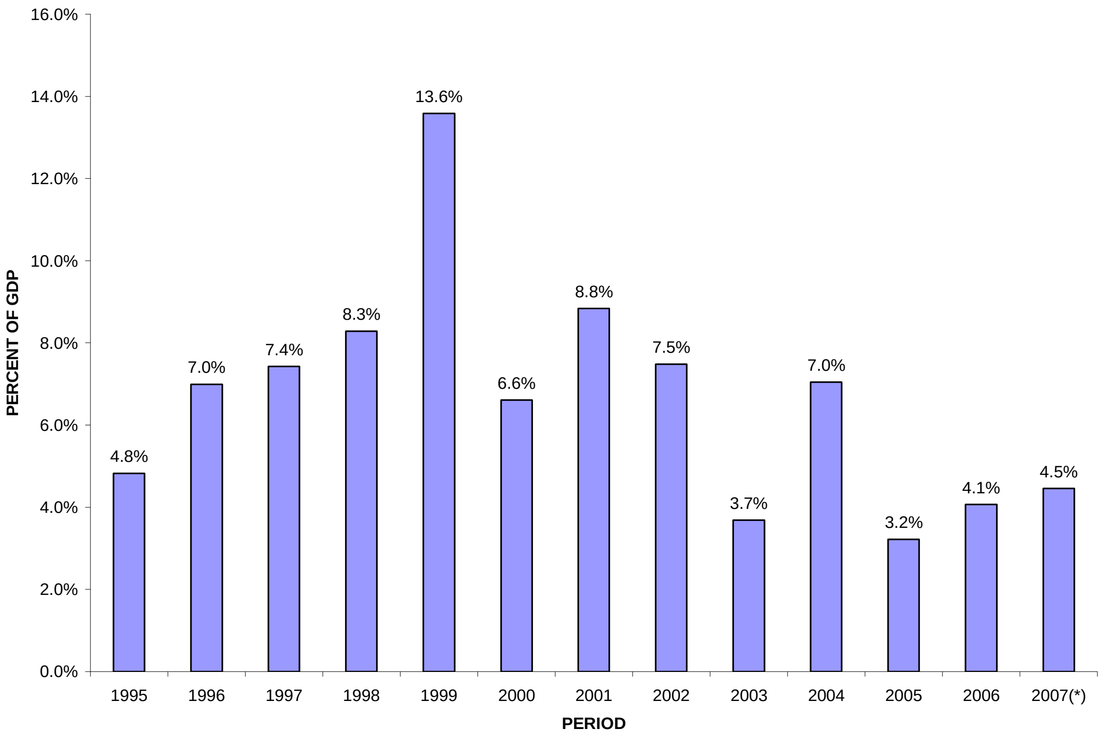
During the 1990's, FDI inflows represented an annual average 6.1% of Chile's GDP, rising to 9.1% between 1996 and 1999. After the surge of FDI in the 1990's, and after reaching a US$ 9.9 billion record-high in 1999, foreign investment inflows have been dropping, falling to an average of 5.7% between 2000 and 2007. These results are the consequence of a downturn in international economic conditions, which has affected FDI in almost all countries.

As from 2001, the mergers and acquisitions market -previously the driving force of FDI around the world and in Chile- collapsed in the face of global economic uncertainty, a drop in share prices, and weaker corporate earnings, while multinational companies cut back their expansion budgets. To some extent, this trend represented a return to more sustainable and realistic levels of FDI, after the so-called "investment bubble" of the 1990's during which global capital flows reached record levels.

Moreover, FDI flows into Latin America have also been affected by instability in some of the region's countries, and the heavy losses sustained by a number of investors. As a result, risk aversion -accentuated by shareholder pressure in firms that have experienced difficulties- also helps to explain weaker FDI in the region. While there has been no scale withdrawal from Latin America, investment is being delayed and some investors, specifically foreign banks, have left the region.

In the case of Chile, FDI figures have also been distorted in recent years by a trend towards greater use of the local capital market by foreign investors. Encouraged by the high liquidity and dynamism of the country's financial sector and its historically low interest rates, an increasing number of overseas companies are sidestepping exchange rate risk by raising finance locally, either borrowing from local banks or placing bonds on the local market. This trend, although very positive for Chile's financial market, is reflected negatively in the figures for incoming FDI.

Chart 2.12 Foreign Direct Investment in Chile*
as % of GDP: 1995 – 2007



*Includes investment through Foreign Investment Statute (D.L. 600), Chapter XIV and Chapter XIX.

Sources: Central Bank of Chile, Foreign Investment Committee.

II.4.A.2 Investment Mechanism

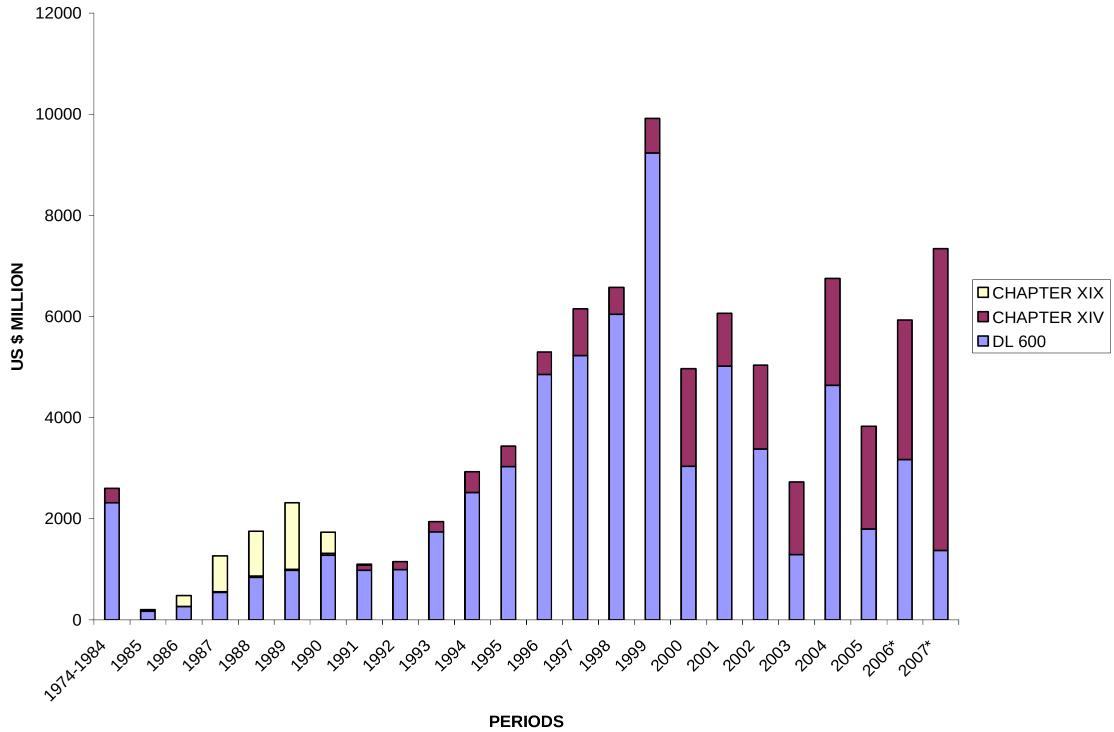
Since 1974, when the Foreign Investment Statute (D.L. 600) came into force, the vast majority of foreign investors have chosen to use this mechanism, under which an investor signs a legally binding contract with the State for the implementation of an individual project and, in return, receives a number of specific guarantees and rights[36]. Between 1974 and 2007, investments worth US$ 64.7 billion, representing 71.1% of the total FDI inflow, used this mechanism.

However, a simpler investment mechanism, Chapter XIV of the Central Bank's Compendium of Foreign Exchange Regulations (CFER), also exists. Under this mechanism, foreign investors need only comply with registration procedures.

A third mechanism, Chapter XIX of the CFER played an important role between 1985 and 1991, when it was used for investments totaling US$ 3.6 billion, mainly in the manufacturing and services sectors. However, this debt conversion mechanism is no longer in operation.

[36] (set out in the Policies, Regulations and Procedures section of the www.cinver.cl website)

Chart 2.13 Foreign Direct Investment in Chile, 1974 - 2007
(US$ Million)

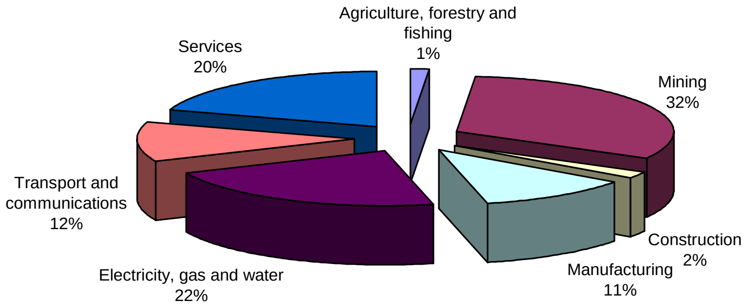


Sources: Central Bank of Chile, Foreign Investment Committee

II.4.A.3 Investment by Sector

Between 1990 and 2007, Mining accounted for 32% of foreign investment materialized via D.L. 600, followed by the Electricity, Gas and Water industries (22%); Services (20%); Transport and communications (12%); Manufacturing (11%); Construction (2%); and Agriculture, Forestry and Fishing (1%). In the Services sector, the most important segments were Financial Services (49%), Insurance (17%), and the Wholesale and Retail Trade (12%).

Chart 2.14 Foreign Investment Statute (D.L.600), 1990-2007
Breakdown by Sector



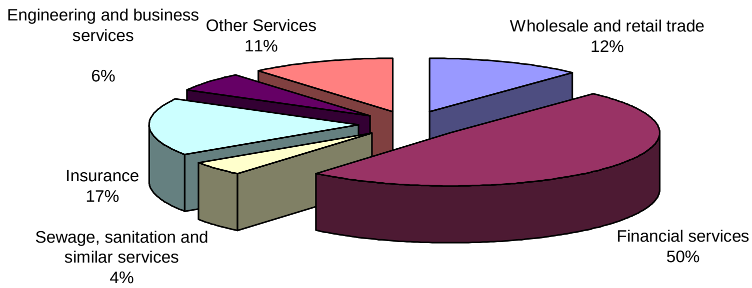
Source: Foreign Investment Committee

Until 1990, mining projects represented 47% of D.L. 600 investment, boosted by the government's decision to lift restrictions on private investment in the exploration and exploitation of mineral deposits. Similarly, investment in financial services was encouraged by the deregulation of the financial sector.

Since 1990, however, other sectors have gained in importance and the mining's share of D.L. 600 investment gradually diminished to an average 15% in 1999-2001. However, in 2002, it was again the largest recipient sector with 59% of materialized FDI -due mainly to the US$ 1.1 billion acquisition of Exxon's La Disputada mine by UK-based Anglo-American. In 2003, represented 30% of the total FDI, and in 2004, the mining received FDI worth US$ 350 million, and this figure increased in 2005 to US$ 822 million due to the new copper and gold projects. In 2006, the mining sector represented 36.1% of total investment. The relative decrease in the preeminence of mining investments was counterbalanced mainly by higher investment in the Transport and Communications industries (including telecommunications) and in the Electricity, Gas and Water sectors.

This was mainly the result of privatizations in the energy and telecommunications sectors and of the intense competition that followed the deregulation of mobile and long-distance telephone services. In addition, an infrastructure concessions program, launched in 1995, opened the way for the participation of private capital, mostly from abroad, in the construction and operation of roads and airports. Water privatizations and a concessions program for water treatment services have also captured important inflows of FDI in recent years.

Chart 2.15 Foreign Investment Statute (D.L. 600)
Services Sector: Breakdown by Sub-sector (1990-2007)
(Total Services: US$ 11.9 billion)



Source: Foreign Investment Committee

From 1997 to 2001, in line with a worldwide trend, Chile saw a dramatic surge in M&A (mergers and acquisitions) activity, mainly in electricity and telecommunications sectors. In 1999, for example, Spain's Endesa paid US$ 3.2 billion for local electricity company Enersis, while other large M&A operations included the acquisition between 2000 and 2001 of the Gener power producer by US-based AES Corp. and, in 2001, Telecom Italia's acquisition of the Entel telecommunications company.

Since 2001, the trend has again changed, shifting towards projects that require smaller amounts of capital but have a high impact in terms of job creation and the transfer of technology. In addition, projects of this type have reinforced Chile's position as a regional business center from which to export goods, or provide services, to other countries. This has, in turn, attracted new investment in service sectors, such as the hotel and office property markets.

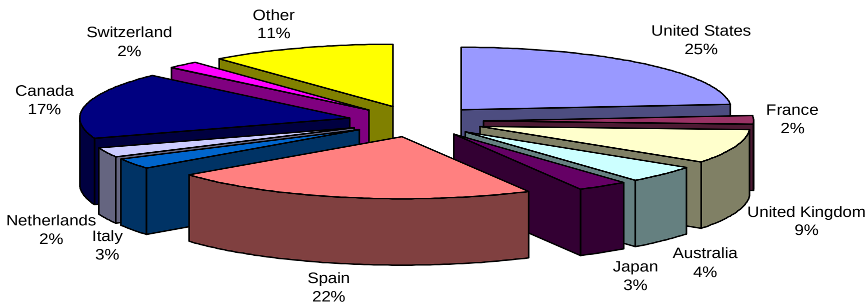
These smaller, high-impact projects are numerous and diverse, ranging from software development initiatives, call centers and shared services centers to new investment in the manufacturing and agribusiness sectors. Examples of the latter include a US$ 25 million breakfast cereal plant in Santiago, launched in April 2004, from which Switzerland's Nestlé supplies regional and international markets, and a new salmon feed plant, also representing an investment of US$ 25 million, inaugurated in southern Chile by Netherlands-based Nutreco.

II.4.A.4 Origin of Investment

Between 1990 and 2007, 25% of D.L. 600 investments in Chile originated in the United States, followed by Spain (22%), Canada (17%), the United Kingdom (9%), Australia

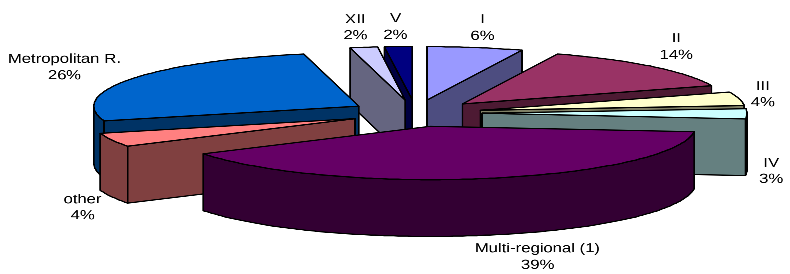
(4%), and Japan (3%). During that period, the 15 pre-enlargement European Union member states accounted for 41.6% of total FDI materialized through D.L. 600, while, as a group, the OECD countries accounted for 92.4% of the total.

Chart 2.16 Foreign Investment Statute (D.L. 600)
Breakdown by Country of Origin (1990-2007)



Source: Foreign Investment Committee

Chart 2.17 Foreign Investment Statute (D.L. 600)
Breakdown by Chilean Regions (1990-2007)



Source: Foreign Investment Committee

As regards the geographic destination of FDI within Chile, 39% of materialized FDI between 1990 and 2007 was invested in multi-regional projects, while 26% went to

Metropolitan region, followed by Region II and Region I in the north of the country, which accounted for 14% and 6% of total inflows, respectively.

II.4.B Indonesia

In 2006, actual foreign direct investment fell to around US$5.9 billion, reflecting to some extent higher borrowing costs and continuing deficiencies in the business environment. Data from the Investment Coordinating Board (BKPM) show that actual foreign investment rose from US$5.9 billion in 2006 to US$10.3 billion in 2007.

In 2008, most actual foreign investment is for direct investment from Africa region, mainly Mauritius. This reflects a big change in investing in Indonesia. Traditionally, Indonesia's investment came from Asia countries such as Singapore, Korea, and Japan, however since 2004, there has been a lot of interest from China companies. Even in 2007, investment from Asia was still the highest and already rose very sharply, although in 2008 such investments were dropped. In contrary, investment from Africa (Mauritius) suddenly rising in 2008, from only US$ 505.7 million in 2007 into US$ 6,542 million in 2008.

Table 2.33. Statistic of Foreign Direct Investment Realization by Country

NO.	Country	2006		2007		2008	
		P	I	P	I	P	I
I	***ASIA***	**461**	**2.678,5**	**555**	**5.942,8**	**688**	**3.871,5**
	ASEAN	**124**	**926,5**	**187**	**4.028,4**	**267**	**1.855,7**
1	*The Philippines*	2	2,5	1	0,1	4	1,5
2	*Malaysia*	36	407,6	56	217,3	74	363,3
3	*Thailand*	5	8,1	6	63,0	5	3,7
4	*Singapore*	81	508,3	124	3.748,0	184	1.487,3
	Asia Excluding ASEAN	**337**	**1.752,0**	**368**	**1.914,4**	**421**	**2.015,8**
5	*Saudi Arabia*	-	-	4	1,3	-	-
6	*Arab Emirat*	-	-	-	-	3	0,8
7	*Hong Kong (SAR)*	15	187,8	14	156,7	18	120,2
8	*India*	14	88,4	17	11,6	20	17,8
9	*Iran*	-	-	-	-	2	0,5
10	*Japan*	113	902,8	113	618,2	130	1.365,4
11	*South Korea*	140	475,7	164	627,7	182	301,1
12	*Pakistan*	5	0,9	1	0,3	4	1,0
13	*People's Republic of*	11	31,5	22	28,9	27	139,6
14	*Syria*	1	0,2	-	-	-	-
15	*Taiwan*	36	63,6	33	469,7	35	69,4
16	*Yemen*	1	1,0	-		-	-
17	*Jordan*	1	0,1	-	-	-	-
II	***Europe***	**143**	**895,6**	**162**	**1.952,4**	**159**	**1.091,5**
	European Union	**130**	**821,2**	**149**	**1.871,6**	**149**	**1.018,7**
18	*Austña*	3	1,0	1	0,1	1	0,2
19	*Netherlands*	24	35,2	36	147,2	34	89,9
1	*Belgium*	6	1,4	4	3,7	2	23,2
20	*Denmark*	1	0,5	2	0,3	3	1,1
20	*Finland*	1	0,6	2	1,3	-	-
21	*Hungary*	-	-	1	0,4	-	-
21	*United Kingdom*	49	660,5	63	1.685,8	57	513,4
22	*Italy*	7	1,7	8	3,4	9	5,9
22	*Germany*	17	15,0	17	18,5	22	198,3
23	*Luxembourg*	-	-	1	0,8	1	22,1
23	*France*	20	104,9	10	9,4	18	164,0
24	*Poland*	-	-	1	0,1	-	-
24	*Slovakia*	1	0,3	1	-	-	-
25	*Spain*	-	-	1	0,3	2	0,5
25	*Sweden*	-	-	1	0,2	-	-
26	*Greece*	1	0,1	-	0,1	-	-
	Other Europe	**13**	**74,4**	**13**	**80,8**	**10**	**72,8**
27	*Iceland*	1	0,2	-	-	-	-
28	*Norway*	3	11,8	2	3,2	2	0,4
29	*Switzerland*	6	61,6	10	77,5	7	72,2
30	*Turkey*	3	0,8	1	0,1	1	0,3
III	**America**	**42**	**153,3**	**38**	**330,6**	**50**	**175,8**
31	*United States of America*	32	65,8	31	144,7	35	151,3
32	*Bahamas*	2	0,9	-	-	-	-
33	*Bermuda*	-	-	1	0,3	-	-
34	*Brazil*	-	-	2	165,1	1	0,6
35	*Cayman Island*	-	-	1	19,2	9	22,1
36	*Canada*	4	1,4	1	0,2	4	0,9
37	*Mexico*	2	0,2	-	-	-	-
38	*Panama*	2	85,0	2	1,1	1	0,9
IV	**Australia**	**23**	**9,0**	**27**	**195,6**	**36**	**40,1**
39	*Australia*	23	9,0	26	195,3	34	36,0
40	*Western Samoa*	-	-	1	0,3	2	4,1
V	**Africa**	**15**	**700,0**	**15**	**505,7**	**10**	**6.542,8**
41	*Algeria*	1	0,1	-	-	-	-
42	Cameroon	1	0,2	-	-	-	-
43	*Congo*	1	0,1	-	-	-	-
44	*Liberia*	1	3,8	-	-	-	-
45	*Libya*	2	1,7	-	-	-	-
46	*Mali*	-	-	2	0,3	-	-
47	*Mauritius*	5	385,6	7	223,9	5	6.477,9
48	*Egypt*	-	-	3	0,5	-	-
49	*Seychelles*	2	306,9	3	281,0	4	63,9
50	*Siera Leone*	-	-	-	-	1	1,1
51	*Tanzania*	2	1,6	-	-	-	-
VI	Joint Countries	**185**	**1.555,3**	**185**	**1.414,3**	**195**	**3.149,7**
T o t a l		**869**	**5.991,7**	**982**	**10.341,4**	**1.138**	**14.871,4**

Source: Indonesia's Investment Coordinating Board (BKPM) online information. Viewed at: http://www.bkpm.go.id

Note :,*Excluding of Oi & Gas, Banking, Non Bank Financial Institution, Insurance, Leasing, Mining in Terms of Contracts of Work, Coal Mining in Terms of Agreement of Work, Investment which Ecenses issued by technical/sectoral agency, Porto Folio as well as Household Investment.*

P :*Total of issued Permanent Licenses;* I : *Value of Direct Investment Realization in Million US$..*

The biggest investment came to transport, storage and communication sector, which has risen very fast since 2006. The actual investment of this sector reached US$ 8,529.9 million in 2008, rose from US$ 646.9 million in 2006. The other main investment sector are metal, machinery and electronic industry; chemical and pharmaceutical industry; and motor vehicles & other transport equipment industry.

Table 2.34. Statistic of Foreign Direct Investment Realization by Sector

NO.	Sector	2006		2007		2008	
		P	I	P	I	P	I
I	***Primary Sector***	**39**	**533,0**	**62**	**599,3**	**55**	**335,6**
1	*Food Crops & Plantation*	13	351,9	16	219,1	10	147,4
2	*Livestock*	7	18,8	7	45,7	1	4,5
3	*Forestry*	1	31,0	-	-	-	-
4	*Fishery*	5	32,8	5	24,7	3	2,4
5	*Mining*	13	98,5	34	309,8	41	181,4
II	***Secondary Sector***	**363**	**3.619,2**	**390**	**4.697,0**	**495**	**4.51 5,2**
6	*Food Industry*	45	354,4	53	704,1	42	491,4
7	*Textile Industry*	61	424,0	63	131,7	67	210,2
8	*Leather Goods & Footwear Industry*	11	51,8	10	95,9	20	145,8
9	*Wood Industry*	18	58,9	17	127,9	19	119,5
10	*Paper and Printing Industry*	16	747,0	11	672,5	15	294,7
11	*Chemical and Pharmaceutical Industry*	32	264,6	32	1.611,7	42	627,8
12	*Rubber and Plastic Industry*	33	112,7	36	157,9	50	271,6
13	*Non Metallic Mineral Industry*	7	94,8	6	27,8	11	266,4
14	*Metal, Machinery & Electronic Industry*	86	955,2	99	714,1	141	1.281,4
15	*Medical Preci. & Optical Instru, Watches & Clock Industry*	1	0,2	1	10,9	7	15,7
16	*Motor Vehicles & Other Transport Equip. Industry*	28	438,5	38	412,3	47	756,2
17	*Other Industry*	25	117,1	24	30,2	34	34,7
III	***Tertiary Sector***	**467**	**1.839,5**	**530**	**5.045,1**	**588**	**10.020,5**
18	*Electricity, Gas & Water Supply*	3	105,3	3	119,3	4	26,9
19	*Construction*	18	144,2	16	448,2	21	426,7
20	*Trade & Repair*	266	434,3	312	482,9	375	582,2
21	*Hotel & Restaurant*	31	111,2	22	136,4	22	156,9
22	*Transport, Storage & Communication*	37	646,9	43	3.305,2	35	8.529,9
23	*Real Estate, Ind. Estate & Business Activities*	16	254,0	8	64,5	19	174,9
24	*Other Services*	96	143,6	126	488,6	112	123,1
		869	**5.991,7**	**982**	**10.341,4**	**1.138**	**14.871,4**

Source: Indonesia's Investment Coordinating Board (BKPM) online information. Viewed at: http://www.bkpm.go.id

Note :,

Excluding of Oi & Gas, Banking, Non Bank Financial Institution, Insurance, Leasing, Mining in Terms of Contracts of Work, Coal Mining in Terms of Agreement of Work, Investment which licenses issued by technical/sectoral agency, Porto Folio as well as Household Investment.

P :*Total of issued Permanent Licenses*

I : *Value of Direct Investment Realization in Million US$..*

Despite slowing growth in the last two quarters of 2008, investment growth in 2008 reached 12.6%. This growth rate was related to business response on high export commodity prices in the first half of 2008. This strong investment growth was supported by business confidence in the economic outlook. Investment growth in 2008 was driven mainly by non-construction investment, estimated to have climbed by 28.1%. This represents a sharp increase over investment growth in 2007.

Growth in Government investment is also estimated lower due to the low rate of actual Government capital expenditures. The strong investment growth within 2008 was dominated by Foreign Direct Investment (FDI). The largest share of FDI flows into the transportation and telecommunications sector, while domestic investment was led by manufacturing.

II.5 Introduction of FTAs Negotiated by Each Party

II.5.A Chile

II.5.A.1 Modalities of Negotiation

II.5.A.1.1 Asia Pacific

For years, Chile has been expanding its trade in the Asia Pacific region. For example, China is Chile's second trading partner[37], while Japan and Korea are among Chile's five main destination markets. The FTA concluded with South Korea in February 2003 and entered in force in April 2004, is the first trans-Pacific agreement of its kind, and places Chile in a privileged position to strengthen its economic ties with Pacific Asia and act as a bridge between Asia and South America.

Chile has continued to expand its commercial presence in Pacific Asia. It finished negotiations in 2005 of a Transpacific Strategic Economic Partnership Agreement with New Zealand, Singapore and Brunei Darussalam; signed a Free Trade Agreement with China that begun to operate in 2006; a Preferential Trade Agreement with India that came in force in 2007, and a Free Trade Agreement with Japan that is operational since September 2007. The negotiation with Australia ended in July 2008. Chile is currently in negotiations with Malaysia and beginning a process of negotiations with Vietnam.

II.5.A.1.2 The Americas

During the first half of the 1990's, Chile developed a network of agreements for economic complementation with all the South American countries (Argentina, Brazil, Bolivia, Colombia, Ecuador, Paraguay, Peru, Uruguay and Venezuela), following the Latin American Integration Association (LAIA). These are agreements negotiated under the Enabling Clause, which regulate only trade in goods and contain limited disciplines. Later Chile negotiated free trade agreements (FTA) with Canada, Mexico, Panama and with Central American countries: Costa Rica, El Salvador and Honduras. These agreements have common disciplines, but market access was negotiated bilaterally.

Chile's most ambitious trade agreement in the Americas is the FTA with the United States, which was concluded in June 2003 and entered into force in January 2004. The US is Chile's main trading partner and largest foreign direct investor. The FTA has facilitated the increase of the value-added content of Chilean exports, establishes clear and transparent rules for settling trade disputes, and it is expected to encourage investment and to strengthen the capital market. The results of this FTA show that a developing country can reach a mutually satisfactory and comprehensive agreement with a developed country; i.e. an agreement, which does not focus exclusively on market access, but also includes institutional matters that enhance transparency and competition which, over time, will benefit all countries that trade with Chile.

II.5.A.1.3 Europe

Chile has consolidated its relations with Europe. Thus, 1 February 2003 saw the entry into force the FTA between Chile and the European Union, an agreement which covers

[37] Trade=(exports+imports). China is Chile´s first market for its exports (2008 figures).

not only trade issues, but political and cooperation areas as well. In the political area, the agreement seeks to promote, disseminate and defend democratic values, while in the area of cooperation, it seeks to contribute to the application of the objectives and principles of the Agreement, including, in particular, the following areas: science, technology and information society; culture, education and audiovisual media; and social cooperation. In the economic and trade area, the Agreement seeks progressive and reciprocal liberalization of market access for goods, services and government procurement. At the same time, as in the case of the FTA with the United States, it establishes disciplines in areas such as intellectual property, technical standards, sanitary and phytosanitary measures, competition policy and customs procedures to encourage the development of trade. It also introduces a dispute settlement mechanism.

Alongside this deepening of its relations with the EU, in March 2003 Chile signed an FTA with the European Free Trade Association (EFTA) and entered in force in December 2004. It regulates trade in goods and services, government procurement, and various trade disciplines, including the reciprocal elimination of anti-dumping duties and a dispute settlement mechanism to resolve any disagreements between the parties.

Concerning the Main Contents of the FTAs in the Chapters on Trade in Goods is included:

- Standstill in customs duties.
- Acceleration of customs duties elimination.
- Binding the benefits of Generalized Systems of Preferences (GSP), when the partner has this system.
- Elimination of non-tariff measures.
- Elimination of bilateral export subsidies.
- Elimination of exports taxes.

II.5.A.2 Tariff Reduction in the FTAs

Since Chile began its policy of open regionalism in the early 90s, it has signed trade agreements with 20 partners, which represent around 91% of the whole foreign trade of Chile.

In all its negotiations Chile has looked to have the biggest share of bilateral trade in the category of immediate tariff elimination, some products in short term categories (5 or less years), a reduced group of sensitive goods in long term categories (between 5 and 10 years) and if possible to don’t have any exclusions.

Reflecting the previous statements are the results of the last 5 agreements Chile has signed. In its agreements with the USA, the EU, the EFTA, China and Japan, Chile has eliminated its tariffs immediately for a 91%, 89%, 82%, 50% and 95% of the originating imports of these partners respectively. Chile has no exclusions in its agreement with USA, while they represent 1%, near 0%, 3% and 0.1% of the originating imports of the EU, the EFTA, China and Japan respectively.

Compared to the flat rate of 6 percent, average tariffs charged on imports from Mercosur (0.7 percent), Latin America (0.7 percent), Europe (0.7 percent) and North American countries (0.8 percent) are substantially lower.

On the other hand, reflecting the balance all negotiations must have, Chile has obtained duty free access immediately for the 87%, 86%, 91% , 92% and 59% of its exports to USA, EU, EFTA, China and Japan respectively.

With respect to the exclusions that Chilean products face, in the USA there are no products excluded, while in EU, EFTA, China and Japan they represent, respectively, near 0%, 1%, 1% and 0.4% of Chilean exports to those markets.

At the moment, Chile is holding negotiations for a FTA with Malaysia and Vietnam, and has finished negotiations for an FTA with Turkey. Once these agreements are finished, more than 90% of Chilean foreign trade will be subject to some preferential treatment.

II.5.B Indonesia

II.5.B.1 Modalities of Negotiation

For years, Indonesia has been expanding its trade in the Asia Pacific region. Within Southeast Asian region, Indonesia has implemented ASEAN FTA since 1992. Indonesia has continued to expand its commercial presence in Asia Pacific region. Through its membership of ASEAN, Indonesia has been implemented FTA such as ASEAN -China, ASEAN - Republic of Korea. Recently, ASEAN has signed FTA agreement with Australia – New Zealand, andASEAN – India. Indonesia also has implemented Indonesia – Japan Economic Partnership Agreement (IJ-EPA) since July 1st 2008.

II.5.B.1.1 ASEAN FTA

Framework Agreements on Enhancing ASEAN Economic Cooperation herein after called as ASEAN FTA (AFTA) was signed on 28 January 1992 in Singapore. This agreement is the heart of which was the creation of AFTA in 15 years. This is a comprehensive program of tariff reduction in the region, which is to be carried out in phases through the year 2008. The signing of the protocol to amend the CEPT-AFTA agreement for the elemination of import duties was held on January 30, 2003.

II.5.B.1.2 ASEAN Economic Community

Following the signing of the Declaration on the AEC Blueprint by ASEAN Leaders at the 13th ASEAN Summit in Singapore on 20 November 2007, ASEAN has been developing an AEC Scorecard mechanism tracking the implementation of their commitments in the AEC Blueprint. The AEC Scorecard will provide a comprehensive picture of how ASEAN makes progress towards establishing the AEC by 2015. Achievement of ASEAN Economic Community Blueprint is made through implementing the Roadmaps such as: Priority Integration Sector; ASEAN Trade in Goods Agreement (ATIGA); Realisation of the ASEAN Free Trade Area; Comprehensive Revised CEPT Rules of Origin; Elimination of Non-Tariff Barriers; Trade Facilitation; ASEAN Single Window; Customs Cooperation; Standards, Technical Regulations and Conformity Assessment Procedures; ASEAN Framework Agreement on Services (AFAS); Mutual Recognition Arrangements; Professional Exchange Programme; Investment; Consumer Protection; Competition Policy; Private Sector Engagement; Small and Medium Enterprises (SMEs); Structural and Regulatory Reform; and ASEAN External Economic Relations.

II.5.B.1.3 ASEAN – China FTA

Framework Agreements on Comprehensive Economic Cooperation between ASEAN and China signed on November 5, 2002. Prior to establishement of ASEAN – China FTA (ACFTA), Early Harvest Programme (EHP) has implemented to provide for tariff elimination on a list of agreed products, particularly unprocessed agriculture products in Chapters 01-08. EHP has implemented on 1 January 2004 for ASEAN (except Philippines) and China. Philippines’ Executive Order No. 485 was issued on 29

December 2005 to implement EHP. Agreement on Trade in Goods signed in 2004 by the ASEAN Economic Ministers and China's Minister of Commerce. This agreement has implemented on 1 July 2005 for ASEAN (Brunei Darussalam, Indonesia, Myanmar, Malaysia, Singapore, and Thailand) and China covering substantial reduction or elimination of tariffs and other barriers to establish the ASEAN-China Free Trade Area (ACFTA) by 2010, under the following tracks: normal track – 2005-2010 with flexibility up to 2012; sensitive track – 2012 up to 2018.

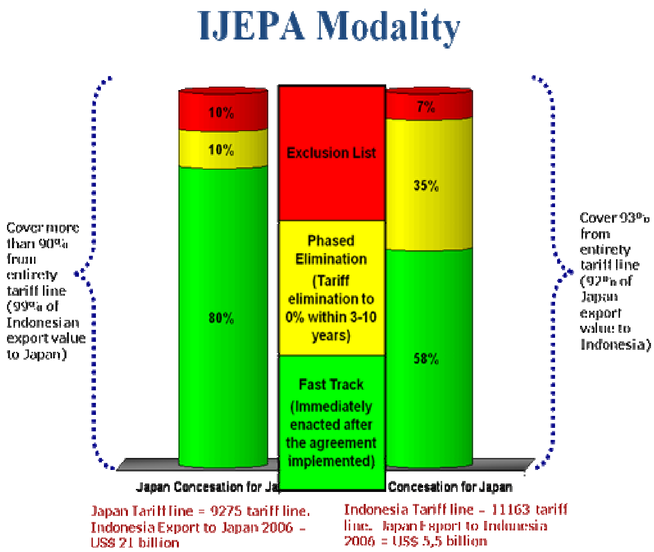
II.5.B.1.4 ASEAN – Korea

Framework Agreements on Comprehensive Economic Cooperation between ASEAN and Korea signed on December 13, 2005, and entry into forced on July 1, 2006. Scopes of ASEAN – Korea FTA are: (i) Agreement on Trade in Goods signed in August 2006; (ii) Agreement on Trade in Services signed in November 2007; (iii) Full implementation (goods) by January 2008 for Korea, January 2010 for ASEAN 6, January 2016 for Vietnam, January 2018 for CLM; (iv) Thailand to join the two agreements in December 2008. Coverage and scope of this agreement consist of : 100 tariff lines at HS 6-digit; to be selected from a universe of 232 lines; and individual list for all ASEAN Member Countries. Trade in Goods (TIG) Agreement provides the substantial reduction/elimination of tariffs and other barriers to trade by 2010, with flexibility up to 2012, through various Tracks divided into normal track (2006-2010) and sensitive track (2012-2016).

II.5.B.1.5 Indonesia – Japan Economic Partnership Agreement (IJ-EPA)

Under IJ-EPA, there are three pillars consisting of trade liberalization, trade facilitation, and economic cooperation. Trade liberalization covered reduction or removal of border and behind the border obstacles to trade (simplified licensing and business regulations). Trade facilitation covered improved cooperation & transparency in various areas: customs procedures, competition policy, IPR, etc. Economic cooperation covering a distinctive feature of the EPA is that Japan and Indonesia have agreed to cooperate in many areas beyond just trade and that Japan committed to provide capacity-building activities for Indonesia. Modality on tariff concession under IJ-EPA is showed in this chart below:

Chart 2.18 IJEPA Modality



II.5.B.2 Tariff Reduction in the FTAs

Since Indonesia began its policy of open regionalism in the early 90s, it has signed trade agreements with 15 partner countries, which represent around 65.1% of the whole foreign trade (total export and import) of Indonesia. In all its negotiations, Indonesia committed to have the biggest share of bilateral trade in the category of immediate tariff elimination, some products in short term categories (5 or less years), a reduced group of sensitive goods in long term categories (between 5 and 10 years) and some products are subject to exclusions list.

In its agreements with ASEAN, ASEAN – China, ASEAN – Korea, IJ-EPA, Indonesia has eliminated its tariffs immediately (reduced to 0% – 5%) for a 90% of total tariff lines (2008), 67.07% (2008), 79.36% (2008), and 58% (July 1st, 2008) of these partners respectively. Indonesia has exclusions list in its agreement with ASEAN, ASEAN – China, ASEAN – Korea, IJ-EPA, representing 0.58% of total tariff lines, 10%, 7% and 7% of these partners respectively.

III. ECONOMIC RELATIONS BETWEEN INDONESIA AND CHILE

III.1 Bilateral Trade in Goods

III.1.A Chile

In 2008, bilateral trade between Chile and Indonesia reached a level of 398.7 million dollars. This places Indonesia as Chile’s 0.32% global trading partner. This figure is well below what was recorded a few years ago, when bilateral trade flows reached 0.64% of Chile´s total (1999). The growth in trade between Chile and Indonesia is the result of a lower than average evolution in exports and imports, thus generating an increase in bilateral exchange around 108 % only since 1999, less than the growth of Chile’s global trade in the same period (323 %).

TABLE 3.1
TRADE BETWEEN CHILE AND INDONESIA, 1999 - 2008
(million of dollars and %)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
I. Indonesia										
Exports (FOB)	96.7	103.7	41.9	64.3	77.0	152.6	189.5	184.2	237.4	210.0
Imports (CIF)	94.6	80.8	86.3	86.0	78.0	129.9	144.0	175.0	188.0	188.6
Trade Balance	2.1	22.9	-44.4	-21.7	-1.0	22.7	45.5	9.1	49.5	21.4
Trade Exchange	191.2	184.6	128.2	150.3	155.0	282.5	333.4	359.2	425.4	398.7
II. Global										
Exports (FOB)	15,914.6	18,425.0	17,668.1	17,676.3	20,627.2	31,460.1	39,251.9	57,756.6	66,718.6	69,820.6
Imports (CIF)	14,022.0	16,842.5	16,233.9	15,753.2	17,663.6	22,454.2	29,940.1	34,912.0	42,949.0	56,725.6
Trade Balance	1,892.6	1,582.5	1,434.1	1,923.2	2,963.5	9,006.0	9,311.7	22,844.5	23,769.5	13,095.1
Trade Exchange	29,936.6	35,267.5	33,902.0	33,429.5	38,290.8	53,914.3	69,192.0	92,668.6	109,667.6	126,546.2
III. Participation										
Exports	0.61%	0.56%	0.24%	0.36%	0.37%	0.48%	0.48%	0.32%	0.36%	0.30%
Imports	0.67%	0.48%	0.53%	0.55%	0.44%	0.58%	0.48%	0.50%	0.44%	0.33%
Trade Exchange	0.64%	0.52%	0.38%	0.45%	0.40%	0.52%	0.48%	0.39%	0.39%	0.32%

Source: Studies and Informations Department, DIRECON (june 2009), based on data from Central Bank of Chile

The trade balance, exports minus imports, in 2008, marked a surplus of 21.4 million dollars that is far from the -44.4 million-dollar deficit of 2001. A traditional small surplus in favor of Chile during the 1999-2008 period, was only a deficit during 2001-2003, due to lower Chilean exports that have recovered since 2004.

As in total trade exchanges, in 2008, the Indonesian economy has reduced its share in Chilean exports, accounting for 210.0 million dollars.

Imports coming from Indonesia in 2008 reached 188.6 million dollars, placing Indonesia supplies with 0.33% of imported goods to Chile. Imports from Indonesia have increased at a much lower pace than total imports, reaching between 1999 and 2008 a growth of 99%, less than total imports, which increased 305% in the same period.

III.1.A.1 Exports

In 2000, Indonesia accounted for 0.56% of Chile’s exports. In 2008, given that in the past five years Indonesia has reduced its importance as a market destination of Chilean exports, it provides 0.30% of all exports, thus marginally reducing its share in exports. This figure has not been stable and in the period has fluctuated between 0.61% (1999) and 0.24% (2001).

TABLE 3.2
CHILE'S EXPORTS TO INDONESIA, 1999 - 2008
(million of dollars FOB and %)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
I. Exports to Indonesia	96.7	103.7	41.9	64.3	77.0	152.6	189.5	184.2	237.4	210.0
II. Global Exports	15,914.6	18,425.0	17,668.1	17,676.3	20,627.2	31,460.1	39,251.9	57,756.6	66,718.6	69,820.6
I. Over II.	0.61%	0.56%	0.24%	0.36%	0.37%	0.48%	0.48%	0.32%	0.36%	0.30%
Exports to Indonesia	-	7.3%	-59.6%	53.5%	19.7%	98.1%	24.2%	-2.8%	28.9%	14.0%
Global Exports	-	15.8%	-4.1%	0.0%	16.7%	52.5%	24.8%	47.1%	15.5%	20.9%

Source: Studies and Informations Department, DIRECON (june 2009), based on data from Central Bank of Chile

Indonesia only increased its standing as a buyer measured in export share between 2001 and 2008, in which exports increased a record 401%, averaging annually a rate of growth of 26%, which compares to the 295% growth in global exports in the same period (an average of 22% annually). On the other hand, it is interesting to point out that this increase in exports has not been continuous in the whole period (1999-2008)- with 2 years with a reduction in exports and 6 years with a positive growth- without a trend to increase exports share.

Indonesia represents an expanding market of 240.3 million people (5th in the world) and imports for US $ 128.8 billion (31st in the world), rapidly growing.

TABLE 3.3
CHILE'S EXPORT TO INDONESIA ACCORDING TO ISIC, 1999 - 2008
(million of dollars FOB)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
I. Agriculture, Fruit, Livestock Silviculture and Extractive Fishery	**0.2**	**0.7**	**0.4**	**0.3**	**1.0**	**3.7**	**2.3**	**3.8**	**1.9**	**4.6**
Agriculture, Fruit and Livestock	0.1	0.7	0.3	0.3	1.0	3.7	2.3	3.8	1.8	4.5
Silviculture	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Extractive Fishery	0.0	-	0.1	-	0.0	-	-	-	-	0.0
II. Mining	**30.7**	**34.1**	**17.0**	**21.7**	**22.5**	**864.5**	**131.2**	**90.2**	**83.8**	**80.7**
Copper	6.9	5.2	2.7	3.8	3.4	38.3	61.0	43.3	-	1.1
Other	23.7	29.0	14.4	17.9	19.1	826.2	70.2	46.9	83.8	79.6
III. Industry	**65.8**	**68.9**	**24.5**	**42.3**	**53.5**	**112.8**	**55.9**	**90.2**	**151.8**	**124.7**
Foodstuff and beverages	19.3	8.5	6.0	9.8	13.3	14.8	20.7	21.8	9.0	7.0
Textiles and apparel	-	0.0	0.1	0.1	0.0	-	0.0	0.2	0.0	0.0
Forestry and Furniture	0.1	0.4	0.2	0.1	0.0	0.0	-	0.0	0.3	0.2
Cellulose, paper and by-products	43.3	48.3	13.8	30.0	35.7	95.1	33.9	64.4	131.3	103.3
Proccessed and unproccessed chemicals	3.0	7.2	2.0	1.1	1.6	2.9	0.9	2.1	3.2	5.2
Glass, clay and porcelain products	-	-	-	-	0.6	0.0	0.0	-	0.0	0.1
Basic steel and iron industry	0.1	0.1	0.1	0.1	0.0	0.0	0.2	0.5	0.7	2.1
Metal products, machinery and equipment	0.0	4.4	2.2	1.2	2.1	0.0	0.1	1.1	7.3	6.5
Non specified manufactures	-	-	-	-	-	-	-	-	0.0	0.4
IV. Others	**-**	**0.0**	**-**	**-**	**-**	**-**	**0.0**	**-**	**-**	**-**
V. Total Exports	**96.7**	**103.7**	**41.9**	**64.3**	**77.0**	**981.0**	**189.5**	**184.2**	**237.4**	**210.0**

Source: Studies and Informations Department, DIRECON (june 2009), based on data from Central Bank of Chile

A sample of the dynamic success of the Indonesian economy are the economic results of 2008, where exports reached[38] a record high of US $ 136.84 billion and GDP growth reached 6.1% in 2008, recording 6.4% in 2007 and 5.5% in 2006. Although Indonesian exports are diversified, Japan is the largest buyer with 20.7% of total exports. Indonesia (2008 figures) imports US $ 536 per person, but imports from Chile only reached to 0.15% of total imports, i.e. about US $ 0.8 per person come from Chile.

III.1.A.1.1 Export Sectors

Table 3.4 allows appreciating that Chilean exports towards Indonesia are concentrated mainly within two sectors (mining and industry), which account for 97.8% of total exports to Indonesia. Although the industrial sector is a dominant sector, its importance

[38] Including re-exports

has been reduced, due to the higher mining (non copper) exports to Indonesia. In 2008 it represented 59.4% of total exports.

TABLE 3.4
STRUCTURE OF CHILE'S EXPORTS TO INDONESIA ACCORDING TO ISIC, 1999 - 2008
(%)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
I. Agriculture, Fruit, Livestock Silviculture and Extractive Fishery	**0.2**	**0.7**	**1.0**	**0.4**	**1.3**	**0.4**	**1.2**	**2.1**	**0.8**	**2.2**
Agriculture, Fruit and Livestock	0.1	0.6	0.7	0.4	1.3	0.4	1.2	2.1	0.8	2.2
Silviculture	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Extractive Fishery	0.0	-	0.2	-	0.0	-	-	-	-	0.0
II. Mining	**31.7**	**32.9**	**40.6**	**33.8**	**29.2**	**88.1**	**69.2**	**49.0**	**35.3**	**38.4**
Copper	7.2	5.0	6.3	5.9	4.4	3.9	32.2	23.5	-	0.5
Other	24.5	27.9	34.3	27.8	24.8	84.2	37.0	25.5	35.3	37.9
III. Industry	**68.1**	**66.4**	**58.4**	**65.8**	**69.5**	**11.5**	**29.5**	**49.0**	**63.9**	**59.4**
Foodstuff and beverages	20.0	8.2	14.4	15.3	17.3	1.5	11.0	11.8	3.8	3.3
Textiles and apparel	-	0.0	0.3	0.1	0.0	-	0.0	0.1	0.0	0.0
Forestry and Furniture	0.1	0.4	0.5	0.2	0.1	0.0	-	0.0	0.1	0.1
Cellulose, paper and by-products	44.8	46.6	33.0	46.7	46.4	9.7	17.9	35.0	55.3	49.2
Proccessed and unproccessed chemicals	3.1	6.9	4.8	1.7	2.1	0.3	0.5	1.2	1.4	2.5
Glass, clay and porcelain products	-	-	-	-	0.8	0.0	0.0	-	0.0	0.0
Basic steel and iron industry	0.1	0.1	0.2	0.1	0.1	0.0	0.1	0.3	0.3	1.0
Metal products, machinery and equipment	0.0	4.2	5.3	1.8	2.8	0.0	0.1	0.6	3.1	3.1
Non specified manufactures	-	-	-	-	-	-	-	-	0.0	0.2
IV. Others	**-**	**0.0**	**-**	**-**	**-**	**-**	**0.0**	**-**	**-**	**-**
V. Total Exports	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Studies and Informations Department, DIRECON (june 2009), based on data from Central Bank of Chile

It is worthwhile to highlight that the industrial sector has also shown growth (industrial exports increased by 68% in 2007), where cellulose, paper and by-products have increased its importance in total exports (49.2% of exports in 2008), the largest decrease has come from the foodstuff and beverages industry (3.3% of total exports in 2008), and the increase of processed and unprocessed chemicals (2.5% of total exports in 2007) and fruits (2.2% of total exports in 2008). The latter is a clear example of how the growth in the demand of the non-traditional Chilean exports has been able to develop a new market for those products and to change the structure of exports.

Within the industrial sector, the main exports are cellulose, paper and by-products (49.2% of exports), followed by food products (3.3% of total exports) and metal products, machinery and equipment (3.1%).

The 25 main products concentrate 98.4% of all of Chilean exports to Indonesia (in 2008), and chemical wood pulp has the largest participation in total exports: in 2008 its share in total exports was of 48.8%.

TABLE 3.5
CHILE'S MAIN EXPORTS TO INDONESIA, 2008
(US$ FOB and %)

HS	Description	FOB	%
26011210	Iron pellets	76,826,170.9	36.6
47032100	Chemical woodpulp, soda or sulfate, other than dissolving grades (coniferous)	75,589,459.6	36.0
47032910	Chemical woodpulp, soda or sulfate, other than dissolving grades (eucalyptus)	26,938,813.5	12.8
87084030	Transmissions for motor vehicles and its parts of item 87.03	5,483,175.7	2.6
28342110	Nitrates, containing more than 98 percent by weight of potassium nitrate	4,149,143.5	2.0
8061030	Table grapes red globe	3,848,295.1	1.8
23012011	Flour, meal&pellets of fish, crust with a protein content of less than 66 % in weight (standard).	2,745,766.4	1.3
31059010	Potassium sodium-nitrate fertilizer	1,779,648.6	0.8
76020000	Aluminum scrap and waste	1,255,112.1	0.6
74031100	Refined copper cathodes and sections	1,085,911.2	0.5
23012013	Flour, meal&pellets of fish, crust with a protein content of more than 68 % in weight (super prime).	814,815.8	0.4
47031100	Chemicals wood pulp unbleached of coniferous	716,670.7	0.3
15042010	Fish oils, crude	699,515.9	0.3
31025000	Sodium nitrate	648,616.3	0.3
23012012	Flour, meal&pellets of fish, crust with a protein content of more than 66 % in weight and less than 68% (prime).	617,346.7	0.3
3032220	Salmon atlantic and Danube frozen exc. Headings, livers	476,496.4	0.2
72042900	Waste and scrap other steel	451,551.0	0.2
84314320	Parts of boring or sinking machinery,whwther or not self-propelling	419,602.1	0.2
28369100	Lithium carbonate	386,865.0	0.2
95030090	Other toys, excpet those already mentioned	367,105.5	0.2
28342190	Other potassium nitrates, except with a potassium nitrate content of more than 98% in weight.	318,849.0	0.2
85171200	Cellular phones	293,534.0	0.1
28252000	Lithium oxide and hydroxide	255,939.8	0.1
73045900	Other hollow tubes and shapes circular-section of other alloy	239,755.2	0.1
39131020	Alginic salts, in primary form.	213,424.9	0.1
	Total Main Products	206,621,585.0	98.4
	Other Products	3,392,801.4	1.6
	Total Exports	210,014,386.3	100.0

Source: Studies and Informations Department, DIRECON, (june 2009), based on data from Central Bank of Chile.

Note: Chemical wood pulp is the sum of items 47032100 and 47032910, for a total amount of US $ 102,528,273; with 48.8% of exports

III.1.A.1.2 Export products

Chile, in 2008 exported 100 products to the Indonesian market. This figure only represents 1.9% of the total number of products that Chile exported to the world in the same year[39].

Also it can be seen that out of the twenty five products, 20 are related to the industrial sector (including food industry and fruits) and account for 61.6% of all exports to Indonesia. Eight industrial, agricultural and fishing products are responsible for 58% of Chilean exports to Indonesia.

III.1.A.2 Imports

As it has been said before, Indonesia is the supplier of 0.33% of the imported goods to Chile, registering in 2008 imports of 188.6 million dollars. This represents an increase of 0.4% in comparison with the previous year and, at the same time, represents a record high level, and an increase over the earlier imports in 2005 of 31%.

[39] Chile exported 5.161 products in 2008

TABLE 3.6
CHILE'S IMPORTS FROM INDONESIA, 1999 - 2008
(millions of dollars CIF and %)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total										
I. Imports from Indonesia	94.6	80.8	86.3	86.0	78.0	129.9	144.0	175.0	188.0	188.6
II. Global Imports	14,022.0	16,842.5	16,233.9	15,753.2	17,663.6	22,454.2	29,940.1	34,912.0	42,949.0	56,725.6
I. over II.	0.67%	0.48%	0.53%	0.55%	0.44%	0.58%	0.48%	0.50%	0.44%	0.33%
Growth										
Imports from Indonesia	-	-14.6%	6.8%	-0.3%	-9.3%	66.5%	10.9%	21.5%	7.4%	0.3%
Global Imports	-	20.1%	-3.6%	-3.0%	12.1%	27.1%	33.3%	16.6%	23.0%	32.1%

Source: Studies and Information Department, DIRECON (june 2009), based on data from Central Bank of Chile

In terms of the behavior of imports coming from Indonesia between 1999 and 2008, these have experienced irregular rates of growth along the whole period, with a reduction in 3 years (2000, 2002 and 2003).

TABLE 3.7
'RUCTURE OF CHILE'S IMPORTS FROM INDONESIA ACCORDING TO TYPE OF GOOD, 1999 - 20
(%)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
I. Consumer Goods	**33.1**	**42.3**	**41.5**	**30.6**	**28.6**	**22.5**	**23.1**	**19.3**	**21.7**	**28.5**
II. Intermdiate Goods	**65.0**	**55.2**	**55.2**	**63.8**	**60.1**	**66.3**	**65.6**	**69.6**	**61.6**	**59.6**
Petroleum	-	-	-	-	-	-	-	-	11.7	-
Other fuels and Lubricants	38.6	25.3	26.9	37.1	9.9	31.6	41.5	45.4	13.2	25.4
III. Capital Goods	**1.9**	**2.5**	**3.2**	**5.6**	**11.3**	**11.1**	**11.2**	**11.2**	**16.7**	**11.9**
IV. Total Imports	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Studies and Informations Department, DIRECON (june 2009), based on data from Central Bank of Chile

Table 3.7 shows the type of goods that are imported from Indonesia. It is apparent that the majority of imports are concentrated in consumer goods and in intermediate goods that account respectively for 28.5% and 59.6% of total imports originating from Indonesia in 2008. It’s important to note that in this type of product, Indonesia accounts for a small fraction of our capital goods and of intermediate goods.

TABLE 3.8
CHILE'S IMPORTS FROM INDONESIA ACCORDING TO TYPE OF GOOD, 1999 - 2008
(millions of dollars CIF)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
I. Consumer Goods	**31.3**	**34.2**	**35.9**	**26.3**	**22.3**	**29.3**	**33.3**	**33.7**	**9,301.3**	**53.7**
II. Intermdiate Goods	**61.5**	**44.6**	**47.7**	**54.8**	**46.9**	**86.2**	**94.5**	**121.8**	**26,456.0**	**112.5**
Petroleum	-	-	-	-	-	-	-	-	5,018.3	-
Other fuels and Lubricants	36.5	20.4	23.2	31.9	7.8	41.0	59.7	79.4	5,673.8	48.0
III. Capital Goods	**1.8**	**2.0**	**2.8**	**4.8**	**8.8**	**14.4**	**16.2**	**19.6**	**7,191.8**	**22.4**
IV. Total Imports	**94.6**	**80.8**	**86.3**	**86.0**	**78.0**	**129.9**	**144.0**	**175.0**	**42,949.0**	**188.6**

Source: Studies and Informations Department, DIRECON (june 2009), based on data from Central Bank of Chile

The latter, together with the fact that global imports in consumer goods have been increasing over the years, imply that there has been a deviation in imports where the Chilean economy prefers to buy goods consumer goods from other traditional suppliers instead of Indonesia.

Capital goods imports are a smaller portion of imports from Indonesia, but have increased in the last few years, reaching to 11.9% of total imports from that country in 2008.

In terms of how the import mix has evolved over the 1999 – 2008 period, it can be said that there has been a certain amount of shuffling within the types of goods, showing an increase in the share of capital goods. Since 2002, capital goods have increased their presence in total imports from a 5.6% of imports coming from Indonesia to the 11.9% reached in 2008.

Table 2.9 shows imports according to ISIC productive sectors. As it can bee seen 62% of all imports come from the industrial sector and are mainly metal products, machinery and equipment and textiles and apparel.

TABLE 3.9
IMPORTS FROM INDONESIA ACCORDING TO ISIC, 1999 - 2008
(million of dollars CIF)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
I. Agriculture, Fruit, Livestock Silviculture and Extractive Fishery	**5.9**	**4.2**	**6.9**	**6.9**	**11.7**	**21.1**	**18.7**	**24.2**	**21.2**	**24.2**
Agriculture, Fruit and Livestock	5.7	3.7	6.3	6.4	10.7	19.6	16.8	22.4	18.0	17.7
Silviculture	36.5	20.4	23.2	31.9	7.8	41.0	59.7	79.4	80.7	48.0
Extractive Fishery	0.2	0.5	0.6	0.5	1.0	1.5	1.8	1.7	3.1	6.5
II. Mining	**36.5**	**20.4**	**23.2**	**31.9**	**7.8**	**41.0**	**59.7**	**79.4**	**80.7**	**48.0**
Copper	-	-	-	-	0.0	-	-	-	-	-
Other	36.5	20.4	23.2	31.9	7.8	41.0	59.7	79.4	80.7	48.0
III. Industry	**52.2**	**56.2**	**56.2**	**47.2**	**58.5**	**67.8**	**65.6**	**71.4**	**86.1**	**116.5**
Foodstuff and beverages	3.1	2.0	1.8	2.4	2.0	1.8	3.5	3.3	3.1	5.5
Textiles and apparel	21.8	21.3	21.1	15.7	14.0	16.1	12.1	17.0	17.9	22.8
Forestry and Furniture	1.3	1.7	1.3	1.0	0.9	1.9	2.1	2.7	2.3	2.9
Cellulose, paper and by-products	1.6	4.5	2.2	2.2	1.8	2.0	2.3	1.7	1.2	1.7
Proccessed and unproccessed chemicals	6.4	7.2	8.3	5.3	17.0	16.7	10.9	8.5	19.3	12.7
Glass, clay and porcelain products	4.6	5.1	4.2	3.3	3.2	2.5	3.0	3.4	3.2	2.1
Basic steel and iron industry	-	0.0	0.0	0.0	-	0.0	0.0	0.1	0.0	2.6
Metal products, machinery and equipment	12.5	13.1	16.2	16.2	18.3	24.8	29.5	32.5	35.9	62.8
Non specified manufactures	0.8	1.3	1.0	1.1	1.2	1.9	2.3	2.3	3.1	3.3
IV. Others	**0.0**	**0.0**	**-**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
V. Total Imports	**94.6**	**80.8**	**86.3**	**86.0**	**78.0**	**129.9**	**144.0**	**175.0**	**188.0**	**188.6**

Source: Studies and Informations Department, DIRECON (june 2009), based on data from Central Bank of Chile

Contrarily to exports, imports show a higher degree of diversification. In 2008 Chile imported from Indonesia 791 different products, which accounts for 12% of the number of products that Chile imports form the world[40]. Table 3.10 shows the top twenty five products that Chile imports from Indonesia, which represent on aggregate 70.4% of total imports that are of Indonesian origin, thereof giving an example of how more diversified imports are than exports. It can also be seen that the majority of the products belonging to the top twenty five are manufacturing products.

[40] Chile imported 6,492 different products form the world in 2008

TABLE 3.10
CHILE'S MAIN IMPORTS FROM INDONESIA, 2008
(US$ CIF and %)

HS	Description	CIF	%
27011900	Other coal whether or not pulverized but not agglomerated	47,969,852	25.4
40012200	Technically specified natural rubbers (tsnr).	17,132,747	9.1
84021190	Water tubes boilers with a steem production exceeding 45T per h	6,631,138	3.5
12122090	Other seaweeds (including durvillaea flavicans gigartina macr	6,482,292	3.4
87032391	Automobiles for tourism with cylinder >1500 cc =< 3000 cc	5,597,637	3.0
87032291	Automobiles for tourism with cylinder >1000 cc =< 1500 cc	4,840,675	2.6
84181012	Combined refrigerators-freezers, fitted with external separate devices, with a capacity exceeding 200L	4,730,837	2.5
73089000	Other building structures and parts of structures of iron or	4,279,212	2.3
28070000	Sulphuric acid; oleum	3,602,454	1.9
85071010	Lead-acid electric accumulators of a kind used for starting pistol	3,061,427	1.6
85272110	Radio rec nt capable of op w/o external source of power for motor vehicles	2,785,327	1.5
55095330	Yam of polyester staple fibres mixed with cotton, not pu up	2,634,099	1.4
87043121	Gas powered trucks with a GVW exceeding 500 kgs and less than	2,469,447	1.3
64031910	Sports footwear, other than ski, outer sole of rubber/plastic/leather & upper sole of leather	2,428,489	1.3
85042220	Liquid dielectric transformers having a power handling capacity of + 650 kva but - than 1000	2,104,785	1.1
87043119	Gas powered trucks with a GVW not exceeding 5 Tonnes	2,029,025	1.1
84212199	Callandering/other rolling machinery	1,962,779	1.0
85258030	Television cameras, digital cameras and video cameras recorder	1,891,537	1.0
64039991	Footwear, outer soles, of rubber/plastic upper of leather, nes, soles less than 24 cm.	1,642,263	0.9
20082011	Pineapples nes, o/w prepared or preserved, suared, sweetened, etc.	1,564,708	0.8
15042010	Fish fats&oils and their fractions exc. Liver, refined/not, not chemically	1,498,385	0.8
85068010	Other dry cell of 15 volts nominal tension	1,459,909	0.8
64031990	Other Sports footwear, other than ski, outer sole of rubber/plastics/leather & upper sole of leather	1,379,597	0.7
84749090	Parts of sorting/screening/mixing/crushing/grinding/wasihng/agglomerating	1,344,181	0.7
85372090	Borads, panles, including numerical control panels for a voltage + than 1000 v.	1,314,943	0.7
	Total Main Products	**132,837,745.8**	**70.4**
	Other Products	55,806,563.3	29.6
	Total Imports	**188,644,309.1**	**100.0**

Source: Studies and Informations Department, DIRECON, (june 2009), based on data from Central Bank of Chile.

III.1.B Indonesia

Bilateral trade between Indonesia and Chile over the last decade has shown a dynamic progress. Even though in 2002 the trade volume reached the lowest point of USD 118.1 million, it has been gradually improved year-by-year until it reached its peak performance in 2008, i.e. USD 402.6 million (Table 3.1). Indonesia has negative trade balances since 2004 because its imports from Chile have been twice as much of its exports to Chile.

Table 3.11. Trade between Indonesia and Chile, 1999-2008 (US$ Million and %)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
I. Chile										
Export	73.7	84.7	85.1	66.0	67.8	90.8	113.8	152.8	135.4	128.3
Import	88.9	109.0	57.0	52.1	62.1	110.5	135.6	197.9	202.6	274.3
Trade Exchange	162.6	193.8	142.2	118.1	129.9	201.2	249.5	350.7	338.1	402.6
Trade Balance	(15.3)	(24.3)	28.1	13.9	5.7	(19.7)	(21.8)	(45.1)	(67.2)	(146.0)
II. World										
Export	48,665.5	62,124.0	56,320.9	57,158.8	61,058.2	71,584.6	85,660.0	100,798.6	114,100.9	137,020.4
Import	24,003.3	33,514.8	30,962.1	31,288.9	32,550.7	46,524.5	57,700.9	61,065.5	74,473.4	129,197.3
Trade Exchange	72,668.7	95,638.8	87,283.0	88,447.6	93,608.9	118,109.1	143,360.8	161,864.1	188,574.3	266,217.7
Trade Balance	18,551.0	20,262.1	18,194.3	20,282.9	22,467.0	21,146.8	26,185.1	37,486.6	39,471.7	9,249.7
III. Share (%)										
Export	0.15	0.14	0.15	0.12	0.11	0.13	0.13	0.15	0.12	0.09
Import	0.37	0.33	0.18	0.17	0.19	0.24	0.24	0.32	0.27	0.21
Trade Exchange	0.22	0.20	0.16	0.13	0.14	0.17	0.17	0.22	0.18	0.15

Source: Indonesia Statistics

III.1.B.1 Exports

Indonesia's exports to Chile have been ups and downs. Exports to Chile grew by 34.2 per cent in 2006, the highest growth in this decade. Export value to Chile in 2006 was approximately doubled compared to export value in 1999. But Indonesia's export to

Chile started to decrease since 2007 despite Indonesia's high export growth to the rest of the world. Such decrease also diminishes the role of Chile as Indonesian export destination country.

Table 3.12. Indonesia's Exports To Chile, 1999 – 2008 (US$ Million FOB and %)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
I. Export to Chile	73.7	84.7	85.1	66.0	67.8	90.8	113.8	152.8	135.4	128.3
II. World Export	48,665.5	62,124.0	56,320.9	57,158.8	61,058.2	71,584.6	85,660.0	100,798.6	114,100.9	137,020.4
Share (%)	0.15	0.14	0.15	0.12	0.11	0.13	0.13	0.15	0.12	0.09
Growth (%)										
I. Export to Chile		15.03	0.48	(22.53)	2.85	33.80	25.42	34.23	(11.36)	(5.28)
II. World Export		27.66	(9.34)	1.49	6.82	17.24	19.66	17.67	13.20	20.09

Source: Indonesia Statistics

Indonesian export products to Chile are mainly concentrated on industry and mining sector, with small amount on agriculture, fishery, and forestry sector. At least 60 per cent of Indonesian exports to Chili were classified as industrial products Mining exports also has substantial share in Indonesia's exports to Chile, particularly in 2006 and 2007.

Table 3.13. Indonesia's Export to Chile by Sector, 1999 – 2008 (US$ thousand)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Agriculture, fishery, forestry	**539.6**	**588.7**	**1,043.5**	**628.2**	**786.5**	**1,081.4**	**830.0**	**4,158.1**	**2,503.0**	**6,147.2**
Agriculture	501.2	588.7	1,043.5	628.2	786.5	1,081.4	830.0	4,158.1	2,503.0	6,147.2
fishery	-	-	-	-	-	-	-	-	-	-
forestry	38.4	-	-	-	-	-	-	-	-	-
Mining	**19,882.2**	**16,787.9**	**24,525.0**	**17,567.8**	**17,340.9**	**19,996.7**	**43,466.0**	**65,569.7**	**51,932.2**	**20,499.7**
Coal	19,882.2	16,787.9	23,715.0	17,567.8	17,339.5	19,996.7	43,466.0	65,569.7	51,932.2	20,486.0
Tin Ores And Concentrates	-	-	810.0	-	-	-	-	-	-	-
Other Mining Product	-	-	-	-	1.4	-	-	-	-	13.7
Industry	**53,239.9**	**67,348.4**	**59,488.5**	**47,749.2**	**49,706.5**	**69,685.3**	**69,542.2**	**83,069.9**	**80,998.5**	**101,642.3**
Motor Vehicles 4 And More Cycles	-	150.3	-	-	-	-	1,822.6	9,269.8	10,141.3	14,701.4
Footwear Of Leather, Rubber And Canvas	8,203.4	9,853.0	9,108.9	3,069.4	3,820.6	7,658.9	7,205.6	8,769.9	7,939.2	13,853.2
Other Industrial Products	2,706.3	1,021.4	1,361.4	1,693.8	774.4	641.0	2,808.8	1,271.6	5,947.6	12,336.8
Electrical Equipment	1,860.8	2,352.5	2,606.7	3,525.7	3,107.2	3,551.1	3,982.5	4,765.0	7,492.7	10,451.6
Other Textile	7,358.2	6,740.1	5,616.1	4,455.8	5,020.9	5,608.2	7,104.1	9,533.1	7,514.1	8,757.6
Garments	7,900.4	10,258.7	6,056.6	3,658.1	3,760.3	4,080.3	3,605.7	4,697.4	4,811.9	6,726.0
Crumb Rubber	3,218.5	2,675.1	4,664.0	5,651.0	8,317.8	12,863.5	9,422.1	13,686.8	9,304.6	6,707.4
Inorganic Chemical	0.2	-	-	-	2,298.3	3,400.9	-	-	-	4,942.0
Audio Visual	3,385.4	12,387.6	12,031.0	5,276.6	3,491.2	4,065.9	5,162.5	1,260.8	1,766.7	3,573.1
Fruits And Vegetables Prepared	1,596.3	591.7	574.4	994.0	935.0	1,024.7	2,092.3	1,896.1	981.4	2,674.2
Paper And Paper Products	1,529.7	4,257.4	1,452.8	2,077.3	1,516.4	2,066.7	1,908.9	1,713.3	2,152.2	2,502.1
Bath And Wash Soaps	320.1	444.1	759.7	522.4	634.8	595.1	514.6	530.9	586.2	1,548.3
Others	**0.1**	**9.7**	**80.8**	**11.2**	**0.2**	**0.2**	**0.9**	**3.5**	**8.2**	**3.9**
Total Export	**73,661.8**	**84,734.7**	**85,137.8**	**65,956.3**	**67,834.1**	**90,763.6**	**113,839.2**	**152,801.1**	**135,441.9**	**128,293.0**

Source: Indonesia Statistics

Table 3.14. Structure of Indonesia's Export to Chile by Sector, 1999 – 2008 (%)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Agriculture, fishery, forestry	**0.7**	**0.7**	**1.2**	**1.0**	**1.2**	**1.2**	**0.7**	**2.7**	**1.8**	**4.8**
Agriculture	0.7	0.7	1.2	1.0	1.2	1.2	0.7	2.7	1.8	4.8
fishery	-	-	-	-	-	-	-	-	-	-
forestry	0.1	-	-	-	-	-	-	-	-	-
Mining	**27.0**	**19.8**	**28.8**	**26.6**	**25.6**	**22.0**	**38.2**	**42.9**	**38.3**	**16.0**
Coal	27.0	19.8	27.9	26.6	25.6	22.0	38.2	42.9	38.3	16.0
Tin Ores And Concentrates	-	-	1.0	-	-	-	-	-	-	-
Other Mining Product	-	-	-	-	0.0	-	-	-	-	0.0
Industry	**72.3**	**79.5**	**69.9**	**72.4**	**73.3**	**76.8**	**61.1**	**54.4**	**59.8**	**79.2**
Motor Vehicles 4 And More Cycles	-	0.2	-	-	-	-	1.6	6.1	7.5	11.5
Footwear Of Leather, Rubber And Canvas	11.1	11.6	10.7	4.7	5.6	8.4	6.3	5.7	5.9	10.8
Other Industrial Products	3.7	1.2	1.6	2.6	1.1	0.7	2.5	0.8	4.4	9.6
Electrical Equipment	2.5	2.8	3.1	5.3	4.6	3.9	3.5	3.1	5.5	8.1
Other Textile	10.0	8.0	6.6	6.8	7.4	6.2	6.2	6.2	5.5	6.8
Garments	10.7	12.1	7.1	5.5	5.5	4.5	3.2	3.1	3.6	5.2
Crumb Rubber	4.4	3.2	5.5	8.6	12.3	14.2	8.3	9.0	6.9	5.2
Inorganic Chemical	0.0	-	-	-	3.4	3.7	-	-	-	3.9
Audio Visual	4.6	14.6	14.1	8.0	5.1	4.5	4.5	0.8	1.3	2.8
Fruits And Vegetables Prepared	2.2	0.7	0.7	1.5	1.4	1.1	1.8	1.2	0.7	2.1
Paper And Paper Products	2.1	5.0	1.7	3.1	2.2	2.3	1.7	1.1	1.6	2.0
Bath And Wash Soaps	0.4	0.5	0.9	0.8	0.9	0.7	0.5	0.3	0.4	1.2
Others	**0.0001**	**0.0114**	**0.0949**	**0.0170**	**0.0003**	**0.0002**	**0.0008**	**0.0023**	**0.0061**	**0.0030**
Total Export	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Indonesia Statistics

Indonesian exports to Chile has been relatively concentrated. In 2008 Indonesia exported 817 types of goods to Chile representing 17.5 per cent of Indonesia’s export products to the world. Twenty five major products contributed 69.3 per cent to Indonesia’s exports to Chile. Coal is Indonesia’s main export to Chile in 2008 with 16 per cent share in Indonesia’s total export to Chile. Other main products are rubber, clothing, and other industrial products presented in Table 3.5.

Table 3.15. Indonesia's Main Exports to Chile, 2007 - 2008 (US$ Thousand FOB and%)

HS Code	Descriptiom	Value (US$)			Trend	Structure (%)		
		2006	2007	2008	06-08	2006	2007	2008
2701121000	Bituminous coal: coking coal	55,639	40,183	20,486	-39.3	36.4	29.7	16.0
4001222000	Tsnr : oth standard indonesian rubber	13,687	9,305	6,707	-30.0	9.0	6.9	5.2
6403199000	Sports footwear not fitted with studs, bar & the like	4,552	4,184	6,276	17.4	3.0	3.1	4.9
1212209000	Oth seaweeds & oth algae, fresh, chilled , dried,primarily for human consumption	376	1,078	2,719	169.1	0.2	0.8	2.1
2008200000	Pineapples, othwise prepared/preserved	1,734	682	2,141	11.1	1.1	0.5	1.7
5205320000	Cable yarn,of uncombed fibres per singleyarn 232.56<measur<714,29,cott>85%	313	226	1,597	125.8	0.2	0.2	1.2
8506101000	Manganese dioxide having external volume <=300 cm of primary cell/batteries	1,281	2,210	1,559	10.3	0.8	1.6	1.2
6402190000	Sports footwear with outer soles,rubber or plastics	1,138	1,158	1,499	14.8	0.7	0.9	1.2
3402201900	Oth wash prep & clean prep,incl bleach cleans & degreas prep,liquid, retail	294	439	1,425	120.2	0.2	0.3	1.1
6108310000	Nightdresses & pyjamas of cotton	951	819	1,239	14.2	0.6	0.6	1.0
6403191000	Sports footwear fitted with studs, bar & the like,foot ball,running,golf shoes	1,269	711	1,190	-3.1	0.8	0.5	0.9
8506109000	Manganese dioxide having external volume > 300 cm of primary cell/batteries	617	1,057	1,181	38.3	0.4	0.8	0.9
4809200000	Self-copy paper	1,001	501	1,066	3.2	0.7	0.4	0.8
8507809000	Oth accumulator of a kind used not for aircraft	873	537	950	4.3	0.6	0.4	0.7
5402330000	Textured yarn of polyesters	1,329	871	692	-27.8	0.9	0.6	0.5
8537209000	Oth board for electric control for a voltage > 1000 volt	85	2	662	178.4	0.1	0.0	0.5
4001219000	Natural rubber in oth forms	1,434	306	646	-32.9	0.9	0.2	0.5
9207900000	Oth musical instruments,the sound is produc/must be amplified,electrically	339	269	593	32.3	0.2	0.2	0.5
6201930090	Men/boys' anorak, wind-cheaters/jackets of oth man-made fibres	39	76	580	286.6	0.0	0.1	0.5
0902409000	Black tea (fermented), in packing > 3 kg other than leaf	29	127	565	340.2	0.0	0.1	0.4
9028301000	Kilowatt hour meters	459	825	544	8.9	0.3	0.6	0.4
0801110000	Coconuts, desiccated, fresh or dried	123	292	533	108.0	0.1	0.2	0.4
2905440000	D-glucitol (sorbitol)	148	335	467	77.4	0.1	0.2	0.4
8507101000	Lead-acid of a kind used for aircraft	160	1,139	446	66.9	0.1	0.8	0.3
5509210000	Single yarn cont >=85% by weight of polyester staple fibres	329	295	371	6.1	0.2	0.2	0.3
Sub Total		**88,199**	**67,626**	**56,134**	**-20.2**	**57.7**	**49.9**	**43.8**
Others		64,602	67,816	72,159	5.7	42.3	50.1	56.2
Total		**152,801**	**135,442**	**128,293**	**-8.4**	**100**	**100**	**100**

Source: Indonesia Statistics

III.1.B.2 Imports

In contrast to Indonesia’s exports to Chile, Indonesia’s imports from Chile have increased steadily in the last two years. The import from Chile has increased by more than three times in 2008 compared with that of ten years ago. Nevertheless, share of Chile in Indonesia's imports decreased from 0.33 per cent in 2000 to 0.2 in 2008.

Table 3.16. Indonesia's Imports from Chile, 1999 – 2008 (US$ Million and %)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
I. Import from Chile	88.9	109.0	57.0	52.1	62.1	110.5	135.6	197.9	202.6	274.3
II. World Export	24,003.3	33,514.8	30,962.1	31,288.9	32,550.7	46,524.5	57,700.9	61,065.5	74,473.4	129,197.3
Share (%)	0.37	0.33	0.18	0.17	0.19	0.24	0.24	0.32	0.27	0.21
I. Import from Chile		22.59	(47.69)	(8.65)	19.19	77.92	22.75	45.96	2.37	35.36
II. World Export		39.63	(7.62)	1.06	4.03	42.93	24.02	5.83	21.96	73.48

Source: Indonesia Statistics

Indonesian import structure from Chile is significantly concentrated in a very few products. Around 76 per cent to 84 per cent of Indonesia's imports from Chile have been dominated by iron ores and chemical wood pulps. In addition, 6 main products of imports contributed more than 90 per cent of Indonesia's total import from Chile in 2008. The 25 major products had share of 99 per cent from total import.

Table 3.17. Indonesia's Main Imports from Chile, 2007 – 2008
(US$ Thousand FOB and %)

HS	Description	Import (US$'000)		Structure (%)		Growth (%)
		2007	2008	2007	2008	2007/08
2601110000	Iron ores and concentrates, other t	94,926	148,335	46.8	54.1	56.3
4703210000	Chemical wood pulp, soda, oth tha	76,226	62,005	37.6	22.6	(18.7)
2601120000	Iron ores and concentrates, other t	0	16,536	0.0	6.0	-
4703290000	Chemical wood pulp, soda, oth tha	7,453	12,509	3.7	4.6	67.8
3104900000	Oth potassium salts	4,395	6,435	2.17	2.3	46.4
8708501100	Drive-axles of subheading 8701.10	3,217	6,070	1.6	2.2	88.7
0806100000	Grapes, fresh	2,104	5,575	1.0	2.0	164.9
2301200000	Flours,meals&pellets,of fish/crusta	6,399	4,391	3.2	1.6	(31.4)
7602000000	Aluminium waste and scrap.	308	1,428	0.2	0.5	363.0
8708402300	Gear boxes, assembled for vehicle	0	1,309	0.0	0.5	-
1604131900	Sardines, prepared or preserved in	9	1,216	0.0	0.4	13,778.2
4703110000	Chemical wood pulp, soda, oth tha	1,498	823	0.7	0.3	(45.1)
0808100000	Apples, fresh	400	531	0.2	0.2	32.9
3102500000	Sodium nitrate	270	530	0.1	0.2	96.0
8431430000	Parts of boring/sinking mach of sul	30	490	0.0	0.2	1,527.8
7204490000	Other ferrous waste and scrap :	0	422	0.0	0.2	-
3105900000	Oth mineral or chemical fertilisers	240	396	0.1	0.1	65.2
4421904000	Candy-sticks, ice-cream sticks &	0	392	0.0	0.1	-
4701000000	Mechanical wood pulp.	0	373	0.0	0.1	-
1604159000	Mackerel, prepared or preserved, i	98	372	0.0	0.1	278.8
9018399000	Other cannulae and the like	0	335	0.0	0.1	-
1504209000	Fats & oil of fish, not liver oils othe	429	313	0.2	0.1	(27.1)
2834210000	Nitrates of potassium	292	308	0.1	0.1	5.4
2836910000	Lithium carbonates	73	293	0.0	0.1	302.2
1504201000	Fats & oil of fish, not liver oils solid	190	279	0.1	0.1	47.0
Total Main Products Import		**198,557**	**271,667**	**98.0**	**99.0**	**36.8**
Other Products		55,080	39,394	27.2	14.4	(28.5)
Total Import		**202,632**	**274,276**	**100.0**	**100.0**	**35.4**

Source: Indonesia Statistics

III.2 Bilateral Trade in Services

III.2.A Chile

Unfortunately, in this area of the bilateral relation there is no reliable data accounting the bilateral flow of services between Indonesia and Chile. Even though there is no record of Indonesian trade in services to Chile, we have detected some activity of Chilean services in Indonesia, as maritime transport services.

III.2.B Indonesia

Unfortunately, in this area of the bilateral relation there is no reliable data accounting the bilateral flow of services between Indonesia and Chile. Even though there is no record of Indonesian trade in services to Chile, we have detected some activity of Chilean services in Indonesia, as maritime transport services. Similarly, Indonesian side views that there is no available data for bilateral trade in services between Indonesia and Chile for the current period of observation.

III.3 Bilateral Investments

III.3.A Chile

III.3.A.1 Chilean Investment in Indonesia

There are no official statistics on Chilean investment in Indonesia, given that there is not yet any official methodology for accounting for this type of investment in Chile, and no investments by Chilean companies were identified for this study. In 2008, the stock of Indonesian inward investment stood at US $ 63.46 billion[41], and we could not establish investments coming from Chile of that total amount.

III.3.A.2 Indonesian Investment in Chile

Direct investments by Indonesia were not identified and we may indicate that there is no registered Indonesian investment for the period 1974-2007 received by Chile.

III.3.B Indonesia

There are no official statistics on Chilean investment in Indonesia, given that there is not yet any official methodology for accounting for this type of investment in Chile, and no investments by Chilean companies were identified for this study. In 2008, the stock of Indonesian inward investment stood at US $ 63.46 billion[42], and we could not establish investments coming from Chile of that total amount. In addition direct investments by Indonesia in Chilean economy were not identified and we may indicate that there is no registered Indonesian investment for the period 1974-2007 received by Chile.

III.3.B.1 Chilean Investment in Indonesia

Based on data from Coordinating Board of Investment in Indonesia, there is no actual direct investment from Chile during 1990 to 2008.

III.3.B.2 Indonesia: Indonesian Investment in Chile

There is no available data for Indonesian foreign direct investment in Chile during the current period of observation.

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[41] CIA FACTBOOK

[42] CIA FACTBOOK

IV. TRADE AND INVESTMENT POLICIES

IV.1 Introduction

The basic features of the trade policy of Chile and its institutions were presented in preceding Chapter I ; a detailed presentation of its policies and instruments are further developed in this chapter and its sections.

IV.2 Measures affecting Trade in Goods

IV.2.A Chile

IV.2.A.1 Tariffs

IV.2.A.1.1 General Tariffs

As a result of the Uruguay Round, Chile lowered its bound tariffs from 35 to 25 percent, save for those applicable to dairy products, wheat, wheat flour, sugar and vegetable oils, which were reduced to 31.5 percent. Today, tariffs in Chile stand at 6 percent (from 1 January 2003), the result of a five-year reduction schedule established by Law No. 19589, which was enacted on 14 November 1998. Chile has a flat MFN custom tariff of 6% for most products, which makes up over 98% of tariff lines. However, there are some exceptions for sugar, wheat and wheat flour, which are subject to a *price band system* (and thus to a specific duty), plus some measures specific to poultry (from heading 0207), which has a tariff of 25%[43]. On the other hand, some products are duty free, including fire-fighting vehicles, helicopters, aircraft, and cargo and fishing vessels.

Chile has lowered its effectively applied tariff rate[44] to 1.5 percent (the 2007 average), as compared to 3.2 percent[45] in 2003 through the implementation of additional FTAs and other former trade agreements. In accordance with Chile's approach, in every FTA most products have been included in immediate or short run tariff reduction lists. The products subject to special treatment (included in long term lists or not subject to tariff elimination) are few in number and generally the same between FTAs, reflecting the political importance of those products to Chile. However, certain additional products are also protected in some FTAs on the request of our counterpart. Products that have received special treatment in all agreements are sugar, wheat and wheat flour and to a lesser extent dairy products, rice and others.

Imported second-hand goods are subject to tariffs applicable to new goods plus a 50 percent surcharge, except for capital goods and goods subject to the exemptions established in section 0 of the Chilean Customs Tariffs (diplomats, armed forces, charities, and others). The second type of goods can have total or partial tariff exemptions. Most goods included in this Section are duty-free, but others are subject to ad valorem duties of 6 percent, which apply only when they are less than the duties established in customs tariffs for the same goods[46]. In addition, these goods will have their delivery facilitated.

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[43] The only measure to which poultry is subjected is a MFN tariff of 12,5% (Since January 1 of 2009), higher than the general 6% MFN. Law No. 19914 o f January 1, 2006 establishes that the tariff will be reduced gradually each year from 25% until it reaches 6% on 1 January 2012.

[44] That is, including preferential tariffs granted in FTAs

[45] Source: Cámara Nacional de Comercio (Chilean National Chamber of Commerce)

[46] Some second hand goods have a tariff higher than 6%, being thus benefited with the 6% treatment in this case.

Additionally, imports of goods that classify as capital goods are subject to 0% tariff established in Law No. 20269 taken into force in June 27, 2008.

A 10 percent tariff on added value applies to repairs or work done to domestic products that temporally are abroad for these purposes. This tax is established in article 116 of decree No. 175 of the Finance Ministry published on February 5, 1974.

Chile applies the MFN tariff treatment to WTO member States and also to non-WTO countries (subject to such treatment under bilateral agreements, i.e. Russia and Lebanon). Preferential treatment is only accorded to countries with which Chile has trade agreements. The purpose of such bilateral trade agreements is to reduce tariffs to 0 percent.

Chile does not apply tariff quotas, except in cases of reciprocity (Article 88 of the Central Bank Law) or in the framework of free trade agreements.

IV.2.A.1.2 Specific Tariffs

Chile imposes specific duties as a result of the application of price bands, which are mechanisms established with the aim of stabilizing domestic prices. Such specific duties apply to sugar, wheat, and wheat flour. Thus, the administrative authority is allowed to apply, at regular intervals, a specific duty (expressed in US dollars) or a reduction of the applied MFN tariff (currently 6 percent), according to the evolution of international prices.

IV.2.A.2 Non-tariff Measures

IV.2.A.2.1 Taxes and Duties

Most imports are subject to the 19 percent Value-Added Tax (VAT), which is also applicable to domestic products. VAT is calculated on CIF value plus import duty. Capital goods imported for investment purposes may be VAT exempt when imported under the Chilean Foreign Investment Statute (Decree Law No. 600 of 1974), as long as the capital goods are included in a list established by the Ministry of Economy[47]. For domestic investment projects, the exemption of the VAT, applies when the goods are included in the above mentioned list, there is no local production of the capital goods to be imported, together with other requirements that have to be complied all together.

Several products, including different luxury items, alcoholic beverages, gasoline and vehicles are subject to other local taxes.

IV.2.A.2.2 Prohibited Imports

The Central Bank Law provides for the free importation of goods[48]. Nonetheless, there still are some import prohibitions. For example, importation of second-hand vehicles is prohibited on sanitary and environmental grounds, i.e. pursuant to measures established by the authorities to combat air pollution in the main cities. However, such prohibition does not apply to second-hand vehicles imported under section 0 of the Customs Tariffs or to those who may be imported under total or partial duty exemptions.

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[47] The updated list is in Decree 370/2006. Since the list is very exhaustive, it has only had two modifications to include two capital goods. To be in the list, the product must be a machinery or equipment

[48] Law 18525 is the main law that regulates international trade and the Central Bank has no role in it. In the past the Central Bank could establish limitations on imports and that is why there is that provision in the Central Bank Act, but that is not related to Law 18525

Import prohibitions also apply to goods that may offend public morals or affect sanitary and phytosanitary safety. For instance, the importation of fruit infected with fruit fly is prohibited. Pursuant to the Convention on International Trade in Endangered Species, ratified by Chile, the importation of endangered plants and animals is prohibited. However, these species may be imported with a special permit issued by the National Commission for Scientific and Technological Research.

The following items cannot be imported[49]

- Used vehicles (unless covered by exceptions established within the existing rules).
- Used motor cycles.
- Used tires.
- Asbestos in any of its forms.
- Pornography ítems.
- Industrial toxic wastes.
- Dangerous merchandises for animal use, agriculture or human health (as examples; some plague control materials for agricultural use, toys and children ´s items that may contain toxic components, other items), which are prohibited by the Ministry of Health, Ministry of Agriculture or other Chilean public organizations.
- Other merchandises that according to Chilean current laws are with a prohibition to be imported.

IV.2.A.2.3 Quantitative Restrictions-Import Licences, Quotas, etc.

Chile applies a duty free quota of 60,000 tons for sugar within the framework of WTO, as a result of the renegotiation of its bound rate of tariff. Additionally there is a quota of 45,000 tons of sugar that are given to specific countries due to FTAs. Quotas in the case of sugar are as follows:

Contingents:

A. Sugar HS code 1701.99.00	60,000 ton (Argentina 21,000 ton, Guatemala 16,700 ton, Brazil 9,700 ton and any other origin 12,600)
B. Sugar HS code 1701.91.00	30,000 ton (Colombia 15,000 and any other origin 15,000)
C. Sugar HS code 1701.91 and 1701.99	15,000 ton (Bolivia 6,000, Colombia 6,000, Honduras 1,000 and any other origin 2,000)

- Duty out of quota for sugar:

The applied duty when imports exceed the sugar quota is established 12 times a year as a specific duty or rebate, mechanism established by Law 19897 and Finance Ministry Decree 831. The other products that are under a quota system are in the framework of specific concessions in trade agreements.

On the other hand, preferential duty free quotas to several products are being applied within the framework of the FTAs.

- Price Band System

This system was modified in 2003, in conformance with the recommendations of the WTO. A new legislative piece introduced reforms for a more predictable, transparent

[49] Original text is in Spanish. Further details in Spanish in www.aduana.cl

and non-discretional system. Moreover, the new law eliminates edible oils from its application, establishes new upper and lower borders of the band, and the way these borders should decrease until 2014.

Article 1 of Law N° 19897, that replaced Article 12 of Law N° 18525 on the Rules on Importation of Goods, establishes specific duties in dollars of the United States of America per tariff unit and rebates on the amounts payable as *ad valorem* duties established in the Customs Tariff, which could affect the importation of wheat, flour of wheat and sugar, for the period between December of 2003 and December of 2014. In this last year the President of the Republic will evaluate the modalities and conditions of application of the mechanism, considering the conditions of the international markets, the necessities of the industrial and productive sectors and the consumers, as well as our commercial obligations at that date, which could result in its elimination or in its modification.

The amount of such duties and rebates is established six times for wheat by every annual period between the 16 of December and the 15 of December of the following year, and twelve times for sugar by every annual period between the 1 of December and the 30 of November of the following year, depending on the relationship between the average price in relevant markets and the values established in law 19897. In some cases a specific duty may be applied, in others a rebate and finally in others there may be no specific duty in addition to the 6% *ad valorem* rate. The mechanism grants all exporters of the goods covered by this system an instrument that does not affect international trade in anyway.

IV.2.A.3 Import Customs Procedures

Until 2002 all imports valued at over US$ 3,000 required that the Central Bank approve an import report prior to the shipment of and payment for goods. This is no longer the case.

Imports received via inland freight require the International Waybill/Customs Transit Declaration, which allows goods to be cleared at border customs houses. Otherwise, goods must be transferred to regional customs houses.

Goods imported on a temporary basis are subject to a *bona fide* self-valuation and some customs administrative functions have been transferred to customs agents.

For imports and exports originating in Tax Free Zones there is a "remote clearance" system. Customs procedures are completed electronically through the Information Technology Center, where all information is recorded either directly from the free zone or from a special transmission center. The information required is basically the same as that required for other types of imports.

IV.2.A.4 Measures Affecting Exports

IV.2.A.4.1 4.2.4.1. Export Subsidies

Chile does not provide and does not have plans to provide any export subsidies. Chile notified the WTO of three mechanisms containing export subsidy components: i) the simplified system of customs duty refund; ii) the deferred payment system for customs duties, fiscal credits and other tax-related benefits; and iii) the automobile law. Regarding the first two, the subsidy component was eliminated by January 2003 and December 1998, respectively. The third one was eliminated by November 2003.

IV.2.A.4.2 Duties, local taxes and duty neutralization measures

Customs and Fiscal Allowances

- **Duty drawbacks**

A general drawback system operates under Law No. 18878 of May 13, 1988. This system is available to all exporters who have used imported inputs. Exporters are reimbursed for import duties paid on all imports incorporated or consumed during the production process.

A “simplified” duty drawback system operates under law 18480, of 19 December 1985, which benefits small exports. The drawback rate is 3% of FOB value of exports and products must have at least 50% of imported inputs to apply for this drawback. Another requirement is that the product (8 digit- tariff code) must not be in the list of excluded goods. This list is updated annually with the products that exceed the maximum export limit the previous year, at present it is US$ 26,244,299 and corresponds to Decree 13 of the Ministry of Economy that took into force on July, 18, 2008.

Any exporter that has incorporated or consumed imported inputs in exportation may apply to the general drawback system. There is no minimum export value required (for efficiency reasons, applications must cover at least a drawback of US $ 100).

The general drawback and the simplified duty drawback system are self-excluded. This means that they cannot be used simultaneously for the same exportation.

- **Deferred payment of customs duties**

Under law 18634, of 5 August 1987, the deferred payment of customs duties on imports of capital goods is allowed for up to seven years, payable in three installments. Also, purchasers of Chilean made-capital goods are entitled to a tax credit equivalent to 73% of the customs duty on the net invoice value of the goods. In both cases, the debt is subject to a market-based interest rate established by the Central Bank. Additionally, and according to Law 20269, that entered into force in June, 27, 2008, those goods that qualify as capital goods according to Law 18634, are subject to 0% import duty.

- **Value Added Tax**

Exports are exempt from this tax and there is a system through which exporters may recover the tax paid by the inputs.

- **Interest rates for exporters**

Export activities have no access to prime rates. However, the Chilean Economic Development Agency (CORFO), through Chilean and foreign commercial banks, has two lines of financing available for this sector: One, offers financing of long term to foreign buyers of goods (Capital Goods, Durable Consumption Goods and Engineering and Consulting Services) of Chilean origin, and the other one provides financing to exporters enterprises, for the provision of inputs or the establishment of a commercial infrastructure abroad.

CORFO provides the necessary funds for those credit lines through private financial institutions and does not compete against the private sector in connection with fund provisions

IV.2.A.5 Technical Barriers to Trade

IV.2.A.5.1 Standards, Technical Regulations and Conformity Assessment Procedures in Chile

DESCRIPTION

- **Basic Principles**

Consistent with Chile's international trade policy, the elaboration, adoption and application of standards, technical regulations and conformity assessment procedures are based on non-interference with the free operation of markets, non discriminatory treatment between domestic and foreign products and the use of international standards as a basis for standards and technical regulations.

- **Standards**

The Chilean institution in charge of the development of standards is the National Standardization Institute (Instituto Nacional de Normalización, INN). The INN is a Private non profit Foundation and affiliate of the Chilean Economic Development Agency (Corporación de Fomento de la Producción, CORFO).

In September of 1995, the INN accepted the Code of Good Practice for the Preparation, Adoption and Application of Standards of the Agreement on Technical Barriers to Trade of the World Trade Organization (WTO). The Chilean Standard base (NCh1) establishes that in all the cases that is possible, standards must be based in the international standards and keep them as similar as possible (ISO, IEC, Codex Alimentarius, etc.), and if this is not possible, in regional standards (COPANT, CEN, etc.) trying that modifications be minimal.

Chile is member of the International Standardization Organization (ISO) through the INN. Also, INN is member of The Inter-American Metrology System (SIM), International Organization of Legal Metrology (OIML), the Inter-American Accreditation Cooperation (IACC), the Pan-American Standards Commission (COPANT),International Accreditation Forum (IAF), the International Laboratory Accreditation Cooperation (ILAC) and Asociación Mercosur de Normalización (AMN). Moreover, Chile participates in the CODEX Alimentarius Commission. In 1997, the National Committee of the Codex Alimentarius was institutionalized, with the participation of the Ministries of Health, Agriculture, Economy and Foreign Affairs, as well as representatives of the food industry, academic sector and consumers. The INN in the General Conference of Weights and Measures, International Committee of Weights and Measures, and the International Bureau of Weights and Measures, in which the official representative is the Ministry of Foreign Affairs, also technically represents Chile.

Standards are adopted through a process of consensus building among the interested parties from both the public and private sectors. The public consultation process (for 60 days) is announced on the web page (www.inn.cl) and also in a nationwide newspaper; the text of draft standards is available to anyone requesting them. Once the INN Council has approved a standard, it is given official status by the relevant Ministry, yet they keep being voluntary standards.

It exists a Documentation Center that depends of the Information and Diffusion Division from INN. This Center keeps all Chilean standards (both officials and yet in study) and is available to the public trough two media: Documentation Center Library, and the web page www.inn.cl (the information published on the internet includes the standard code, title, value, scope and application field).

Currently, there are about 3,250 standards with a non-mandatory compliance. The process of study of such standards is conducted according to widely accepted international criteria. An important number of the standards developed in recent years, are equivalent to international standards or present minor deviations from international standards in aspects that do not affect the technical content. However, in some cases the international standards have not been taken into account for the development of national standards, because they have been considered as inadequate for national application. Such is the case of seismic designs and structures because of local seismic conditions.

The “stock” of national standards is subject to alignment with international standards whenever standards go through a revision process or when an obstacle to trade has been detected.

Accordingly, Chile is making important efforts in order to meet its commitments on the APEC’s Voluntary Action Plan, through the alignment of national standards with international standards in those products identified as "priority" by the APEC’s Sub-Committee on Standards and Conformance. This program began in 1996 and it will continue as long as new priority areas are defined.

- **Technical Regulations**

Technical regulations are those which compliance is mandatory. They are developed by the Ministries, and other governmental Agencies with competence in the specific area to be regulated. Each Ministry develops its own regulations –most of them refer to international standards-, which are approved by either a decree or a resolution. They are published on the “Diario Oficial de la República de Chile” (Official Gazette).

Among the main institutions with competence to adopt technical regulations, is worth to mention: The Ministries of Economy, Agriculture, Health, Transportation and Telecommunications, Housing and Urban Development.

Chile notifies to the WTO the draft technical regulations, pursuant to the obligations established in the Agreement on Technical Barriers to Trade. This information is public and available on the web site www.reglamentostecnicos.cl.

- **Conformity Assessment**

In Chile, the conformity assessment process is conformed in one hand by mandatory mechanisms under the supervision of the Ministries with competence in health, hygiene, and safety matters, and in the other hand by non-mandatory mechanisms such as the one administrated by the INN.

- **Voluntary**

The INN administrates the conformity assessment with voluntary standards. For this purpose, the Institute has developed a National Accreditation System that includes the accreditation of: Products and Quality System Certification Bodies; Auditors of Quality Systems; Quality System Certification Bodies; Inspection Bodies and Calibration and Testing Laboratories. Since 2004 the INN has a Regulation (INN - R401) for the accreditation of Conformity Assessment Bodies. The objective of this regulation is to establish the procedure and requirements applied in the National Accreditation System. This regulation is available in the web site: www.inn.cl.

This system operates under international criteria (ISO/IEC guides). The accreditation is given for a certain period of time, during which there is a continuing evaluation of the competence of the conformity assessment bodies.

Both domestic and foreign conformity assessment bodies participate in the process. They include: Universities and private institutions as well as transnational subsidiaries (*Bureau Veritas*, *Societé General de Surveillance*, *Lloyd Register*, etc.).

Finally, consistently with the Chilean foreign trade policy, the INN is seeking to increase its international credibility through the international recognition of its accreditation system. The aim behind this policy is to achieve the recognition of the Chilean conformity assessment results by those markets to which Chile exports its products.

For this objective, INN is in process of being signatory of the Multilateral Recognition Agreements (MLA) of ILAC and IAF, by being signatory of the mutual recognition agreements of IAAC. IAAC's MRAs have been recognized by ILAC and IAF in 2006, and since then, the condition of signatory of the MLAs must be obtained regionally.

INN has made important progress in obtaining these recognitions for testing and calibration laboratories and certification bodies of quality and environmental management systems. Once completed this process of recognition, INN will request a peer evaluation for the MRA on product certification bodies.

- **Mandatory**

In this case, the conformity assessment process is under governmental control. The assessment of conformity in some cases is carried out directly by the competent Agency through its own infrastructure, and in other cases is carried out by conformity assessment bodies, which are authorized by the Agency for that purpose.

As a way to facilitate the mutual recognition of the conformity assessment results, the authorities are working on the standardization of the criteria to approve conformity assessment bodies, as well as on the criteria for certification in specific regulated areas. To facilitate this process, INN has developed arrangements with some Agencies in order that its accreditation of those conformity assessment bodies is accepted by the Agencies. The regulatory authority sets the requirements, test methods or specific procedures and, generally it participates in the accreditation process itself. This has happened in the areas such as electrical and fuel products; fishing products; fire extinguishers; certification of meat grading; testing laboratories for residues in meat; testing laboratories for testing water; testing laboratories for construction materials; certification of steel for construction purposes.

Chile is committed to facilitate the international trade through the participation in several recognition arrangements, both in the APEC context and with a group of economies that includes APEC economies; all those arrangements are for a particular area. The priority areas are Electricity, Food and Toys.

Chile participates in the Part I of the APEC EEMRA (Mutual Recognition Arrangement on Conformity Assessment of Electrical & Electronic Equipment). Chile is assessing legislative requirements with regard to participating in Parts II and III of EEMRA.

Chile subscribed the APEC Arrangement for Exchange of Information in Toys Safety.

In addition, Chile is evaluating its participation in the Sectoral Food MRA of APEC.

The Superintendence of Electricity and Fuels (SEC) recognizes test results and certification from a specific list of organizations from the United States, Germany, France, Italy, the Netherlands, Austria, Switzerland, England, Canada, Japan, Denmark, Sweden, Norway and Belgium. The organizations interested in having this recognition may request to SEC to be included in that list after compliance with some requirements.

- **Metrology**

Between the years 1995 through 1997, Chile started the development of a National Metrology System, which was implemented through a National Metrology Network coordinated by INN. The Network operates as a virtual NMI, using the preexistent capabilities in the country, endowing them with the necessary technological support to achieve their international technical recognition. In order to disseminate the information from the network, there is a web page www.metrologia.cl , it is administered by the same servers as the network. The INN as part of the the National Metrology Network has signed several agreements (5 MOU, 2 MRA, 4 Adhesion Acts and 2 Contracts/Other; 4 of them aren't binding and 9 are binding, as for example the Convention du Metre).

The system's main characteristic is a "decentralized structure " in which most of the recognized laboratories coming from Universities, private and public sectors perform the metrological execution. This situation substantially differs from what happens in other countries, in which the entire operation is centralized in a single NMI.

Currently, the network is working under the recognition of "national laboratories" in the physical area for the magnitude of Mass, Temperature, Force, Length, Pressure, and Electrical Magnitudes, and in the chemical area for chemical residues in food . These "national laboratories" are already providing services and give trace ability to the "Calibration Laboratories" and "Designated Laboratories". These laboratories have to disseminate the units to the national industry. The process is expected to expand and include as many magnitudes as possible, in order to reach a certain degree of coherency among them, so they can have a real economic impact.

Main Features of Standards and Technical Regulations.

- **Objectives**

The authority has basic legitimate objectives to accomplish on issues related to the protection of human health or safety, animal or plant life or health, or the environment. Then the official policy is that what does not fall under a legitimate objective has to be left to the market to decide on what standards a product must comply with, if any, and they are of a voluntary nature. This is the reason why the number of technical regulations is fairly limited.

Chilean technical regulations do not constitute a barrier to trade. The reduced number of complaints made by our commercial partners, either during bilateral meetings or through international publications, confirms the situation.

Indeed, the findings on technical barriers to trade examined by the United States (*National Trade Estimate*), and the European Union (*Market Access Database*) do not show an important number of claims regarding the Chilean standards and regulations. In fact, they only make reference to the strictness of some sanitary and phytosanitary measures, or to the differences between the international standards and the Chilean regulations in the building sector. However, this situation has been explained before in the present document.

- **Alignment with International Standards**

A great number of national standards and technical regulations are aligned with international standards.

Given that a substantial portion of the domestic technical regulations are based on domestic technical standards, most recent technical regulations are already aligned with international standards. However, this does not necessarily occur with old technical regulations, since there is no official updating procedure.

Chile, as a small and export-oriented economy, has not supported the idea of developing neither national nor regional standards (there are justified exceptions). Chile's official policy is to focus on international standards. This policy is consistent with Chile's open, multi –targeted, and export oriented economy.

- **Market Surveillance**

Another characteristic of the Chilean system is that, as a general rule (excepting food, drugs and a few others), the verification of compliance with mandatory requirements for products (national or imported) is made effective once products have entered the market. This policy was adopted a long time ago and seeks to facilitate the flow of trade.

- **Fulfilling the Obligations under Agreement on Technical Barriers to Trade**

The responsibility for implementing and administering the Agreement on Technical Barriers to Trade lies on the General Directorate of International Economic Affairs, Ministry of Foreign Affairs.

For technical regulations (Article 10.1 of TBT Agreement), the Enquiry Point is the General Directorate of International Economic Affairs, Ministry of Foreign Affairs. The Enquiry Point information is the following:

Teatinos 180, piso 11,

Santiago, Chile

Telephone: (+56 2) 8275447

Fax: (+56 2) 3809494

E-mail: caramirez@direcon.cl

For technical standards (Article 10.3 of TBT Agreement), the Enquiry Point is the National Institute of Standardization. The Enquiry Point information is the following:

Matías Cousiño 64, piso 6

Santiago-Chile

Telephone: (+56 2) 4458000

Fax: (+56 2) 4410427

E-mail: inn@inn.cl

- **Bilateral and Multilateral Agreements**

Chile signed the Agreement on Technical Barriers to Trade of the Tokyo Round in 1980. The Agreement on Technical Barriers to Trade of the Uruguay Round came into force as a Law in Chile on May 1995.

Most of Chile's bilateral agreements include a chapter on technical barriers to trade. This fact, together with the commitments assumed under the WTO, have generated a need for "interdisciplinary team-work" between the Parties involved in the area of technical barriers to trade. The agreements make reference to the creation of "Commissions" which develop working programs and constitute an instance to solve problems concerning the impact of a specific measure on the trade relations between the Parties. In all of these cases, the compromises include disciplines that extend beyond the TBT Agreement provisions in areas such as transparency, equivalence, mutual recognition, and risk assessment. In addition, the Mexico-Chile FTA includes provisions on this area in the telecommunication sector.

- **Legal Framework**

In 1997 the National Commission on Technical Barriers to Trade was created. The Commission is headed now by the General Directorate of International Economic Affairs, Ministry of Foreign Affairs, and has played a fundamental role on dealing with the coordination between the different Government Agencies. By centralizing the process, and dealing with all the agents involved in the development of technical regulations, the Commission provides all the parties involved, with a common forum to express their concerns and expectations related to the nation's standardization agenda.

Another measure oriented to improve the implementation of the Agreement on Technical Barriers to Trade is law 19.912, published in November 2003.

To implement the above mentioned law, a regulation was jointly developed with the different Government Agencies, which establishes basic criteria for the development, adoption and application of technical regulations and conformity assessment procedures, including the notification process (Decree 77), it's a Decree of Good Regulatory Practices. This Decree is available in the web site: www.reglamentostecnicos.cl (there is an English version).

Finally, since 2006 it is available a web site (with the cooperation of the EU) which contains all the Chilean technical regulations and conformity assessment procedures: www.reglamentostecnicos.cl.

All things combined will improve Chile's capacity to meet its current international commitments, including those assumed under the WTO, and other international organizations, as well as the specific compromises arising from the negotiation of commercial agreements.

IV.2.A.6 Sanitary and Phitosanitary

Local Corresponding Entities

In their respective fields of competence, the Ministries of Agriculture, Health and Economy are responsible for complying with the obligations assumed by Chile under the WTO Agreement on Application of Sanitary and Phytosanitary Measures, and for exercising its rights there under.

The Ministry of Health is the competent sanitary authority responsible for approving and controlling the installation and operation of establishments dedicated to the production, process, package, store, distribution and sale of food for internal market. In addition, the Ministry of Health has the authority over the import and marketing of all food intended for human consumption.

To enforce compliance with the laws and regulations on food safety, the Ministry of Health inspects facilities and monitors the sanitary quality of the products. These inspection and monitoring activities are performed throughout the country based on specific surveillance programs.

The legal powers of the Ministry of Health are established in the Sanitary Code, which is the main statute ruling all matters related to the promotion, protection and recovery of the health of the people. With regards to food safety, from the Sanitary Code derives the Food Health Regulation. This is the standard that establishes the sanitary conditions applicable to the production, import, process, package, store and sale of food for human consumption.

In order to comply with its legal obligations, the Ministry of Health has a network consisting of 15 Regional Ministerial Secretaries, which act as the sanitary authority in the jurisdiction where each of them must manage and implement the food safety programs.

The Agriculture and Livestock Service (SAG), under the authority of the Ministry of Agriculture, is the competent authority responsible for regulating and enforcing regulations on sanitary (animal health) and phytosanitary (plant health) matters applied to the import and export of animals, plants and by-products. It is responsible for the sanitary and phytosanitary measures applied to reduce the risk of introducing animal-borne diseases and plant pests, and to prevent their dissemination; It is also responsible for issuing the sanitary and phytosanitary export certificates for animal and plant products, including the certification of fitness for human consumption for primary products.

The fisheries and aquaculture sector is under the authority of the Ministry of Economy. This sector is regulated by the National Fisheries Service (SERNAPESCA) and the Under-Secretary for Fisheries (SUBPESCA). SERNAPESCA is the agency is in charge of enforcing the Fishing Law and related regulations. While SUBPESCA is in charge of the legislation and policies of the sector.

SERNAPESCA is the agency responsible for implementing national fishery policies and for the sanitary control and certification of all hydrobiological products for export. It is also responsible for establishing epidemiological surveillance systems aimed at preventing, controlling and eradicating diseases among aquatic animals.

The Ministry of Foreign Affairs, through its General Directorate for International Economic Affairs (DIRECON), is the agency in charge of coordinating the different regulatory agencies responsible for supervising compliance with SPS measures. It determines national positions regarding these matters in the WTO Sanitary and Phytosanitary Committee. In addition, it supervises compliance with the commitments assumed under the Agreement on the Application of Sanitary and Phytosanitary Measures of the WTO, and other trade agreements both bilateral and multilateral.

An Inter-Ministerial National Commission on Sanitary and Phytosanitary Matters was established in March 2001, headed by DIRECON. Its objectives are: to asses the SPS chapters of the different trade agreements; analyze trade concerns, follow - up Action Plans derived from the SPS Committees of the FTAs and other agreements; discuss national positions with regards to the Codex Alimentarius, International Plant Protection Convention (IPPC) and the World Organization for Animal Health (OIE).

The regulatory framework, drafting procedures, and adoption of the Sanitary and Phytosanitary Measures by Chile were reported to the Secretariat of the SPS Agreement in December 1995[50].

Closely coinciding with the provisions established in the SPS Agreement of the WTO, drafting of new standards in Chile is based on scientific grounds, following the principles established in the WTO Agreement, avoiding measures that may pose hidden barriers to trade, and promoting a balance between sanitary and phytosanitary protection and trade.

To apply this policy, Chile has an active participation in the multilateral fora for guidelines (WTO) and regulations or standards (OIE, IPPC, Codex Alimentarius Committee). At the bilateral level, Chile is constantly looking forward to achieve a better implementation of the SPS Agreement.

A chapter on SPS measures has been included in the preferential trade agreements subscribed by Chile in the Free Trade Agreements (FTA) signed with Mexico, Central America, the United States of America, Canada, Australia, European Free Trade Association (EFTA), India, South Korea, P.R of China, Panama, Peru, Colombia, and Japan, and in the Association Agreements with the European Union and P4 (New Zealand, Singapore, Brunei Darussalam). On the other hand, the agreement signed with MERCOSUR confirms the rights and obligations of the parties under the WTO Agreement on the Application of Sanitary and Phytosanitary Measures.

With the purpose of adequately implementing the WTO SPS Agreement, efficiently solving trade problems and facilitating trade activities, SPS Committees have been established in the agreements with Mexico, United States of America, Canada, South Korea, European Union, Central America, P.R. China, P4, Panama, Peru, Colombia and Japan.

- **Import Policies**

All animal imports and products thereof, must be accompanied by a sanitary certificate issued by a competent authority from the country of origin. The certificate confirms compliance with the zoo sanitary requirements that are mandatory in Chile, which are based on the Zoo sanitary Code of the OIE. A phytosanitary certificate issued by the competent authority of the exporting country is required for plant products, whether processed or in their natural state, that may constitute or transmit pests, and for articles that may represent a hazard to plants (including plant by-products, living organisms, containers, agricultural materials and soil).

Irrespective of their country of origin, animals are placed in quarantine. Plants and seeds are placed in quarantine based on the phytosanitary conditions of their country of origin. The decision is based on a risk analysis, which is performed in accordance with the procedures established in the International Plant Protection Convention (IPPC).

With regard to food imports, the Regional Health Offices of the Ministry of Health authorize food imports for human consumption based on the regulations in force. The import process includes sanitary controls and laboratory analyses if necessary. Risk criteria and historical data on food safety are applied in the analyses, in order to define the recurrence and impact thereof.

The Ministries of Agriculture and Health accept certificates issued by the official sanitary agencies of countries that comply with Chilean regulations, which are based on

[50] Distributed as document G/SPS/W/39.

the guidelines established by international scientific organizations, such as Codex Alimentarius, International Plant Protection Convention (IPPC) and the World Organization for Animal Health (OIE).

A sanitary certificate indicating strict compliance with the requirements established must accompany imports of live aquatic resources. Sanitary regulations are in agreement with the Aquatic Animals Health Code of the OIE.

From May 1996 to December 2008, Chile has submitted 289 notifications on sanitary and phytosanitary regulations and emergency measures to the Sanitary and Phytosanitary Committee (SPS Committee) of the WTO[51] [52].

- **Export Policies**

With regards to exports, it is essential to guarantee the safety of the products and comply with all the sanitary regulations. Chilean institutions are dedicated to certifying in compliance with the requirements set by the destination markets.

The Regional Health Agencies of Chile (15 Regional Health Ministerial Secretariats[53]), are responsible for certifying the products' compliance with local sanitary regulations, they approve and control the installation and operation of the food producing establishments. The Ministry of Health issues certificates for Authorized Industry and Free Sale Product.

The inspection and certification of the sanitary and phytosanitary condition of all animal and plant products and by-products for export, and the verification of compliance with the sanitary and phytosanitary requirements of the destination country is enforced by the Agriculture and Livestock Service, for animal and plant primary products and the National Fisheries Service, for fish and aquaculture products.

- **Compliance with the Principles Established in the SPS Agreement**

Chile follows all the principles established in the SPS Agreement by the WTO in its bilateral trade relations. In the multilateral area (SPS Committee of the WTO) Chile has actively participated to develop the appropriate measures.

IV.2.A.7 Rules of Origin

Rules of origin regulations do not apply to imports made under the MFN treatment. In Chile, a certificate of origin is only required when goods are imported under preferential systems.

The general criteria for the qualification of goods as originating are the following:

1. Goods wholly obtained or produced.
2. Goods incorporating non-originating materials that have been sufficiently transformed.

   Three main methods (which may also be combined) are used to establish whether such substantial transformation occurred:

   - Change in tariff classification method
     When a rule of origin is based on a change in tariff classification, each of the non-originating materials used in the production of the goods must undergo

[51] WTO Documents series G/SPS/N/CHL/.
[52] Documents of the WTO series G/SPS/N/CHL/.
[53] "Secretaría Regional Ministerial de Salud" in Spanish

the applicable change as a result of production occurring entirely in the RTA region. This means that the non-originating materials are classified less than one tariff provision prior to processing and classified under another upon completion of processing.

- Regional value content
  The rule of origin requires that a good have a minimum regional value content, meaning that a certain percentage of the value of the goods must be from the countries participating in the Agreement. There are different formulas for calculating the regional value content.

- The *technical test method* is based on manufacturing or processing operations. It prescribes certain production or sourcing requirements that may (positive test) or may not (negative test) confer originating status.

3. Goods incorporating exclusively originating materials

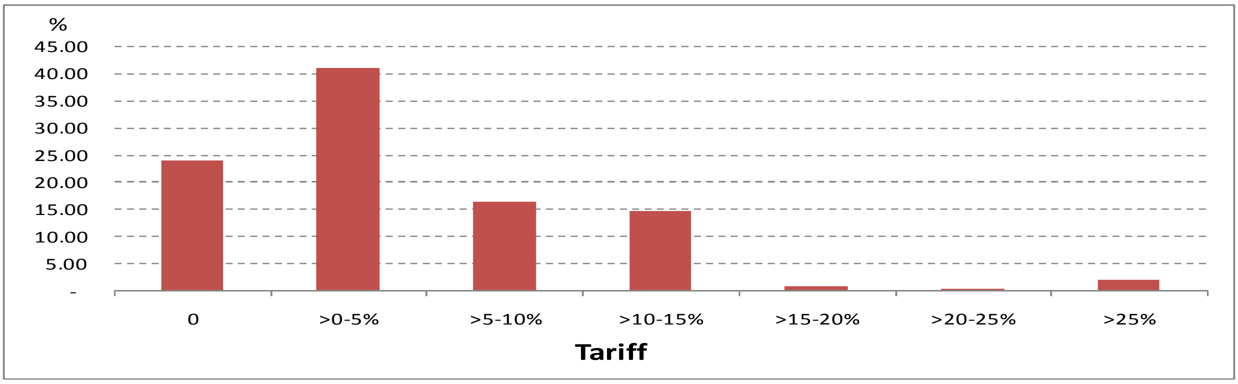
IV.2.B Indonesia

IV.2.B.1 Tariffs

Indonesia adopts the Harmonized Commodity Description and Coding System for classifying imports and exports. In order to meet its WTO commitments and its domestic policy imperatives, Indonesia has pursued two sets of policies in recent years that have had a significant impact on the level and structure of tariffs. The policies related to a tariff reduction programme from 1996 to 2003 and to a tariff harmonization programme (THP) for the period 2004 to 2010. The implementation of the tariff reduction programme reduced the un-weighted average applied tariff rate from 15.5 per cent in 1995 to 7.2 per cent in 2002 However, in 2004, following the end of the tariff reduction programme, Indonesia adopted the ASEAN Harmonized Tariff Nomenclature (AHTN) as part of its commitments under AFTA. The revised tariff book categorizes tariffs into ASEAN tariffs (with 7,442 lines) and into MFN Non-ASEAN tariffs. The latter increased the number of tariff lines from 7,540 in 2003 to 11,161 in 2004 as a result of splitting (and merging) of tariff lines. Meanwhile, after increased in 2003 to 2004, the average applied tariff will be reduced from 9.9 per cent in 2004 to 7.5 per cent in 2010.

At the end of 2004, Tariff Team announced the results of the THP's first phase, which was implemented in early 2005. It covered 1,964 lines with actual changes to 239 lines: 96 tariff increases for agricultural (rice, fish, chicken quarters, mangos, carrots, mandarin oranges, and flowers) and ceramic products, and 143 tariff reductions, including for some mining related products. The second phase, which covered more than 9,100 tariff lines and was completed in February 2006, reduced the simple average tariff rate to 9.5 per cent in 2006, with 59 per cent of tariff lines subject to zero or 5 per cent *ad valorem* duties, compared with 68 per cent of lines in 2002. The number of tariff line was 8744 in 2007. As a result of merging on some tariff lines, the simple average applied rate decreased from 9.45 per cent in 2006 to 7.81 per cent in 2007. The composition of tariff lines consisted 23.88 per cent duty free tariff lines, 40.97 per cent tariff lines subject to 5 per cent ad valorem duties.

Chart 4.1.
Distribution of MFN tariff rates, 2008



Based on Indonesia latest tariff data (2008), Indonesia's applied MFN tariff rate is below 10 per cent for the majority of goods that accounted for 81.5 per cent of total tariff lines. The share of duty-free tariff lines is 24,1 per cent. High tariffs, of up to 90 per cent-150 per cent are being imposed on alcoholic beverages, while for cars the highest rate of 50 per cent. With the exception of these products, the overall trend regarding tariff rates is downward. Indonesia has made it clear in the APEC forum that it is seeking to eliminate all tariffs by 2020 to achieve the Bogor goal of barrier-free trade. [54]

Table 4.1.

Average Applied MFN tariff rates, by HS section, 2008

		Tariff Lines	Share	Averages
All products		8749	100%	7.6%
Agricultural Product		1151	13.2%	11.4%
1	Live Animals	128	1.5%	4.5%
2	Dairy Products	35	0.4%	5.7%
3	Coffee, Tea, Cocoa, sugar, etc	223	2.5%	9.1%
4	Cut Flowers and plants	65	0.7%	7.6%
5	fruit and vegetables	234	2.7%	5.2%
6	grains	16	0.2%	3.1%
7	oil seeds, fats, oil and products	190	2.2%	4.8%
8	beverages and spirit	75	0.9%	87.4%
9	tobacco	30	0.3%	17.3%
10	other agricultural products, n.e.s	155	1.8%	4.1%
Non-agricultural Products (excl. Petroleum)		7547	100%	6.2%
11	Fish and fishery products	206	2.4%	5.7%
12	Mineral products, precious stones	440	5.0%	5.7%
13	Metals	943	10.8%	7.6%
14	Chemicals and Photographic supplies	1236	14.1%	5.8%
15	Leather, rubber, footwear, travel goods	285	3.3%	9.4%
16	Woods, pulp, paper, furniture	444	5.1%	4.5%
17	textiles and clothing	1005	11.5%	10.9%
18	transport equipment	469	5.4%	17.8%
19	Non-electric machinery	1217	13.9%	2.5%
20	Electric machinery	588	6.7%	5.7%
21	Non-agricultural products, n.e.s(	714	8.2%	6.6%
Petroleum		34	0.4%	0.6%

IV.2.B.1.1 Specific duties

In January 2008, specific duties replaced *ad valorem* tariff rates for rice and sugar, ostensibly to avoid under-invoicing and other illegal practices. The specific rate of Rp 450/kg for rice products is equivalent to an *ad valorem* rate of approximately 30 per

[54] Under the APEC declaration signed in Bogor (West Java) in 1994, the region's advanced industrial countries pledged to remove all trade barriers by 2010, with emerging market economies set to follow suit by 2020. The declaration stipulated that free trade in the Asia-pacific region must comply with WTO principles.

cent. The specific rates are Rp 550/kg for raw sugar products and Rp 790/kg. for refined sugar products are equivalent to *ad valorem* rates of 30 per cent and 40 per cent, respectively. Import licences for sugar products for several tariff lines are granted to producer-importers and approved importers until 2007. The Indonesian Government has been developing a comprehensive sugar programme to enhance the productivity of sugar cane plantations and their processing factories.

IV.2.B.1.2 Tariff preferences

Indonesia fully implemented the final stage of its ASEAN Free Trade Agreement (AFTA) in January 2002. The Common Effective Preferential Tariff (CEPT) scheme aims to lower tariffs on imported goods of ASEAN member countries to 0-5 per cent; the six original members of ASEAN, including Indonesia, were scheduled to so by 2003. By 2006, the average applied CEPT rate had fallen to 2.7 per cent and as intra-ASEAN trade develops it is predicted that the CEPT rate will drop further, bringing about an even wider gap with the MFN tariff rate. In making the tariff cuts, however, Indonesia did not meet its target uniformly. For example, the Government decided in February 2002 not to cut import duties on sugar to a maximum of 5 per cent in line with AFTA terms; instead, it put sugar on the "highly sensitive list" of products that face a maximum tariff of 20 per cent in the period 2003-10.

Furthermore, the first Indonesian FTA bilateral, Indonesia – Japan Economic Partnership Agreement (IJEPA), was effectively implemented on July 1st, 2008. User Specific Duty Free Scheme (USDFS) under IJEPA was regulated through Ministry of Finance Decree No. 94/PMK.011/2008; 95/PMK.011/2008 and 96/PMK.011/2008. Indonesia concession on the IJEPA : i) reduce 35 per cent of national tariff line (NTL) to 0 per cent directly after the Agreement was implemented, ii) gradually reduces 58 per cent of NTL to 0 per cent for 3 – 15 years afterwards the sign, and iii) not included 7 per cent of NTL (exclusion List).

Regarding to ASEAN – China FTA (ACFTA), the Early Harvest Package (EHP) scheme was enforced on 2005 to reduce the tariff to 0 per cent, particularly unprocessed agriculture products in HS code Chapters 01-08, in 2006. EHP scheme was regulated by Ministry of Finance Decree No. 355/KMK.01/2004 (EHP for ASEAN-China, consist of 527 tariff line) and 356/KMK.01/2004 (EHP Bilateral for Indonesia-China, consist of 46 tariff line). Other Indonesian concession on ACFTA schemes were cover substantial reduction or elimination of tariffs and other barriers to establish the ASEAN-China Free Trade Area (ACFTA) by 2010, under: i) Normal Track for 2005-2010, with flexibility up to 2012, and ii) Sensitive and Highly Sensitive Track in 2012 up to 2018. Product included in sensitive track tariff should be maximum 20 per cent in 2018 and will be reduced to 5 per cent in 2018. Meanwhile, the highly sensitive product tariff should be maximum 50 per cent in 2015.

Moreover, the modality under the ASEAN – Korea FTA (AKFTA), especially for trade in goods are agreed to: i) Provide for the substantial reduction/elimination of tariffs and other barriers to trade by 2010, with flexibility up to 2012; and ii) enforce various tracks, such as Normal Track by 2006-2010 and Sensitive Track in 2012 to 2016. On Normal Tracks, together with other ASEAN 6 countries, Indonesia agree to: a) reduce 50 per cent of tariff line in the National Tariff (NT) at 0-5 per cent by 2007, b) reduce 90 per cent of tariff line in the National Tariff at 0 per cent by 2009, c) reduce all tariffs in the NT at 0 per cent by 2010, with flexibility to have tariff lines not exceeding 5 per cent of all tariff lines or as listed in an agreed schedule, by 2012, and d) reduce all tariffs in the NT eliminated by 2012. The sensitive track consists of 10 per cent of all tariff lines and 10 per cent of total import value based on 2004 statistics that classified to Sensitive List (SL), 7 per cent of all tariff lines and 7 per cent of total import value, that should be reduce to 0-5 per cent by 2016 and High Sensitive List (HSL), 200 tariff lines or 3 per cent of all tariff lines and 3 per cent of total import value. The HSL comprise by 5 groups with special arrangement that are:

- Group A: Reduction to not more than 50 per cent by 2016
- Group B: Reduction by not less than 20 per cent by 2016
- Group C: Reduction by not less than 50 per cent by 2016
- Group D: Tariff lines subject to TRQs
- Group E: Tariff lines exempted from concessions (maximum of 40 tariff lines)

IV.2.B.1.3 Other charges affecting imports

Since 2000, Indonesia has applied a 10 per cent value-added tax (VAT) on the sale of all domestic and imported goods. A separate luxury tax can range much higher for certain products and excise duties are applied to certain products, notably cigarettes, beer, and wines and spirits. These indirect taxes apply to imported and domestically produced goods alike.

The only cost charged by Customs is a Customs User Fee, a specific fee charged per declaration document submitted. This is used primarily to pay for connection to Electronic Data Interchange (EDI) providers, and covers transmission and maintenance of Information Technology (IT) operations for the automation of import and export activities.

IV.2.B.2 Non-tariff Measures (Import licensing and restriction)

Indonesia applies import licensing system mainly to look after goods which may bring about an impact on health, security, safety, environment and public moral. Regulation of the Minister of Trade of the Republic of Indonesia No. 56/M-DAG/PER/12/2008, dated December 24, 2008 is specifically provided to ensure the effectiveness of import policy on particular product. Import of particular products conducted by registered importers (*Importir Terdaftar*/IT) may be made only through the ports of destination as follows: Belawan sea port in Medan, Tanjung Priok in Jakarta, Tanjung Emas in Semarang,Tanjung Perak in Surabaya, Soekarno Hatta in Makassar and Dumai in Dumai; and/or all international airports. Import of Particular Products by IT made through Dumai sea port are only for food and beverage products. Import of particular products for the need of free trade zone and free port shall be governed according to the provisions in the statutory regulation on free trade zone and free ports.

Due to a case of Bovine Spongiform Encephalopathy (BSE) in the United States in June 2005, Indonesia banned imports of U.S. meat and other ruminant products on 1 July 2005. The MOA has yet to specify what information it will need to reinstate this trade, and no timeline has been given for reconsideration of U.S. beef imports.[55]

To prevent swine flu disease, Indonesian Government introduced import restriction on pork products due to influenza A/H1N1 and import ban of pigs from Canada, Israel, France, Mexico, New Zealand, Spain and the United States through the issuance of the

[55] Imports of animals, materials of animal origin, or products of material of animal origin are prohibited if they originate from countries or areas in which an outbreak of disease warranty quarantine is in progress or if they are listed in CITES. Prohibited animal commodities are: animal and/or animal products from countries with foot and mouth disease, Rinderpest and Bovine Spongiform Encephalopatis (BSE) outbreak.

Minister of Trade Decree Number: 16/M-DAG/PER/5/2009 dated 1 May 2009 and Minister of Agriculture Decree Number: 1977/2009, dated 29 April 2009.

IV.2.B.3 Import Customs Procedures

As a key link in the international circulation of commodities, customs procedures play an important role in facilitating trade. Consequently, harmonizing and streamlining customs procedures have been priorities for international economic cooperation, including in the WTO and APEC. Indonesia and Chile work closely together as members of the World Customs Organization and the APEC Sub-committee on Customs Procedures. The two countries are signatories to the WTO (Customs) Valuation Agreement and the International Convention on the Harmonized Commodity Description and Coding System.

The government of Indonesia has been modernizing customs administration, to facilitate trade. Under this programme the time for customs clearance has been greatly reduced. The customs administration has accelerated the restitution of duties on imported goods that are used in exports and established a priority channel for producer-importers as well as qualified general importers. Procedure for an on-line Certificate of Origins facility was also launched in January 2006 as an integral part of the National Single Window. By 2008, through the agreement in ASEAN, Indonesia has to finish its preparation for a National Single Window and start linking to the ASEAN Single Window (ASW[56]) network.

As part of the effort to reform the investment climate, the Government issued a package of policies in early 2006 that cover efforts to improve customs procedures.[57] The Government undertook to (a) accelerate the flow of goods by speeding up the customs examination process, facilitating cargo processing, and implementing lower costs at Indonesian ports; shorten cargo processing for capital goods to seven days from the current average of 30 days; (b) expand the role of bonded zones by extending the function of bonded warehouses and automating certain of their functions[58;] c) aim to eradicate smuggling and customs fraud[59]; and (d) accelerate the registration and application process for excise facilities.

As one of ASEAN members, Indonesia has agreed on the ASEAN Economic Community (AEC) Blueprint to harmonise the custom procedures. In light of the acceleration of AEC, the realization of ASEAN Customs Vision 2020 is brought forward to 2015. In particular, the 2005-2010 Strategic Plan of Customs Development aims to: a) integrate customs structures; b) modernize tariff classification, customs valuation and origin determination and establish ASEAN e-Customs; c) smoothen customs clearance; d) strengthen human resources development; e) promote partnership with relevant international organizations; f) narrow the development gaps in customs; and g) adopt risk management techniques and audit-based control (PCA) for trade facilitation.

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[56] The ASEAN Single Window is an environment where ten National Single Windows of individual Member Countries operate and integrate. National Single Window enables a single submission

[57] Presidential Instruction No. 3/2006: Policy Package to Improve the Investment Climate.

[58] Bonded warehouses provide businesses with the opportunity to defer payment of import duties, while allowing them to store, exhibit, sell, pack, re-pack and/or process goods originating from outside Indonesia.

[59] According to the Directorate General of Customs and Excise, there were 220 cases of customs fraud between 2004 and April 2005 causing financial losses of Rp 130.4 billion. Customs & Excise online information can be viewed at http:/www.beacukai.go.id.

The implementation of measures of simplifying, harmonizing and standardizing trade and customs, processes, procedures and the application of ICT in all areas related to trade facilitation would be paramount in the ultimate creation of an ASEAN Single Window (ASW). ASW is expected to be fully implemented in 2010 and to simplify as well as to sustain a faster and efficient export-import and customs procedure in ASEAN Region.

In preparation of ASW, Indonesia has been implementing National Single Window (NSW) by year 2008 and conducted the pilot project of NSW in Batam and Tanjung Priok Port. The NSW will cover 25 government agencies. The main purpose of NSW is one stop service for processing of import and export documents/procedures. The expected results from the NSW implementation in Indonesia are: Simplifying regulation on export, import and customs; Creating transparency in export, import and custom activities; c) Eliminate the opportunity of authority misuse; Creating faster service and the flow of goods from export, import and customs; d) Increasing protection for essential goods; e) Creating efficiency in export, import and custom activities; and e) Obtain a good quality of database for analysis purpose of data and information, a single and synchronous processing of data and information and a single decision-making for customs clearance of cargo, which expedites the customs clearance, reduce transaction time and costs, and thus enhance trade efficiency and competitiveness.

IV.2.B.4 Measures Affecting Exports

During 2003-06, export regulations were maintained to ensure protection of natural resources and endangered species (e.g. in accordance with CITES); to promote higher-value-added downstream industries; to upgrade the quality of export products; and to provide an adequate supply of essential products. Indonesia bans exports of certain live fishery products, rubber of low quality, rubber materials, crude leather of reptile, ferrous scrap/waste (except if originating in Batam Island), round wood and wood chips, and CITES-protected wild animals and natural plants.

IV.2.B.4.1 Export taxes

In 1998, Indonesia cut export tariffs on 34 commodities and revamped procedures for export tax payments. It reduced export taxes by 20 per cent at end 1998 and another 25 per cent at end 2000. These moves were intended to booster exports and increase Indonesia's foreign-exchange reserves. They covered paper pulp, wood chips, veneer, railroad sleepers, rattan, logs, sawn timber and natural sand, and the raw materials for producing these products. Export taxes on these goods had been as high as 200 per cent for logs but have now fallen to just 10 per cent. The export tax on rattan fell to 5 per cent. The export tax on crude palm oil, one of Indonesia's largest export products, was cut to 3 per cent (from 10 per cent) in 2001. The rate on crude palm oil by-products (including olein) was cut to 1 per cent (from 6-8 per cent) in 2001. Further export taxes regulation on CPO and its by-products is stipulated in Minister of Finance Regulation No.223/PMK.011/2008 dated 17 December 2008.

In 2008, the Government also imposed export tariffs on rattan (20 per cent), raw skins (25 per cent), and veneer (15 per cent).

IV.2.B.4.2 Export assistance

In 2004, the Indonesian Government ended several credit programmes that offered subsidized loans for agriculture and small and medium-sized businesses to support exports. Indonesia has recently enacted the new export regulation in respect to export financial assistance (Act number 2/2009 on Indonesia Export Financial Institution/LPEI). The role of LPEI is to: (a) Support export financing in the form of budget, guarantee and insurance, (b) provide Commercial Viable or Non Commercial Viable, (c) cover financial support on domestic (resident) and overseas (non resident), (d) support the development of micro small medium and cooperative budgeting for export-oriented products, and (e) provide consultation services for national export financing.

On export insurance, Indonesia has established the export insurance institution (Indonesian Export Insurance/ASEI in 1985). The purpose of ASEI is to support the government in boosting the non oil and gas exports by providing export credit insurance, credit guarantee and other insurance types. The benefits of export credit insurance are: (a) offer protection against the devastating effects of non payment arising from commercial and political factors, (b) protect your current assets from bad debts, (c) allow exporters to safely expand their sales, develop and venture into new markets, and (d) stabilize cash flow and enhance borrowing capacity.

State-owned firm Indonesian Export Insurance (ASEI) is the major source of export insurance for all products other than oil and gas. ASEI offers the following policies: comprehensive shipment, comprehensive contract, political risk, letter-of-credit, consignment, client-specific contract and services, and bond guaranty. ASEI offers policies of up to one year and indemnifies the exporter for up to 85 per cent of the actual loss. The agency sets the credit limits based on assessed creditworthiness of the foreign buyer and the situation prevailing in the country of destination.

Covered commercial risks include the importer's or foreign buyer's insolvency; failure of the importer to pay within six months of the due date of payment for goods that have been sent and approved by the buyer; and failure or refusal by the importer to accept goods that have already been exported. Risks that are not covered include losses owning to the exporter's negligence or failure to comply with contract or policy terms; losses that can be covered by a general-loss insurance policy (marine transport, fire, theft, etc.); losses caused by negligence or default of the exporter's agent or collecting bank; and losses arising from fluctuations in foreign-exchange rates.

IV.2.B.4.3 Duty and tax concessions

Exporters are exempt from import duties, VAT and luxury tax on materials and intermediate goods used to manufacture products for shipment abroad. The Directorate-General of Customs and Excise offers a facility whereby eligible exporters can reclaim import duties within seven days.

IV.2.B.4.4 Free-trade export zones and similar schemes

Indonesia has seven bonded zones and 40 industrial estates.[60] Goods may be imported into a bonded zone and then re-exported without payment of tariffs, unless the goods are sent into the regular customs territory of Indonesia. Bonded zones are intended for the processing of goods and materials, including their design, engineering, sorting, initial inspection, and packaging. They allow businesses to defer payment of import duties while storing, exhibiting, selling, packing and re-packing or processing goods originating outside Indonesia. Location in one of Indonesia's industrial estates offers a

[60] Industrial estates are widespread, though 32 are on the main Java Island. Locations include Bintan Island, Medan (North Sumatra), Banten (Java), Bekasi, Bogor and Tangerang (West Java), Semarang (Central Java) and Makassar (South Sulawesi). There is also a transnational bonded zone – called Sijori – comprising Singapore, Johor (Malaysia) and Riau (Sumatra) in Indonesia.

simplified application process for building and related permits and a way around complex rules on land use. The Investment Co-ordinating Board (BKPM) handles approvals for foreign investment in industrial bonded zones and for Batam and Riau islands. Approvals for domestic investment in these areas remain in the hands of their local authorities.

Foreign goods imported into these zones are exempt from import duties, VAT, sales and income tax until the portion of production destined for the domestic market actually enters the market. Foreign investors are encouraged to locate in bonded or export processing zones.

In addition, foreign investors in bonded zones are usually granted privileges for building manufacturing plants in these regions. Incentives include 100 per cent foreign ownership for five years and 95 per cent ownership thereafter, provided 100 per cent of production is exported. Both foreign and domestic investors must apply to the Investment Coordination Board to establish projects in bonded zones.

Companies in bonded zones must export at least two thirds of their production, excluding components, which may be sold on the domestic market if such sales do not exceed 50% of realized export value. The advantages of a bonded zone include permission for foreign nationals to own 100% of their businesses and an exemption on import duties on spare parts and material for production purpose. A drawback on duties and surcharges is available on imports into the Indonesian customs zone that are subsequently shipped to bonded zones for later export.

Recently, Indonesia has enacted the the act concerning free trade and free port zone on November 1st, 2007 to replace *Peraturan Pemerintah Pengganti Undang – Undang* (*Perpu*) number 1/2007. Regarding to this act, government of Indonesia has enforced government regulation (PP) number 46/2007 about Batam Free Trade and Free Port Zone, PP number 47/2007 about Bintan Island Free Trade and Free Port Zone, and PP number 48/2007 about Karimun Free Trade and Free Port Zone. Policy concerning to custom procedur, taxation and monitoring of goods inflow and outflow on the free trade and free port zone also have been implemented to support the free zone governance.

The establishment of the free trade and free port zone in Batam Bintan and Karimun (BBK) is aimed to make BBK as gateway of foreign investment, flow of goods and services. Furthermore, BBK could become high technology industrial development center, distribution center of manufacture products and commodities accroos the country, as well as international shipment services center.

IV.2.B.5 Technical Barriers to Trade

There are two influential bodies in determining and implanting standards in Indonesia. First is the National Standardization Agency of Indonesia (BSN) which is responsible for developing and promoting National Standardization in Indonesia (SNI), including through standards development, conformity assessment, and standard implementation. Indonesia National Standards (SNI) are formulated based on the international standards or relevant foreign national standards by means of adopting or adapting to the relevant standards, in case any specific requirements of Indonesian condition must be covered, such as geographical situation, climate condition or other reason based on the scientific evidence. In recent years there has been a restructuring of the institutional framework and procedures in developing the SNI to foster openness transparency, consensus, impartiality, coherence, and effectiveness, taking account of the development dimension and of international rules.

Basically SNI are voluntary; however, those SNI related to safety, security, health, environment conservation and/or for economic considerations can be made mandatory by the relevant regulator. The objective of mandatory standards is to strengthening national competitiveness and improving the transparency and efficiency of trade transaction while assuring protection to consumer safety, public health, environment and security. By 30 September 2009 there are 6.662 SNI and 204 of them have been adopted as mandatory standards.

Second is the National Accreditation Body (KAN) which had role to implement all activities of conformity assessment by using the national standardization scheme endorsed by BSN. Implementation of standards is carried out through the scheme of accreditation and certification system. In case for product certification, the implementation of mandatory standards will be applied by using the SNI Mark. Accreditation process to certification bodies and laboratories is conducted by KAN and those who had granted a certificate of accreditation, including the product certification body, will have a right to conduct certification according to their scope. Certificate of conformity of product issued by overseas certification body may be accepted in Indonesia if they had been accredited by KAN, or overseas accreditation body which accredited those organizations or laboratories had already a mutual recognition agreements with the KAN. So far KAN has already become a signatories of IAF/PAC MRA for QMS; EMS; HACCP and Product Certification while in ILAC /APLAC, KAN is a signatories of MLA for testing laboratory, calibration laboratory and inspection body. Scheme of KAN accreditation cover the following area: Testing Laboratories; Medical Laboratories; Calibration Laboratories; Inspection Bodies; QMS Certification Bodies; EMS Certification Bodies; Product certification Bodies; Personnel Certification Bodies; HACCP Certification Bodies; Eco-label Product Certification Bodies; Organic Food Certification; Sustainable Product Forest Management Certification Body; Timber Legality Certification Body.

Considering the importance of harmonized standards to facilitate trade, Indonesia has joined international standard fora such as International Organization for Standardization (ISO), International Electro technical Commission (IEC), Codex Alimentarius Commission (CAC), and International Telecommunication Union (ITU). Indonesia taken actively role in those for a such as becoming a Regional Liaison Officer (ISO-RLO) for Asia and East Asia term of 1996-2001; member of ISO Council for year 2005-2206 and 2009-2010; Chairman of DEVCO in the period 2007-2008; Vice Chair of ISO/TC 207/SC1; Twinning Secretary for ISO/TC 223/WG3 on Societal Security; Project Leader in ISO/TC 45/SC3/WG4; Coordinator for FAO/WHO Regional Coordinating Committee for Asia (CODEX Asia) term of 2007-2009 and 2009-2001; member of Executive Committee CAC term of 2007-2009 and 2009-2011.

As Indonesia has already ratified to become the member of World Trade Organization (WTO) in 1994 through the Act No 7/1994 on Agreement of Establishing the WTO, therefore Indonesia shall apply and adopt all of agreements endorsed by WTO, including TBT Agreement. According to the TBT.

IV.2.B.5.1 Process of Notification and Analysis of Received Comments

The process of notification starts with the development of draft of technical regulation by particular ministry. When the Ministry has the first draft of technical regulation, it will then hold meeting(s) with particular stakeholders (representatives of other related ministries, industries, BSN and conformity assessment bodies) to discuss the first draft. The draft is then sent to BSN as Notification Body and Enquiry Point for TBT

Agreement. BSN reviews the draft against TBT Agreement, and sends suggestions on the draft regulations to the ministry, if any. The Ministry may either accept the comments and make amendment on the draft regulation, or reject BSN's suggestion. The final draft is then notified to the WTO by BSN.

BSN as enquiry point receives comments from the WTO Members. Any comments on the draft regulation is then communicated to related ministry, to be answered. The answer to the comment is then sent by BSN to the enquirer.

IV.2.B.5.2 Information regarding technical regulation and conformity assessment procedure

Information on technical regulations notified to the WTO as well as conformity assessment procedure can be accessed through BSN website (http;//www.bsn.go.id). But, full text of technical regulations as well as conformity assessment procedure related products to can be accessed through particular ministries stipulate the regulations, as indicated in the notification form circulated by the WTO Secretary.

IV.2.B.6 Sanitary and Phytosanitary

IV.2.B.6.1 Sanitary and phytosanitary, food safety regulations

The national enquiry point for SPS matters, the Indoneisan Agricultural Quarantine Agency (IAQA), under the Ministry of Agriculture, was established in 2002. The agency employs around 2,459 personnel and supervises the activities of 51 agricultural quarantine stations which cover more than 200 entry points throughout the country. The mandate of IAQA is to carry out animal, plant quarantine and bio-safety control. The agency ensures that foreign agricultural imports meet Indonesia's sanitary and phytosanitary as well as bio-safety standards. While the Center for Fish Quarantine, Ministry of Marine Affairs and Fisheries is mandated to carry out fish quarantine.

In order to assure the imported fresh food of plant origin does not contain chemical contaminants (pesticides, mycotoxin, heavy metals) exceeding maximum level thus safe for consumption, Indonesia has issued Regulation of the Minister of Agriculture No. 27/2009 concerning Food Safety Control for the Import and Export of Fresh Food of Plant Origin. This regulation will be effective on November 19, 2009.

According to the regulation, there are four mechanisms of food safety control on importation and exportation of fresh food of plant origin (FFPO), as follows:

a. Recognition of the FFPO safety control system of country of origin;
b. Equivalence agreement between Indonesia and the FFPO country of origin or destination country;
c. Recognition of the FFPO safety control in the production site;
d. Inspection toward every importing FFPO.

With regard to the importation of live animals and meat products, a new decree on import of meat of various species, replacing Decree No. 745/1992, has been notified to the WTO and effective since April 2009. The scope of the regulation of importation of carcass, meat and edible offal covers:

- Types of carcass, meat and/or edible offal;
- Requirements of importation of carcass, meat and edible offal from foreign countries;

- Procedure of importation;
- Annual quarantine measures;
- Controlling of carcass, meat and/or edible offal distribution and;
- Sanction

New Ministerial Decree in wood packaged have been implemented on The Ministerial Decree No. 12/2009 concerning Requirements and Procedures of Plant Quarantine Measure. Toward the Importation of wood Packaging Material into the territory of the Republic of Indonesia. This decree go into force on September 1, 2009 and have been notified to WTO-SPS as G/SPS/N/IDN/27.

Most processed food imports must be registered with the National Agency for Drug and Food Control (BPOM or *Badan Pengawasan Obat dan Makanan*), and may require certificates for the degree of radiation, standards of Islamic purity (*Halal)*, food additives, food safety, and alcohol content. According to the authorities, food may only be released from customs after a food importation approval has been issued by the National Agency for Drug and Food Control (BPOM or *Badan Pengawasan Obat dan Makanan*), based on regulation No. 28/2004. Certain food items require a *halal* certificate and approval prior to import. In September 2000, imports of chicken parts were restricted to ensure that imports were *halal*.[61]

Pre-market evaluation is part of food safety control related to the wide coverage area and geographical nature of Indonesia which consist of more than 13.000 islands to balance post market surveillance. The objective of pre market evaluation prior to the products distribution is to protect consumers from products which do not comply with current regulations related to safety, quality, nutrition, and labeling requirements. Law and regulation related to food product registration : Law No. 23/1992 on Health; Law No. 7/1996 on Food; Law No.8/1999 on Consumer Protection; Government regulation No.69/1999 on Food Labelling and Advertising; Government Regulation No. 28/2004 on Food Safety, Quality and Nutrition; Decree of the Head of National Agency for Drug and Food Control No. HK.00/05.1.2569/2004 on Criteria and Procedure of Food Product Evaluation.

According to Government Regulation No.28/2004 on Food Safety, Quality and Nutrion, prior to distribution, any processed food either produced domestically or imported into Indonesian territories for trade in retail packaging shall obtain the registration approval letter. The letter shall be issued by the Head of the NADFC based on the result of food safety, quality, nutritional and labelling evaluation.

Decision of evaluation is given at the latest 60 working days after complete and correct document is received. Since BPOM has implemented Quality Management System ISO 9001:2008, timeline as a quality objective for the registration has been defined. Decision of pre market evaluation is given at the latest: 45 working days for general registration; 15 working days for variation of the registered products; 5 working days for rapid registration. There is no difference in registration timeline for local and imported products. Some requirements for imported products intended for further ensuring that the products being imported are safe and fit for human consumption.

[61] The authorities note that the Government banned the importation of chicken leg quarters (CLQ) due to health and halal reasons: it is more difficult to monitor and control the origin of CLQ than whole chicken.

The fee for pre market evaluation based on Government Regulation No. 17/2001 within the range of Rp 50.000,- – Rp 2.500.000, - (around \$5 - \$250) and there will be no additional change on this.

With regard to food importation based on Law No.7/1996 on Food in article 36 stated that only food which is imported into the territory of Indonesia to be circulated must fulfill the provisions as referred to this Act. The imported food may only be released from the customs based on the importation approval issued by the Head of the Agency. Importing food processed products made from animal shall be officially recognized by an endorsement from the Directorate General of Livestock, Ministry of Agriculture before legalized to entering Indonesian territory by the National Agency of Drug and Food Control. This rule is in accordance to prevention from importing products from regions affected by animal disease based on Office International des Epizooties (OIE) report.

Since the end of year 2008, National Single Window is implemented in purpose of improving the importation approval process. The Service Level Arrangement (SLA) stated that timeframe to issue importation approval is within 24 hours after the completed document has been received during the office hour and if the document is received afterward, importation approval shall be issued on the following day.

IV.2.B.7 Rules of Origin

ROO are used to determine whether a good traded between parties to an FTA qualifies for access to the tariff arrangements negotiated under the agreement. They are necessary to ensure that the benefits reciprocally negotiated under an FTA accrue principally to the parties to that FTA. At a minimum such rules should ensure that goods that are transshipped, subject to only minimal processing or are not significantly transformed in an FTA party countries do not qualify for tariff preferences under the FTA.

Generally, to qualify for preferential tariff treatment under an FTA, a good must fall into one of three categories.

- The first category covers goods that are wholly obtained - that is, wholly sourced, produced or manufactured - in the territory of the FTA parties. Examples of this category are primary products such as minerals and energy resources, and agricultural, fishing and forestry products produced in the territory of the FTA parties.
- The second category involves products manufactured in the territory of the FTA parties entirely from materials that themselves satisfy a ROO (that is, from materials that are “originating” goods in their own right in the territory of one or the other FTA party).
- The third category involves products using non-originating materials (that is, using materials imported from non-FTA party countries) but produced in such a way as to satisfy a prescribed ROO.

To qualify for preferential tariff treatment as originating goods in the third category (above), goods must undergo substantial transformation. There are a number of tests which may be used separately or in combination to ascertain whether substantial transformation has occurred:

- Change in tariff classification (CTC) method requires a good, after production, to be classified under a sufficiently different tariff classification (generally a change of Chapter, heading or subheading) of the Harmonized Commodity Description and Coding System from the classification of the non-originating imported component materials.

- Value added method prescribes a threshold proportion of the value of a good that must be derived from materials and processing within the territory of an FTA party.
- Processing method requires specific manufacturing or processing operations to be undertaken in an FTA party's territory, such as a chemical reaction.

Indonesia has utilized a number of different ROO regimes in its bilateral**,** regional, and multilateral trade and economic cooperation agreements, including: Indonesia-Japan Economic Partnership Agreement (IJEPA)**,** ASEAN-FTA (AFTA), ASEAN-China FTA (ACFTA), ASEAN-Korea FTA (AKFTA), and Global System of Trade Preferences (GSTP). Indonesia's ROO regimes can be classified into three main groups.

The first approach, which is used in AFTA, is a value added ROO of 40 per cent. This approach allows accumulation, that is, originating material from parties to the agreement to be used by Indonesia in reaching the 40 per cent value added threshold. The AFTA ROO has recently been supplemented by the addition of a change of tariff classification (CTC) option for a limited number of specific tariff lines.

In the second approach, the ROO combines the value added method outlined above (including the cumulative) and the CTC method. This approach is used in ACFTA, and in AKFTA. The third approach, the ROO combines the value added method (including the cumulative), CTC method outlined above, and product specific process. This approach is used in IJEPA.

IV.3 Services

IV.3.A Chile

IV.3.A.1 Measures Affecting Trade in Services

There are a few measures that discriminate between national and foreign services providers, which affect the principle of national treatment, and a few minor exceptions to the MFN. Chile has some quantitative non-discriminatory restriction, mainly related to technical considerations, while in certain sectors local presence is required to better protect consumer interests or domestic market stability.

The Chilean legislation does not foresee any special treatment to the foreign or local enterprises, whether they are SME's or Trans National Companies (for further details on the Chilean investment regimes, refers to section 3 (d) of this Joint Study). Furthermore, applicable measures related to domestic regulation requirements (zoning, environmental impact studies and construction permits, among others) are generally non-discriminatory.

Telecommunications[62]

[62] References:
-Law 18.168, Official Gazette, October 2, 1982, General Telecommunications Law, Titles I, II and III (Ley 18.168, Diario Oficial, octubre 2, 1982, Ley General de Telecomunicaciones, Títulos I, II y III)
-Law 18.838, Official Gazette, September 30, 1989, National Television Council, Titles I, II and III (Ley 18.838, Diario Oficial, septiembre 30, 1989, Consejo Nacional de Televisión, Títulos I, II y III)
-Law 19.733, Official Gazette, June 4, 2001, Law on Liberties of Opinion and Information and the Exercise of Journalism, Titles I and III (Ley 19.733, Diario Oficial, junio 4, 2001, Ley sobre las Libertades de Opinión e Información y Ejercicio del Periodismo, Títulos I y III)

The Chilean telecommunications industry has expanded rapidly in recent years. The contribution of the communications sub sector to Chile's GDP increased from 1.9% in 1996 to 3.2% in 2004[63].

There are 12 fixed-net service providers, five providers of mobile services, and 18 companies providing international telecommunications services. Telefónica CTC has a dominant market position as a fixed-net provider in 10 of Chile's 13 regions. Since the early 1990s, Chile's telecommunication sector has been fully privatized; the State is not involved in the provision of telecommunications services.

The telecommunication sector is regulated by the Sub-secretary of Telecommunications (Subtel). Subtel is in charge of implementing and overseeing the application of the Telecommunication Law (Law No. 18,168 of 2 October 1982).

From the legal and constitutional standpoint, there is no discrimination between nationals and foreign investors, being there no restrictions for their participation in Chilean companies.

Domestically, the Chilean regulatory framework allows ample room for market development and only controls possible abuses arising from a dominant market position. This is achieved through the so-called "tariff-setting decree", which establishes for a five-year period the maximum rate to be charged for long-distance, local and Internet services. This type of regulation, in addition to the implementation of the "calling party pays" system (charges for calls made from cellular phones are paid by the calling party and under no circumstances by the receiver of the call), has been highly effective in fostering competition in all services provided by this sector.

- **Telecommunications services licensing:**

A concession granted by Supreme Decree issued by the *Ministry of Transportation and Telecommunications (Ministerio de Transportes y Telecomunicaciones)* shall be required for the installation, operation, and exploitation of the following telecommunications services: public telecommunication services; intermediate telecommunication services; and radio broadcasting telecommunications services.

A concession granted by a Resolution issued by the National Council of Television (Consejo Nacional de Televisión) shall be required for television broadcasting telecommunications services.

A permit issued by the Undersecretariat of Telecommunications (*Subsecretaría de Telecomunicaciones)* shall be required for the installation, operation, and development of limited telecommunications services.

An official decision referred to compliance with the technical standards and non-alteration of the essential technical features of networks issued by the Undersecretariat of Telecommunications shall be required to render Complementary Telecommunications Services (value added services).

- **Juridical requirements**

Only juridical persons duly constituted in Chile with domicile in the country may be the titleholders, or make use of concessions, for public telecommunications services, intermediate telecommunication services, and radio broadcasting telecommunications services.

[63] Information from SUBTEL (Undersecreatry of Telecomunications)

Only juridical persons duly constituted in Chile with domicile in the country may be the titleholders or make use of concessions for television broadcasting telecommunications services.

Natural persons and juridical persons duly constituted in Chile with domicile in the country, may be the titleholders, or make use of permits, for limited telecommunications services.

Only juridical persons duly constituted in Chile with domicile in the country may be the titleholders or make use of permits for limited television services.

- **Nationality requirements**

For radio broadcasting concessions, only Chilean natural persons may be presidents, managers, administrators, or legal representatives of the juridical persons at stake. Also, the majority of the members of the Board of Directors must be Chilean natural persons.

For limited television services permits and for television broadcasting telecommunications services concessions, only Chilean nationals may be presidents, directors, managers, administrators, and legal representatives of the juridical person.

Requests for radio broadcasting concessions, submitted by a juridical person in which foreigners hold an interest exceeding 10 percent of the capital, shall be granted only if proof is previously provided verifying that similar rights and obligations as those that an applicant will enjoy in Chile are granted to Chilean nationals in the applicant's country of origin.

The National Council on Television (*Consejo Nacional de Televisión)* may establish, as a general requirement, that programs broadcast through public (open) television channels include up to 40 percent of Chilean production.

Market liberalization, facilitating the entry of new national and foreign competitors, together with an attractive technological progress, has situated Chile in a privileged position at world level in the area of telecommunications, and also provides an important basis for future business expansion into Latin America and other business partners countries.

Printed Media and News Agencies

Ownership of printed media and national news agencies is open to foreigners, who must, nevertheless, fulfil domicile requirements and be incorporated in Chile. There are also nationality and residency requirements for presidents, administrators, legal representatives and managers that apply to Chilean and foreign owned enterprises alike.

- **Transportation**

Maritime Transportation and Port Infrastructure

For Chile, building an efficient, modern and geographically extended port infrastructure has been a priority task in recent years, taking into account that more than 84% of trade is carried out by maritime transport.

More than 50% of State ports are handled by private sector through concessions. Port Companies, successors to the now extinct EMPORCHI, manage state-owned ports. This was provided for in Law No. 19,542, which amended the administration system of State-owned ports and established the decentralization of port asset management, the creation of the above-mentioned independent companies, and the concession of docks. The State continues to exercises the regulatory function.

The government has given in concession the auxiliary services provided at State-owned ports. Authorities have stated that no more public investment is to be made in new port assets, in order to promote private investment. Some port services, such as loading, unloading and storage, are entrusted to private companies. The main idea is to provide ports the necessary tools for them to improve their efficiency and performance, as the conviction exists that the private sector will be able to carry out this function better than anyone else.

As regards international trade, no discriminatory measures are applied to foreign vessels in connection with access to ports and port installations or their use.

International commercial maritime transport to and from Chile imposes no restrictions upon foreign commercial vessels, except for the provisions contained in the Maritime Transport Agreement between Chile and Brazil (1974) and the cargo reservation measure established through the application of the reciprocity principle detailed in article 3 of Decree Law No. 3059 (1979) which regulates the National Merchant Marine.

Air Transportation

Because of its geographical situation, Chile requires expeditious, low-cost routes, both within and outside its borders. The development of a foreign-trade-based economy renders it necessary to have means of transportation suitable for the country's exportable bases; thus, the airfreight sector grew hand in hand with the development of exports, particularly export products such as seeds, fresh fish, fruit, vegetables and, in general, products that require to be rapidly delivered to consumer markets.

The Commercial Aviation Law recognizes Chilean and foreign companies alike the freedom to offer both national and international air transport services. In other words, any foreign or Chilean company may offer such services without any restriction, save for those related to technical and safety considerations.

At international level, this absolute freedom has one exception: reciprocity, established in bilateral agreements or practice. Thus, foreign companies may operate in Chile insofar as their governments grant similar rights to Chilean airlines in their respective territories.

Under this legal system, domestic traffic grew 1,000 percent over the period 1979-1999, with more than 3.2 million passengers carried yearly. In the 90s alone, domestic air traffic grew at average annual rates of 18 percent.

This has not only permitted to develop productive centers in remote regions of the country, but has also allowed to shorten distances in a country more than 4,000 km long, and with fares that make air transport increasingly affordable.

On the other hand, the consolidation of two private airlines, plus several regional airlines, reflects the dynamism of this sector.

The Chilean experience and the development of its industry have shown that the greater the opening to foreign competition, and the fewer the barriers or restrictions, the quicker the growth of traffic in the sector. For this reason, Chile has an open skies policy that is reflected in its air transport services agreements.

International cargo traffic has grown more than 8,000 percent since 1979, according to data provided by the Santiago Chamber of Commerce. Eight percent of Chilean exports leave the country via air, a figure that in the case of trade with the United States climbs to 16 percent, and to 20 percent in the case of the United Kingdom.

IV.3.A.2 International Commitments Related to Services

Among the main objective of our country at international level is the establishment of clear regulations for services and investment, with a view to create a wider and stable market for our services and goods abroad. In this sense, we seek to progressively open up our markets for service providers and to strengthen the integration processes that may contribute to the expansion of trade and foster the creation of joint ventures to penetrate different markets.

As a result of the Uruguay Round, commercial disciplines extended beyond those related to trade in goods to cover areas such as services, investment and intellectual property. In recent years, our country has continued to participate in WTO working groups on services, and in service negotiations in the framework of the Doha Round.

At bilateral level, some concrete results have been achieved through the subscription of legal instruments that cover issues and disciplines additional and complementary to trade in goods, as a means to achieve a better and more profound liberalization of trade.

In this context, we should note that the Free-Trade Agreements with Canada, Mexico, Central America, Korea, European Communities, Unites States, Japan, Peru, Colombia and Australia include specific chapters governing cross-border trade in services. Some of these Agreements also contain chapters and annexes that regulate and supplement these disciplines, such as those dealing with telecommunications, professional services and temporary entry of business people.

The above-mentioned Agreements are based on principles such as non-discrimination and transparency, which are applied to trade in services and investments; they set forth the restrictions that both investors and service providers from both countries may face when entering the different markets; and establish the mechanisms for the progressive removal of such restrictions (negative list approach).

On the other hand, in pursuing its objectives, our country has assumed different obligations or undertaken different initiatives that involve future negotiations aimed at further liberalizing services and investments with other countries or groups of countries. In this context, during 2008 Chile finalized negotiations with Mercosur and China (positive list approach).

Even though Chile has negotiated Services Chapters with a positive and negative list approach, the Chilean policy is to aim for Service chapters with negative list approach.

IV.3.B Indonesia

IV.3.B.1 Measures Affecting Trade in Services

Trade barriers remain in many services sectors as the result of WTO Uruguay Round while the pace to liberalize more progressively has been undertaken by Indonesia to anticipate the conclusion of WTO Doha Round. As illustration, in mode 1 (Cross-border supply) and mode 2 (consumption abroad) for some services sectors such as financial services and construction services, those sectors are still closed for market access. In mode 3 (Commercial Presence), services suppliers intending to supply a particular liberalized services sector must establish a joint venture with a local firm. In mode 4 (Movement of Natural Persons), in general the prevailing labor and immigration acts permit only Director, Manager, and Expert positions to be occupied by foreign individuals.

Barriers to services trade in Indonesia could be summarized in below selected sectors.[64]

Education: Indonesia made no Uruguay Round WTO commitments in education.

Legal services: Foreign legal firms are still not allowed to operate in Indonesia, Indonesia has made no binding WTO offer for Mode 3 (commercial presence), but has made an offer on Mode 1 (cross border supply), Mode 2 (consumption abroad) and Mode 4 (presence of natural persons). The last confirms the current situation where foreign lawyers are restricted to working in Indonesian act firms as employees or experts in international law.

Accountancy: Indonesia has made no WTO commitments for access to its accounting services market

Financial services: Foreign ownership in financial services sector is bound at the prevailing laws and regulation. State banks control a substantial proportion of banking sector assets. However, foreign participation is also strong, with foreign banks estimated to own 40 per cent of Indonesia's banking assets at the end of 2005. For banking sub-sector, it is allowed to acquire 49% public listed shares through the stock exchange, while for non-bank financial companies, it is allowed to acquire 100% public listed shares. There nevertheless remain restrictions on foreign bank lending and operations through restrictions on branches. Indonesia has made no commitment in a number of sectors under Modes 1 and 2.

Telecommunications: While there have been gradual reforms in recent years, resulting in greater competition, the two principal carriers, PT Telkom and PT Indosat, continue to dominate fixed phone line and international services. There is stronger competition in the mobile phone sector, with Telkomsel (jointly owned by PT Telkom and Singtel) becomes the largest supplier. Foreign investment in all liberalized subsectors, including fixed line networks and mobile network, is permitted up to 35 per cent.

Computer and related services: Foreign firms can operate by establishing joint operation through a representative office in Indonesia. As with other sectors, foreign consultants must comply with labor and immigration acts. Indonesia's Mode 3 commitment is limited to partnerships.

Management consulting: Indonesia has made no WTO commitments for these services.

Mining, Energy and Environmental Services: Indonesia has made no WTO commitments for these services.

Construction: Indonesia has made a limited WTO offer in this sector, with commercial presence only permitted through a joint operation or joint venture with maximum 49 per cent foreign ownership.

IV.3.B.2 International Commitment Regimes and/or Zones

Indonesia submitted its conditional initial offer in the WTO services negotiations in April 2005. The offer does not significantly change Indonesia's existing GATS

[64] Summaries on barriers draw heavily on points in United States Trade Representative (USTR), *2007 National Trade Estimate Report on Foreign Trade Barriers*, 2007 at www.ustr.gov; *Expanding Trade in Business Services in ASEAN*, Regional Economic Policy Support Facility Project 05/006, June 2007; WTO Secretariat, *op.cit.*, and Indonesia's APEC Individual Action Plan for 2005, available at www.apec-iap.org/

commitments, which cover about one third of all services sub sectors and come with significant limitations on market access, such as joint venture requirements and foreign equity caps. In the offer Indonesia has proposed commitments in a number of professional and business services; telecommunications; construction and engineering services; educational services; financial services; health services; tourism; and maritime cargo handling. Together with other ASEAN members, apart from Singapore, Indonesia is seeking progress in the negotiation of emergency safeguard measures under Article X of the GATS.

IV.3.B.2.1 Indonesia Commitment on Trade in Services Agreement under ASEAN FTA

Free flow of trade in services is one of the important elements in realizing ASEAN Economic Community (ASEAN Vision 2020), where there will be substantially no restriction to ASEAN services suppliers in providing services and in establishing companies across national borders within the region, subject to domestic regulations. Liberalization of services has been carried out through rounds of negotiation mainly under the Coordinating Committee on Services. Negotiation of some specific services sectors such as financial services and air transport are carried out by their respective Ministerial bodies. In liberalizing services, there should be no back-loading of commitments, and pre-agreed flexibility shall be accorded to all ASEAN Member Countries.

In facilitating the free flow of services by 2015, ASEAN is also working towards recognition of professional qualifications with a view to facilitate their movement within the region by the actions: (i) Remove substantially all restrictions on trade in services for 4 priority services sectors, air transport, e-ASEAN, healthcare and tourism, by 2010 and the fifth priority services sector, logistics services, by 2013; (ii) Remove substantially all restrictions on trade in services for all other services sectors by 2015; (iii) Undertake liberalization through consecutive rounds of every two years until 2015, i.e. 2008, 2010, 2012, 2014 and 2015; (iv) Target to schedule minimum numbers of new subsectors for each round: 10 sub-sectors in 2008, 15 in 2010, 20 in 2012, 20 in 2014 and 7 in 2015, based on GATS W/120 universe of classification; (v) Schedule packages of commitments for every round according to:

- No restrictions for Modes 1 and 2, with exceptions due to bona fide regulatory reasons (such as public safety) which are subject to agreement by all Member Countries on a case by-case basis;
- Allow for foreign (ASEAN) equity participation of not less than 51 per cent by 2008, and 70 per cent by 2010 for the 4 priority services sectors; not less than 49 per cent by 2008, 51 per cent by 2010, and 70 per cent by 2013 for logistics services; and not less than 49 per cent by 2008, 51 per cent by 2010, and 70 per cent by 2015 for other services sectors; and
- Progressively remove other Mode 3 market access limitations by 2015;

(vi) Set the parameters of liberalization for national treatment limitations, Mode 4 and limitations in the horizontal commitments for each round by 2009; (vii) Schedule commitments according to agreed parameters for national treatment limitations, Mode 4 and limitations in the horizontal commitments set in 2009; (viii) Complete the compilation of an inventory of barriers to services by August 2008;(ix) Allow for overall flexibilities[65], which cover the subsectors totally excluded from liberalization

[65] The 15% figure for overall flexibility will be reviewed upon the completion of the inventory of limitations in 2008.

and the sub-sectors in which not all the agreed parameters of liberalization of the modes of supply are met, in scheduling liberalization commitments. The scheduling of liberalization commitments in each round shall be accorded with the following flexibilities:

- Possibility of catching up in the next round if a Member Country is not able to meet the parameters of commitments set for the previous round;
- Allowing for substituting sub-sectors that have been agreed to be liberalized in a round but for which a Member Country is not able to make commitments with sub-sectors outside the agreed sub-sectors; and
- Liberalization through the ASEAN Minus X formula.

(x) Complete mutual recognition arrangements (MRAs) currently under negotiation, i.e. architectural services, accountancy services, surveying qualifications, medical practitioners by 2008, and dental practitioners by 2009; (xi) Implement the MRAs expeditiously according to the provisions of each respective MRA; (xii) Identify and develop MRAs for other professional services by 2012, to be completed by 2015; and (xiii) Strengthen human resource development and capacity building in the area of services.

Liberalization measures of the financial services sector[66] should allow members to ensure orderly financial sector development and maintenance of financial and socioeconomic stability. Member Countries would be guided by the following principles in pacing their liberalization measures: (a) Liberalization through ASEAN Minus X formula where countries that are ready to liberalize can proceed first and be joined by others later; and (b) The process of liberalization should take place with due respect for national policy objectives and the level of economic and financial sector development of the individual members. Actions of the financial sector liberalizarion are: (i) Progressively liberalize restrictions in sub-sectors or modes as identified by each member country by 2015; and (ii) Progressively liberalize restrictions in the remaining sub-sectors or modes, which are not identified under “pre-agreed flexibilities”, by 2020.

IV.3.B.2.2 Indonesia Commitment on Trade in Services Agreement under ASEAN-China FTA

ASEAN and China signed the Trade in Services Agreement under the Framework Agreement on Comprehensive Economic Co-operation between ASEAN and China (TIS Agreement) on January, 14th 2009. The TIS Agreement, entered into force in July 2007, aims to expand trade in services in the region. Under this Agreement, services and services suppliers/providers in the region will enjoy improved market access and national treatment in sectors/subsectors where commitments have been made.

The market access commitments of the Parties to the TIS Agreement are contained in the first package of specific schedule of commitments in the Agreement. The TIS Agreement provides for liberalization on substantial coverage of sectors/subsectors especially in more than 60 additional subsectors committed by ASEAN Member Countries which are parties to the GATS/WTO.

In terms of level of ambition, the first package also shows higher market access commitments. It is expected that trade in services in the region would expand and grow in scale through the four modes of service delivery, namely: cross-border supply, consumption abroad, commercial presence, and movement of natural persons. Aside

[66] All measures for the financial services sector will be subject to prudential measures and balance of payment safeguards as provided for under the WTO General Agreement on Trade in Services.

from increased trade, the TIS Agreement is also expected to bring about higher levels of investments in the region, particularly in sectors where commitments have been made, namely: (a) business services such as computer related services, real estate services, market research, management consulting; (b) construction and engineering related services; (c) tourism and travel related services; (d) transport services; educational services; (e) telecommunication services; (f) health-related and social services; (g) recreational, cultural and sporting services; (h) environmental services; and (i) energy services.

IV.3.B.2.3 Indonesia Commitment on Trade in Services Agreement under ASEAN-Korea FTA

ASEAN-Korea Trade in Services Agreement was concluded on 21 November 2007 in Singapore by nine ASEAN Member States, except Thailand, and Korea. This Agreement aims to liberalize trade in services among ASEAN Member States and Korea in various services sectors. In many instances, the level of liberalization commitments under this Agreement are higher than the commitments that the participating countries made under the General Agreement on Trade in Services (GATS) of the World Trade Organisation ("GATS Plus" Principle). The Agreement also provides for progressive liberalization by allowing for a few rounds of negotiations.

IV.4 Foreign Investment Regimes

IV.4.A Chile

IV.4.A.1 Treatment of Foreign Investment

Chilean economic policy has reflected the importance given to foreign investment, which, once established in the country, receives a treatment equally favourable than the one accorded to comparable Chilean companies. Chile's Constitution guarantees to all individuals, Chilean and foreigners, the right to develop any economic activity, provided applicable legislation is observed and such activities are not contrary to public morals and order, or to national security interests. There are no economic activities reserved for the State, notwithstanding the special provision established under constitutional regulations regarding mineral resources (mineral resources including hydrocarbon deposits and other fossil substances). Private property rights are fully protected under the Constitution. Property may only be expropriated pursuant to specific constitutional provisions: expropriations may only be executed by law (i.e. requires legislative approval) on grounds of public benefit or national interest and the expropriated parties have the right to compensation for patrimonial harm caused.

Accordingly, one of the main objectives of Chile has been to ensure the establishment of clear investment rules, with a view to creating a wider and safer environment for investors. Furthermore, Chile has taken international commitments in order to gradually liberalise market access, as well as to strengthen the protection afforded to investors.

In Chile, the foreign investment regime is one of free entry of capitals. Thus, subject to domestic regulations, investors can materialize their investment freely.

The Central Bank of Chile has as its purposes to provide for the stability of the currency and the normal functioning of external and internal payments. In that regard, the Bank Act confers to it broad legal powers to, among other, exclusively issue regulatory provisions regarding foreign exchange matters. Therefore, the Bank is the exclusive entity empowered to establish and to amend the foreign exchange regime's components in force in Chile. Chapter XIV of the Central Bank's Compendium of Foreign Exchange Regulations establishes rules for foreign investment, capital contributions, and credit. Those operations shall be conducted through banking entities and be informed to the Central Bank. Currently, there are no restrictions (i.e. prior authorisation, reserve requirement) applicable to transfers in or transfers out related to those operations.

Chile does not apply screening mechanisms of any sort to foreign direct investment in any sector of the economy; they are subject to the same domestic regulations and procedures for approval of investments as national investors (i.e. environmental impact studies when required).

However, Chile has in place special investment regimes that provide foreign investors better treatment than their domestic counterparts.

Special Investment Regimes and/or zones

Decree Law 600

When investing in Chile, foreign investors have the option to do it through the special and voluntary regime of DL 600. Under DL 600 investors enter into a legally binding contract with the Chilean State, which cannot be modified unilaterally by the State or by subsequent changes in the law. However, investors may, at any time, request the amendment of the contract to increase the amount of the investment, change its purpose or assign its rights to another foreign investor. The Foreign Investment Committee is the Government's agency responsible for administering this regime. The DL 600 regime does not provide special access to sectors where foreign investment is restricted.

DL 600 guarantees investors the right to repatriate capital one year after its entry and to remit profits at any time. In practice, the one-year capital lock-in has not represented a restraint since most productive projects -in areas such as mining, forestry, fishing and infrastructure- require more than a one-year start-up period. Once all relevant taxes have been paid, investors are assured access to freely convertible foreign currency without any limits on the amount, for both capital and profit remittances. In addition, they are guaranteed the right of access to the formal exchange market. The repatriation of all capital invested is devoid of any tax, duty or charge up to the amount of the originally materialized investment. Only capital gains over that amount are subject to the general regulations contained in the income tax law.

It should be noted that although there are no foreign exchange restrictions currently in place, the Central Bank has the authority to impose restrictions to foreign exchange transactions, in order to preserve the stability of the currency or the financing of the balance of payments. However, DL 600 investors are exempt from these restrictions and their right to access the market in order to repatriate profits or capital is not affected. Notwithstanding the foregoing, DL 600 provides a specific regulation regarding capitals brought into the country consisting of credits associated with foreign investment. In such case, the general rules, terms, interests and other aspects involved in the negotiation of foreign loans, as well as the surcharges on the total cost to be borne by the borrower for the use of foreign credits, including commissions, taxes and all expenses shall be those currently authorized or authorized in the future by the Central Bank.

The DL 600 contract acknowledges as foreign investment:

- Freely convertible currency that can be exchanged at the most favourable rate that foreign investors can obtain from an entity authorized to operate in the Formal Exchange Market.

- Tangible assets, in any form or condition brought into the country according to general import regulations, without exchange coverage. The value of these goods will be determined using general procedures applied to imports. These tangible assets include, among others, machinery or equipment used in productive processes.

- Technology, in any form susceptible to be capitalized, which will be appraised by the Foreign Investment Committee according to its real international market value, within 120 days after the foreign investment application is submitted. If the appraisal is not carried out, the value assigned shall be that estimated by the investor in an affidavit. In previous cases, independent consultants have performed this task.

- Credits associated to foreign investment: The general regulations, terms, interest and other modalities of foreign credit contracts, as well as surcharges related to total costs to be paid by the debtor, including commissions, taxes and expenses, shall be those authorized by the Central Bank of Chile.

- Capitalization of foreign loans and debts, in freely convertible currency, whose contract has been duly authorized by the Central Bank. Under DL 600, investors can increase the capital of the company which received the investment through both the capitalization of credits made under Chapter XIV and the credits derived from current imports and pending payments.

- Capitalization of profits transferable abroad: D.L. 600 allows capital increases of the company receiving the investment through the capitalization of transferable profits.

Foreign investors may request a maximum time limit of three years to materialize their contributions. Under article 11 bis of DL 600, investments of not less than US$ 50 million for industrial or non-mining extractive projects can request a time limit of up to eight years. In the case of mining projects, the time-limit is eight years but, if previous exploration is required, the Foreign Investment Committee may extend it to up to twelve years. Although Chile's Constitution is based on the principle of non-discrimination, DL 600 offers some tax advantages for foreign investors. These are not "tax breaks" or "tax holidays", but are intended to provide a stable tax horizon, acting as a form of "tax insurance". DL 600 offers several different tax options, but basically allows the investor to lock into the tax regime prevailing at the time an investment is made.

The tax provisions of DL 600 are the following:

- Invariability of Income Tax Regime. All Chilean companies have to pay a First-Category Tax (or Corporate tax) equivalent to 17%. Under Chile's General Income Tax Regime, a 35% tax is currently levied on distributed or remitted profits. Interest paid to non-residents is also subject to a 35% additional withholding tax, however, interest on loans granted by foreign banking or other financial institutions is subject to a lower rate of 4%, provided that excess indebtedness provisions do not apply.

Under DL 600, a foreign investor can choose to lock into an effective fixed overall tax rate of 42% on taxable income for up to ten years, or -under article 11 bis- for up to twenty years in the case of industrial and extractive investments of US$ 50 million or more. The investor, thereby, acquires immunity from any tax increases in the General

Income Tax Regime that may occur during that period. The lock-in can be waived at any time, but an investor cannot subsequently revert to the guaranteed 42% rate. The First-Category payment of 17% can be set against tax returns under both the General Tax and Invariable Tax Regimes.

- Invariability of Indirect Taxes: D.L. 600 states that foreign investments brought into the country in the form of tangible assets are subject to the general VAT taxation regime and customs regulations. However, foreign investors are entitled to include a clause in their contracts giving them access to a regime that freezes Value Added Tax (currently at 19%), as well as import tariffs on capital goods for the project, at their rate at the date of the investment. This special regime applies throughout the period authorized for carrying out the investment. Additionally, imports of some of these capital goods such as machinery or equipment are exempt from VAT, they are on a list compiled, prepared and published by the Ministry of Economy's Foreign Trade Department. The current list was approved by Decree 307 of the Ministry of Economy, published in the Official Gazette ("Diario Oficial") on May 9, 2007, and is available at:

http://www.aduana.cl/prontus_aduana/site/artic/20070214/asocfile/20070214173208

/asocfile320070903160521_1.xls.

In addition, foreign investors who sign a D.L. 600 contract are exempted from VAT on other technology imports, provided they appear on this list compiled by the Foreign Trade Department. The products currently listed include accounting and data processing machines, TV cameras, lasers and magnetic resonance Imaging diagnostic equipment (MRI), among several others.

- Special Regime for Large Projects: Under article 11 bis of D.L. 600, investments in new industrial or extractive activities, including mining, are entitled to additional tax benefits, provided they have a value of at least US$ 50 million. Currently, the Foreign Investment Committee is revising its policy regarding article 11 bis, and new contracts under this regime are not being approved at this time. This policy is subject to change in the future.

- Tax on mining projects. On 16 June 2005, Law 20026 was published in the Official Gazette. It establishes a specific tax on mining activities, which came into force on 1 January 2006. The Law amends Decree Law 600 by adding a new Article 11 ter. The article establishes a regime of invariability for the aforementioned tax, for those investors that sign a new foreign investment contract related to projects with a value of no less than US$ 50 million. In order to opt into this special regime, investors with existing foreign investment contracts must not have made use of the special invariability regimes set out in articles 7 and 11 bis of DL 600, or they must renounce those regimes at the time of opting into the rights under article 11 ter. The deadline for submitting a request to opt into the regime under 11 ter for investors with existing foreign investment contracts was November 30, 2005. More information may be found at:

http://www.cinver.cl/index/plantilla2.asp?id_seccion=1&id_subsecciones=140

A foreign investor who wishes to invest through the DL 600 regime must submit an application to the Executive Vice-Presidency of the Foreign Investment Committee. Since June 6 of 2003, the minimum investment amount for a new project is US$ 5,000,000 (five million dollars) when investments consist of foreign currency and associated credits. The minimum amount is US$ 2,500,000 (two and a half million dollars) when the investment is in the form of tangible assets, technology, and capitalization of profits or capitalization of credits. The Foreign Investment Committee retains the right to modify both figures. Projects submitted to the Committee's consideration must involve a ratio between equity and associated credits of up to 25/75.

In the case of foreign currency, investors can execute their foreign exchange operation only when the contract has been duly signed. However, when submitting the application, they can request a special authorization to exchange their currency immediately. Any other type of capital contribution requires the Foreign Investment Contract to be duly signed.

Foreign Investment Capital Funds (FICEs in Spanish)

The investment regime of Law 18657 on Foreign Investment Capital Funds (FCIFs or FICEs in Spanish) is a regime created to gain access to Chilean securities when capital controls where in place in Chile. Today, foreign investors who wish to invest in Chilean securities issued in Chile are not required to do it through this regime. The regime establishes a preferential tax treatment for foreign capital investment funds. FCIFs are required to obtain a favorable report issued by the Chilean Superintendence of Securities and Insurance (Superitendencia de Valores y Seguros, SVS) in order to conduct business in Chile. FCIFs may not remit capital for five years following the investment of such capital, although earnings may be remitted at any time. A FCIF may hold a maximum of 5% of a given company’s shares, although this can be increased to a maximum of 10% if the shares are first-issue shares. Furthermore, no more than 10% of a FCIF’s assets may be invested in a given company’s stock, unless the security is issued or guaranteed by the Republic of Chile or the Central Bank. All together, no more than 25% of the outstanding shares of any listed company may be owned by FCIFs.

Investment Agreements

Chile’s approach to investment protection agreements

Chile has pursued international investment agreements as a means to strengthen the investment environment by providing certainty regarding rights and obligations of investors. Bilateral investment treaties (BITs) and specific investment chapters in free trade agreements (FTAs) signed by Chile contain clauses regarding fair and equitable treatment, national treatment and most favoured nation status. In addition, Chile has included investor-State dispute settlement mechanisms in these international agreements.

Chile initiated negotiations of BITs in the 1990’s after adhering in 1991 to the 1965 Washington Convention on the Settlement of Investment Disputes between States and Nationals of Other States. Through BITs, Chile guarantees offers protection to investors and guarantees the free transfer of capital, of profits or interest generated by foreign investments, and, in general any transfer of funds related to investments, without affecting the regulatory powers of the Central Bank regarding foreign exchange transactions. These agreements establish investor–State dispute settlement mechanisms in case of disputes, to ensure that disputes will be settled through friendly consultations. If no agreement is reached, investors are entitled to opt for international arbitration, rather than submit the case before the Chilean tribunals. In most BITs, this jurisdictional option is final; once the investor has chosen one of the options, it cannot turn to the other.

Chile’s current policy is to include specific investment chapters in FTAs and to have these replace existing BITs. Even though some FTAs have maintained in force previously signed BITs, it has been Chile’s preference to have a self-contained investment chapter which regulates both investment in goods and in services in a negative list approach. Additionally most of the FTAs cover investment from the pre-establishment phase. These investment chapters provide the protection offered by the BITs and include additional provisions that increase the level of protection of investors, such as more developed rules on minimum standard of treatment and expropriation, as well as prohibition of certain performance requirements and of the imposition of nationality requirements on senior management and board members. As for investor–State dispute settlement, many of the FTAs have, compared to BITs, additional provisions that cover consolidation, amicus curiae, transparency, preliminary objections and the treatment of frivolous claims.

Finally, Chile's investment chapters contain, usually in an annex which modifies the obligation of free transfers in and out of the country, provisions that reserve the right of the Central Bank to impose restrictions on transfers and payments, in accordance with the provisions of the Constitutional Organic Law of the Central Bank, if and when such measures were needed in order to maintain the stability of the currency and the normal functioning of internal and external payments.

Agreements in force

Chile has thirty-nine BIT's currently in force.[67] In addition, it has signed nine FTAs and two association agreements.[68] In total, Chile has FTAs and association agreements in force with 47 countries. Eight of these treaties have investment agreements, six of which have a self-contained chapter and two maintain in force previously signed BITs.[69] Furthermore, Chile recently has concluded negotiations of FTAs including self-contained investment chapters with Peru and Colombia, but they are still in process for Congressional approval. Once these FTAs come into force, the respective BITs will cease to apply.

Chile's association agreement with the EC, which entered into force on 1 March 2005, is one of the EC's most far-reaching trade agreements with a non-EC country. It includes separate chapter for the provisions regarding investment for delivery of goods and of services. The chapter covering establishment for production of goods provides national treatment for a list of sectors.

IV.4.B Indonesia

IV.4.B.1 Treatment of Foreign Investment

The principles of the Act No. 25/2007 on Investment are: Legal certainty; Equal treatment of capital investment and business sector; Protection from nationalization and

[67] BITs are in force between Chile and Argentina, Australia, Austria, Belgium and Luxembourg, Bolivia, China, Costa Rica, Croatia, Cuba, the Czech Republic, Denmark, Ecuador, El Salvador, Finland, France, Germany, Greece, Guatemala, Honduras, Island, Italy, Korea, Malaysia, Nicaragua, Norway, Panama, Paraguay, Peru, the Philippines, Poland, Portugal, Romania, Spain, Sweden, Switzerland, Ukraine, the United Kingdom, Uruguay, and Venezuela.

[68] FTAs have been signed between Chile and Canada, China, Japan, Korea, Mexico, Panama, United States, the countries of Central America and the members of EFTA. Chile signed an association agreement with the European Community and the Trans Pacific Strategic Economic Partnership (P4) agreement with New Zealand, Singapore and Brunei Darussalam. In consequence, Chile has FTAs or association agreements in force with the following OECD countries: Japan, United States of America, Canada, Mexico, Korea, New Zealand (P4), EFTA (Switzerland, Iceland and Norway), the European Union members of OECD and Australia (recently negotiated).

[69] In addition, negotiations are underway with P4 members to add a specific chapter on investment to the existing agreement.

expropriation; Provisions regulating dispute settlement; Transparency and accountability principles; Clear definition of sectors closed/open with condition; Procedures for investment approvals will be streamlined; and Incentives will be given to new investors for selected sectors (e.g. Pioneer sectors) and regions: Fiscal, Immigration, Access to land etc.

Presidential Decree in December, 2007 (Perpres No. 111/2007) updated the classification of restricted investment sectors under: sectors that are totally closed to investment, both domestic and foreign; sectors that are closed completely to foreign investment; sectors that are open to foreign investors but with the requirement that the foreign investor set up a joint venture with an Indonesian entity; and sectors that are open to foreign investment but with specific requirements (Table 4.4).

There are no foreign exchange controls affecting the repayment of loans and the remittance of profits, dividends, interest, and royalties. However, documentation on all foreign exchange transactions must be provided, including receipts of sale, issuing letters, and loan agreements. All foreign loans must be reported to Bank Indonesia to ensure repatriation in case exchange controls are imposed in the future. The Rupiah, the local currency, remains freely convertible. In October 2002, Indonesia changed the restrictions on the export of Rupiah by Indonesians and non-citizens, aligning them with the Act No. 15/2002 on Money Laundering. [70]

Table 4.2. Investment negative list, 2007

No.	Business Field	ISIC	Sector
1	Gambling/Casino	92429	Culture & Tourism
2	Historical and Ancient Inheritance (temples, palaces, ancient inscription, remains of the past, ancient buildings, etc.)	92323	Culture & Tourism
3	Government Museums	92321	Culture & Tourism
4	Traditional /Environment Occupation	92323	Culture & Tourism
5	Monuments	92324	Culture & Tourism
6	Sacred Place's Destination (the sites of eligious duties, remains of the past, cemeteries, etc.)	92439	Culture & Tourism
7	Utilization of (collecting) Natural Coral	01501	Forestry
8	Catching fish species written in Appendix I CITES	05011	Marine & Fishery
9	Management and Organization of Radio Frequency Spectrum Monitoring and Satellite Orbits	64223	Communications & Informatics
10	Institution for Public Broadcasting (LPP), Radio and Television.	92131	Communications & Informatics
11	Procurement and Organization of Inland Terminal	63310	Transportations
12	Organization and the Operation of Weighing Bridge	63390	Transportations
13	Organization of the Testing of Motor Vehicle Type	63390	Transportations
14	Organization of Periodic Testing of Motor Vehicle	63390	Transportations
15	Sailing Telecommunications /Navigation Support	63321	Transportations

[70] The law was subsequently amended in September 2003 to help reduce corruption and crack down on illicit activities. However, Indonesia was still categorized in July 2004 as a "non-cooperative country" by the Paris-based Financial Action Task Force (FATF) on money laundering, which placed it on a black list of seven countries. According to the FATF, the legislation did not go far enough in criminalizing the laundering of crime proceeds, allowed banks too long to file reports, and failed to address unauthorized disclosure of such reports. However, Indonesia was removed from the list of Non-Cooperative Countries and Territories (NCCT) on 11 February 2005, based on an evaluation that it had improved its anti-money laundering (AML) systems for strict customer identification, suspicious transaction reporting, bank examinations, and legal capacities to investigate and prosecute money laundering.

	Facilities		
16	Vessel Traffic Information System (VTIS)	62321	Transportations
17	Air Traffic Guidance	63330	Transportations
18	Chemical Industry capable of damaging the environment, such as: Pentachlorophenol, Dichloro Diphenyl Trichloro Elhane (DDT), Dieldrin, Chlordane, Carbon Tetra Chloride, Chloro Fluoro Carbon (CFC), Methyl Bromide, Methyl Chloroform, Halon, etc.	24212	Industry
19	Chemical Industry of schedule-I, Chemical Weapon Convention (Sarin, Soman, Tabun Mustard, Levisite, Ricine, Saxitoxin, VX, etc.)	24119	Industry
20	Alcohol-containing beverage Industry (liquor, wine and malt-containing beverage)	15510	Industry
21	Chlor-alkali Industry using Mercury-containing materials	24111	Industry
22	Cyclamate and Saccharine Industry	24119	Industry
23	Marijuana Cultivation	01119	Agriculture

Source: BKPM, based on Presidential Decree No. 111/2007 . Viewed at: http://www.bkpm.go.id/file_uploaded/Perpres_No_111_Tahun2007.pdf

IV.4.B.2 Special Investment Regimes and/or Zones

Indonesia has signed investment guarantee agreements (IGAs) with 60 countries, of which 18 are APEC Members. Three IGAs have been signed since 2004, with Bulgaria, Iran, and Saudi Arabia. Indonesia is a Member of the Multilateral Investment Guarantee Agency (MIGA) in order to secure investments against political risks and have access to effective investment dispute mitigation. In order to deal with FDI-related disputes, Indonesia also became a member of the International Centre on the Settlement of Investment Disputes (ICSID).

As ASEAN member country, Indonesia committed to attract foreign direct investment to the ASEAN region. In this region, A free and open investment regime is key to enhancing ASEAN's competitiveness in attracting foreign direct investment (FDI) as well as intra-ASEAN investment. Sustained inflows of new investments and reinvestments will promote and ensure dynamic development of ASEAN economies.

ASEAN investment cooperation is being implemented through the Framework Agreement on the ASEAN Investment Area (AIA), 1998, while investment protection is accorded under a separate agreement i.e. the ASEAN Agreement for the Promotion and Protection of Investment, 1987 or commonly referred to as ASEAN Investment Guarantee Agreement (IGA).

Under the AIA, all industries (in the manufacturing, agriculture, fishery, forestry and mining and quarrying sectors and services incidental to these five sectors) shall be opened and national treatment granted to investors both at the Pre-establishment and the post-establishment stages, with some exceptions as listed in member countries' Temporary Exclusion Lists (TEL) and Sensitive Lists (SL). The TEL is to be phased-out based on agreed timelines. Although the SL does not have a timeline for phasing-out, they will be Reviewed periodically.

IV.4.B.3 Investment Arrangement

Investment incentives apply to all investors, domestic and foreign. They include duty concessions on imported inputs and capital goods, and additional incentives for export-oriented investment as well as investment in certain regions. A Presidential Instruction (Inpres 3/2006) directs the Minister of Finance to determine the industries and sectors eligible for tax incentives under Article 31A of the existing tax act.

IV.5 Trade Defense Measures

IV.5.A Chile

IV.5.A.1Trade Defense Measures

Chile's legal framework for safeguard measures comprises: Article XIX of GATT 1994, the WTO Agreement on Safeguards, Law No. 18,525 (amended in May 31, 1999, by Law 19,612), and the Regulations on the Application of Safeguard Measures issued by the Ministry of Finance in Decree No. 909 of 17 June 1999. Law No. 19,612, Chile's first law on safeguard measures, established the National Commission In charge of Investigating Price Distortions in Imports , the Commission (mentioned in Law No. 18,525) as the authority to initiate and conduct investigations relating to safeguard measures and to recommend the imposition of safeguard measures. [71] Recently, the text of Law 18.525 was restructured, keeping the substance of its provisions in Decree Nº 31/2005 of the Ministry of Finance.

Pursuant to this Law, the President of the Republic may apply *ad valorem* tariff surcharges through a Supreme Decree of the Ministry of Finance, subject to a favourable report by the National Commission. At the written request of the domestic industry or on its own initiative, the National Commission may initiate investigations to determine serious injury to the domestic industry or the threat thereof, due to a surge of imports.

As established by the Regulations on the Application of Safeguard Measures, serious injury is understood to mean a significant impairment in the position of a domestic industry. In determining the existence of injury or threat thereof, the Commission must evaluate all relevant objective and quantifiable factors.

Within ninety days from the initiation of the investigation, the Commission must decide whether, the available information leads to the conclusion that imports of a product have increased in such volume and under such conditions as to cause or threaten to cause serious injury to domestic producers of like or directly competitive products. If this is the case, it must adopt a Resolution recommending the application of tariff surcharges: the Resolution, together with the background information and conclusions of the investigation, are conveyed to the President of the Republic, who makes a final decision through a Decree of the Ministry of Finance. Where, the available information does not permit the establishment of a safeguard measure, the Commission must dictate a resolution to end the investigation and transmit the decision to the Minister of Finance to be summarized and published in the *Official Gazette*.

In critical circumstances where delay would cause damage that would be difficult to repair, the Commission may recommend to the President of the Republic to apply provisional tariff surcharges within a period of sixty days from the initiation of the investigation. The Commission's recommendation must be based on a preliminary

[71] Chile’s notification is available in WTO document G/SG/N/1/CHL/2, 24 August 1999.

determination of the existence of clear evidence that the increase in imports has caused or threatens to cause serious injury.

The surcharges may not be applied for more than one year, including the period of provisional application of the measure. This period may be extended for one further period not exceeding one year, subject to a favourable report by the Commission. The Commission may at any time recommend that the application of the tariff surcharges in effect should be modified or abolished before their expiry date. The Law does not provide for the imposition of quotas. Commission decisions are by majority of the votes cast. The approval of three quarters of the members of the Commission is required if the application of a surcharge increases the tariff in place above the WTO bound tariff rate.

Since the Safeguard Legislation has been in force, Chile has imposed seven definitive safeguard measures, out of eleven investigations.

IV.5.A.2 Antidumping Measures and Countervailing Duties

The Agreement on Implementation of Article VI of the GATT 1994, the Agreement on Subsidies and Countervailing Duties, Article VI of GATT 1994, and the WTO Agriculture Agreement, all apply with the force of law in Chile since the enactment of the Marrakech Agreement by Supreme Decree No. 16 of the Ministry of Foreign Affairs of 5 January 1995 (Chapter II), the Decree Nº 31/2005 of the Ministry of Finance, Decree No. 575 of the Ministry of Finance containing the Regulations on Article 11 of Law No. 18,525. With respect to bilateral agreements, in the Chile-Canada Free-Trade Agreement and in the Chile – EFTA FTA, the Parties agreed not to apply antidumping measures to their reciprocal trade, respectively. [72]

The various definitions contained in the WTO Agreements on Anti-Dumping and on Subsidies and Countervailing Duties apply fully, as these Agreements are an integral part of the Chilean legislation.

The National Commission In charge of Investigating Price Distortions in Imports, created by Article 11 of Law No. 18,525, carries out investigations related to all aspects of anti-dumping and countervailing measures. The Commission is composed of: the National Economic Prosecutor's Office, who chairs it; two representatives of the Central Bank of Chile, one representative respectively of the Ministries of Finance, Agriculture, Foreign Affairs, and Economy; and the National Director of Customs. The Central Bank provides the Technical Secretariat for the Commission.

The Commission conducts an investigation if the complainant can provide evidence of a distortion (dumping or the existence of a subsidy) and the manner in which it causes or threatens material injury to the Chilean industry. Complaints can be submitted by any industry group or in the name of any industry group. The Commission may also conduct investigations on its own initiative when it has access to information that justifies doing so. This was the case of the dumping investigation of the Argentinean imports of wheat flour initiated in October 2006 and that subsequently resulted in the application of a antidumping measure.

After a complaint has been lodged the Commission must publish a notice of the initiation of the investigation with information related to the subject of the investigation in the *Official Gazette*. Within thirty days from the date of this publication, the Commission shall receive all information interested parties wish to submit, and request

[72] See Chile's notification in WTO document G/ADP/N/1/CHL/2.

any information it considers necessary. Before reaching a decision, the Commission must conduct public hearings. If the Commission considers that, on the basis of available information, it is possible to establish the existence of price distortions and that these distortions cause or threaten to cause material injury to the affected domestic industry, these findings must be stated in the Commission's decision recommending the application of anti-dumping or countervailing duties.

Any anti-dumping and countervailing duty proposed by the Commission must not exceed the margin of distortion, which is calculated by comparing dumped with non-dumped imports. The Commission may also recommend to the President of the Republic the application of provisional duties. Anti dumping and countervailing duties can be imposed for a maximum of one year. However, a new investigation can be initiated if the Commission considers that there is evidence for the duty to be maintained.

Against the background of increased worldwide use of anti-dumping measures, Chile has contributed to the WTO Negotiating Group with a view to clarify and improve various provisions of the Anti-Dumping Agreement at the multilateral level. . They cover, *inter alia*: duration of anti-dumping measures, facts available, constructed value, zeroing, assessment of injury, price-undertakings, lesser duty, and review of anti-dumping orders.

The latest anti-dumping measure to be adopted affects the imports of Wheat Flour from Argentina and was imposed on January 2009. The latest countervailing duty, applied in 2000, affected imports of powder milk from United States and the European Union.

IV.5.B Indonesia

IV.5.B.1 Trade Defense Measures

Trade defense Measures, i.e. anti-dumping, anti-subsidy and safeguards, can play an important role against unfair trading practices performed by other country to sustain free and fair trade. There are a number of areas where it is broadly agreed that the trade defense system could be transparent, efficient and accessible.

IV.5.B.1.1 Safeguards

A WTO member may restrict imports of a product temporarily (take "safeguard" actions) if its domestic industry is injured or threatened with injury caused by a surge in imports. Here, the injury has to be serious. Safeguard measures were always available under GATT (Article 19). However, they were infrequently used, some governments preferring to protect their domestic industries through "grey area" measures-using bilateral negotiations outside GATT's auspices, they persuaded exporting countries to restrain exports "voluntarily" or to agree to other means of sharing markets.

IV.5.B.1.2 Anti-Dumping Measures and Countervailing Duties

According to Article 6 GATT, countries were allowed to take action against dumping. The Anti-Dumping Agreement clarifies and expands Article 6, and the two operate together. They allow countries to act in a way that would normally break the GATT principles of binding a tariff and not discriminating between trading partners-typically anti-dumping action means charging extra import duty on the particular product from the particular exporting country in order to bring its price closer to the "normal value" or to remove the injury to domestic industry in the importing country.

Anti-dumping measures can only be applied if the dumping is hurting the industry in the importing country. Therefore, a detailed investigation has to be conducted according to specified rules first. The investigation must evaluate all relevant economic factors that have a bearing on the state of the industry in question. If the investigation shows dumping is taking place and domestic industry is being hurt, the exporting company can undertake to raise its price to an agreed level in order to avoid anti-dumping import duty.

Detailed procedures are set out on how anti-dumping cases are to be initiated, how the investigations are to be conducted, and the conditions for ensuring that all interested parties are given an opportunity to present evidence. Anti-dumping measures must expire five years after the date of imposition, unless an investigation shows that ending the measure would lead to injury.

IV.6 Government Procurement

IV.6.A Chile

IV.6.A.1 Legal Framework:

a) For goods and services:

Law on Terms and Conditions for Administrative Supply and Service Contracts N° 19.886. (Ley Nº 19.886, Ley de Bases sobre Contratos Administrativos de Suministro y Prestación de Servicios).

Regulations for Law Nº 19.886 on Terms and Conditions for Administrative Supply and Service Contracts (Aprueba Reglamento de la Ley Nº19.886 de Bases sobre Contratos Administrativos de Suministro y Prestación de Servicios).

English: http://www.chilecompra.cl/english/publications.html

Spanish:http://www.chilecompra.cl/normativa_legal.html

b) For construction services:

Ley Orgánica del Ministerio de Obras Publicas, DFL N° 850. (Public Works Law).

Reglamento para Contratos de Obras Públicas, D.S. MOP N° 75. (Public Works Regulation).

Reglamento para Contratación de Trabajos de Consultoría, Decreto MOP N°48. (Consultancy Regulation).

Ley de Concesiones de Obras Públicas, (Decreto Supremo N° 900. (Concessions Law)

Reglamento de la Ley de Concesiones, D.S. N° 956. (Concessions Regulation)

Procurement Law Nº 19.886 applies for additional provisions not considered by the laws and regulations mentioned above.

http://www.mop.cl/documentacion.htm

IV.6.A.2 Main objectives of the System:

Chile’s Public Procurement System is regulated by the Law Nº19.886, enacted on July 2003. The Procurement Law provides the contractual framework for the purchase of goods and services and establishes “ChileCompra”, the electronic procurement platform, that seeks to build a more friendly and flexible State, oriented to serving people, businesses and public institutions.

The procurement of public works and concessions are ruled by independent regulations.

The strategic principles of the public procurement system in Chile, which have allowed it to grow and expand, are Free Access, Universality and Non-discrimination. The government procurement measures are applied:

- To achieve maximum transparency and efficiency in the Government Procurement market;
- To create an institutional framework to ensure those objectives;
- To preserve principles regarding equality before the law, competition, non discrimination and due process;
- To cover a substantial proportion of buying entities, such as Central Government, Regional Governments (*Intendencias* and *Gobernaciones*), Local Governments (*Municipalidades*), some public enterprises, etc.;
- To establish open tendering as the general rule; and
- To use the electronic system for all public entities and procurement procedures.

IV.6.A.3 Government Procurement Court

The Chilean System on government procurement contemplates a judicial authority in order to settle legal disputes in this area named *Tribunal de la Contratación Pública* (Government Procurement Court). This court does not depend from the Government or the administrative agencies. It began to work on September 27 of 2005 and it is composed of three lawyers (judges) and their corresponding alternates. This court has jurisdiction to try challenge actions against illegal or arbitrary acts or omissions occurred in the procurement administrative procedures with public agencies governed by the Government Procurement Act.

IV.6.A.4 International Agreements regarding Government Procurement

Chile has negotiated Government Procurement chapters in its Free Trade Agreements with:

1. Central America: Costa Rica, El Salvador and Guatemala. (With the latter country, although the negotiation is concluded the agreement is not yet in force).
2. United States
3. South Korea
4. European Union
5. European Free Trade Association (EFTA)
6. P4 (New Zealand, Brunei, Singapore and Chile)
7. Japan
8. Canada
9. Mexico
10. Colombia (not yet in force)
11. Australia (not yet in force)
12. Uruguay (This is an Agreement and is not yet in force)

At the multilateral level Chile is an active participant in APEC’s GPEG and an observer (not signatory) of WTO’s GPA.

IV.6.A.5 Main elements to be considered in a GP Chapter

For Chile, the main elements to be considered in a GP Chapter are:

- To ensure non discriminatory market access.
- Transparency.
- Procedural simplicity with open tendering as the default mechanism.
- Due process.
- Wide scope on procurement, with significant coverage in terms of entities, and thresholds.
- Challenge procederes.

IV.6.B Indonesia

In relation to government procurement, the Government of Indonesia has introduced new procedures to improve the transparency and efficiency of procedures and to foster competition in bidding for Government contract (Presidential Decrees 80/2003 and 8/2006). The procedures covered by the decree relate to transparency, efficiency and effectiveness, fairness and accountability, including by simplifying bid procedures and acquirements and encouraging post qualification method for open tender. The decree obliged to all government agencies to declare Government project plans and announce the tender invitations and provide related information in one national newspaper, and by 2008 the announcement of tenders will also be publicized in a national procurement website. Widespread procurement public notices are expected to increase the number of procurement participants, to enhance the quality of procurement process and to achieve more accountability and reliability of the process and simultaneously obtain government expenditure savings, as a result of more options to gain the best tender.

The Presidential Decree also allows procurement participants to file complaints and/or claims if there is any indication of corruption, collusion, nepotism and violation of contracts. The decree urges that moral integrity and responsibility along with technical qualifications and capability of procurement professionals is essential to conduct procurement operations, and this is enforced through a training and examination program.

Based on the Presidential Decree, each government agency is required to publish the bidding value up to Rp 1 billion (for services and construction projects) and Rp 200 million (for consultancy projects) in a national and a provincial newspaper. Under those thresholds, bids must be published in a local newspaper. The establishment of a National Public Procurement office, the issuance of professional certification and wider competition are key features of the updated decree. Furthermore, a draft new procurement act provides more clarity on procurement policies and procedures and stronger enforcement mechanisms. Procurement training modules for international and national competitive bidding procedures have been prepared by the Government to develop professional procurement expertise. A pilot e-procurement system, being developed by the Government, is expected to produce savings of up to 25 per cent.

In addition, Indonesia’s government procurement continues to be used as an important instrument of industrial policy. Its main policy objective is to increase the use of domestic production, design, and engineering with the aim of expanding domestic employment and national industries. However, some special preferences are granted to encourage domestic sourcing, and there are provisions on the maximization of local content in government projects, regardless of their source of funding.

Foreign firms bidding on high-value government-sponsored projects have been asked to purchase and export the equivalent value in selected Indonesian products. Government ministries, institutions, and corporations are expected to use domestic goods and services to the maximum extent feasible, with the exception of foreign-aid-financed procurement of goods and services.

Foreign participation in procurement contracts is subject to certain conditions. For example, under the 2004 decree, foreign companies are eligible to bid for government contracts as part of a joint partnership or as a subcontractor to a domestic firm, and permissible foreign participation were increased from US$1 million to US$5 million. Regional decentralization may introduce additional barriers as local and provincial governments adopt their own procurement rules.

The authorities estimated that government procurement in 2006 accounted for 30-40 per cent of total government expenditure. No information was made available on the volume of government procurement in public-sector enterprises and other government-affiliated agencies, or the percentage of contracts awarded to foreign companies. Indonesia is not a party to the WTO Government Procurement Agreement (GPA) but is an active participant in the Working Group on Transparency in Government Procurement.

Recently, the Government is developing an Electronic Government Procurement System (E-GP) to enhance transparency, accountability, and efficiency in the procurement system, and by reducing opportunities for corruption (Presidential Instructions 5/2003 and 5/2004) on the subject of Electronic Government Procurement (E-GP). In early 2008 the Government will conduct an E-GP pilot project in several line ministries and selected provinces/local governments. In the future, the E-GP will be progressively implemented nation-wide.

IV.7 Transparency

IV.7.A Chile

Transparency is one of the basic principles in Chilean administrative law and under Free Trade Agreements signed by Chile.

IV.7.A.1 Transparency in the Administrative Law

The general principle in the Chilean Constitution (Article 8, Paragraph 2) establishes that acts and resolutions of the State’s agencies are public, and also their rationale and the procedures that are followed. However, a quorum-qualified law may establish the secrecy or confidentiality if the publicity affects the tasks of the State’s agencies, fundamental rights, security of the nation or national interest.

Law N° 19,880, “Basis of Administrative Proceedings”, published in the Official Gazette in 2003, sets the basis of the administrative proceedings that rule the acts of the agencies of the Administration of the State. This law establishes the general rules that govern the administrative proceedings. However, in case that any special law establishes another special proceeding, the latter shall prevail.

This law recognizes that Publicity and Transparency are the principles of the administrative proceedings. This means that the administrative proceedings shall allow and promote public knowledge, content and basis of the decisions adopted by agencies.

Therefore, unless the law or regulations establishes a special rule, the administrative acts of agencies are public, as well as the documents that sustain or complement them.

Moreover, the Law Nº19,880 establishes other principles of the administrative proceedings, such as: writing; gratuitousness; procedural economy; impartiality and refutability. One of the most important goals of these principles is to protect the rights of the citizen in relation to agency's acts.

Furthermore, this law establishes a group of specific citizen rights that reinforce the performance of the law: the right, in any time of the proceeding, to know about the stage of the act; to obtain a legal copy of the documents that are part of the proceeding; to know the officials any offices of the Administration that are in charge of the proceedings; to have access to the administrative acts (hearings or written orders or decisions) according with the law.

From another perspective, the Law Nº19,653, published in the Official Gazette in 1999, establish the right to any person to require any information to agencies of the government. Article 11 of this law develops the right to know of the citizen in public affairs.

Finally, on August 20, 2008 Law N° 20285 on Access to Public Information was enacted. This Law regulates the principle of transparency of the functions of the State, the right to access information dictated by the State's Organs, and the procedures used in their dictation; as well as exceptions to the publicity of this information.

IV.7.A.2 Transparency in Free Trade Agreements

The main purpose of the transparency rules in the free trade agreements is to facilitate communication between the Parties and to make available any information to the citizens about measures concerning to any issue covered in the Agreement. From this perspective, transparency involves that Governments should provide the necessary means for individuals to become acquainted with the rules and thus allow compliance with them.

The transparency rules of the free trade agreements establish that the governments have to publish laws, regulations, procedures and administrative rules of general application without delay and give the opportunity to another Party to make observations about the regulations. Additionally, transparency seeks that, to the greatest extent possible, one Government notifies the other Government and citizens of any actual or proposed measure that may affect the functioning of the Agreement or the interests of any Party there under.

Furthermore, these rules include provisions on both due process in matters concerning administrative procedures, which may affect aspects covered in the Agreement and the creation of information centers with a view to facilitating communication between the Parties in matters concerning the Agreement.

Finally, free trade agreements signed by Chile with Canada, Mexico, Central America, Korea, the United States, the European Union, EFTA, P4 (New Zealand, Singapore and Brunei Darussalam), China, Japan, Colombia, Ecuador, Panamá, Peru and Australia contain regulations concerning transparency.

IV.7.B Indonesia

Transparent policy and rule making is a key condition of effective investors' decisions and a well functioning economy. The former include trade and investment reforms, while the latter refer to external factors such as tightening labour markets and rapidly rising real wages in other South-East Asian countries like Korea and Taiwan, which transformed Indonesia into an attractive destination for FDI, especially in labour-intensive activities.

IV.7.B.1 Transparency in the Administrative Act

On February 26, 2006 the President of the Republic of Indonesia issued Presidential Instruction No. 3 of 2006 Regarding Policy Package for Improvement of the Investment Climate (PI 3). The issuance of PI 3 is intended to revive and improve investment in Indonesia so that it will become increasingly clear and transparent to both local and foreign investors. Collaboration between policy makers, regulatory implementers, legal enforcers and the private sector in the processes to facilitate greater transparency are other reform measures that will attract the larger, more sustainable investment from the more transparent countries.

IV.7.B.2 Transparency in Free Trade Agreement

In establishing FTAs, Indonesia starts with a joint feasibility study. This process involves consultation with stakeholders such as related government ministries/agencies, chambers of commerce and industry, as well as business associations. The focal points e.g. Ministry of Trade need to have prior inter - department meetings because FTA needs cross-sectors negotiation contents (customs, tax, finance, foreign affairs, etc.). After all the necessities in filtering all aspects of each stakeholders agreed, then it can be signed and ratified to State Secretary. Not all FTAs need parliament approval but always require to be signed by the President.

IV.8 Movement of Business Persons

IV.8.A Chile

- **Regulations:**

The general “Entry” regime can be considered as highly convenient for foreigners. Legislation such as Decree Law Nº 1094 of 1975 on “foreign citizens”, and Supreme Decree Nº 597 of 1984, facilitate the “entry and stay” of foreigners in Chile, either for commercial or turistical purposes. Additionally, international legislation including international bilateral agreements should be considered as regulations currently enforced in Chile.

- **Agreements:**

Chile has included a specific Chapter on Temporary Entry of Business Persons (TEBP) in Free Trade Agreements with the U.S., Canada, Mexico, Korea, Japan, Colombia and Australia. With the E.U., China and Mercosur the TEBP commitments are reflected on the positive list as Mode four concessions.

Chile has negotiated comprehensive Chapters on this issue, which effectively facilitates bilateral trade on a mutually advantageous basis. Accordingly, Chile has included different categories of businesspersons, such as:

- Business visitors
- Traders and Investors
- Intra - Company Transferees
- Professionals

Having these categories included, automatically links the TEBP Chapter to those regulating Cross Border Services, Financial Services, Investment, and National Treatment and Market Access for Goods, as it facilitates the supply of a services or allows *in situ* contact between the investor and his investment; the developments of business opportunities; the personal supply of a service, and the free flow of human resources within a company with commercial presence in the territory of the Parties.

Regarding specific disciplines, they are aimed to achieve greater transparency and increase the exchange of relevant information between the Parties. Particularly important is the Temporary Entry Committee, which, as a general rule, sessions once a year with the purpose of reviewing existing measures, and develop new measures aimed to facilitate the temporary entry of businesspersons.

Notwithstanding the fore coming, the benefits associated to Chapters on TEBP do not intent to affect “sensitive issues” of domestic policy, such as the access to the labor market or migration issues. In sum, the TEBP Chapter should not affect the Parties right to regulate on the different aspects of their immigration policy, as specifically provided in the “Relation with Other Chapters” article.

- **Regimes for entry and work**

Chilean migration laws are contained in Decree Law No. 1,094 of 1975, on foreign citizens, and regulations there under established in D.S. No. 597 of 1984. Furthermore, this matter is governed by provisions contained in international treaties and agreements subscribed by our Government.

These legal texts vest the power to issue visas and resident permits for foreigners in the Ministry of Interior and Foreign Affairs.

The Ministry of Interior exercises these powers through the Department of Migration and Alien Affairs at central level, and through interior government offices at regional and provincial levels. In turn, the Department of Consular Affairs and Immigration of the Ministry of Foreign Affairs is responsible for foreign citizens affairs and issues consular authorizations and residence visas through Chilean Consulates abroad.

The migration legislation contains the following migration categories:

- **Tourists**

Tourist is any individual entering the country for a period not exceeding 90 days, for recreation, sports, health, study, business, family, religious and other similar reasons, but not for purposes of immigration, residence or development of remunerated activities.

In some cases, for reasons of national interest or based on the principle of international reciprocity, individuals should obtain a consular authorization (visa) from the concerned Chilean Consulate abroad prior to their entry to Chile. However, holders of the APEC Business Travel Card do not require consular authorization.

- **Residence**

<u>Residence Subject to a Labor Contract permit</u> is granted to foreigners who enter the country under a work contract. This type of residence visa is subject to the performance of the activities agreed with the employer (who must be domiciled in Chile) and is issued for a maximum period of two years, and may be extended for similar periods while the contract duration.

Student Residence permits are granted to foreigners who enter the country in the capacity of registered students in State or State-recognized educational institutions or a private institution recognized by a latter, or in a higher or specialized educational centers or institutions provided they can substantiate their corresponding enrollment. This permit only allows doing the relevant studies and is issued for a maximum period of one year, and may be renewed until completion of the relevant study program. In the case of scholarships, the permit is issued for the duration of the scholarship.

Temporary Residence permit is granted to foreigners with proven family ties or interests in the country whose residence is deemed useful or convenient.

Generally, this type of visa allows its holder to carry out any activity in Chile, to the extent that the laws permit such activities. It is issued for a maximum period of one year, and may be renewed for like period.

IV.8.B Indonesia

Legal basis of the employment policy aligns with Act No. 13 / 2003 concerning Manpower. Foreign workers have been regulated in Minister of Manpower and Transmigration Regulations No. 2 / 2003, mentioned that the official positions allowed to work in Indonesia include director, manager (particularly for HRD manager, the position shall not be taken by foreign workers), and technical expert, with period of stay is two years and could be extended for maximum two times subject to two years extension each time. The employing of foreign workers can only be set through legal sponsorship. Foreign technical experts must be accompanied by local workers in order to gain transfer of technology for Indonesian workers.

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Notwithstanding the fore coming, the benefits associated to Chapters on TEBP do not intent to affect "sensitive issues" of domestic policy, such as the access to the labor market or migration issues. In sum, the TEBP Chapter should not affect the Parties right to regulate on the different aspects of their immigration policy, as specifically provided in the "Relation with Other Chapters" article.

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Generally, this type of visa allows its holder to carry out any activity in Chile, to the extent that the laws permit such activities. It is issued for a maximum period of one year, and may be renewed for like period.

IV.9 Intellectual Property Rights

IV.9.A Chile

IV.9.A.1 Chile policy regarding the main IPR Treaties under the auspices of the WTO

Maintaining an adequate and balanced intellectual property system is a key issue for the Chilean economy. The Chilean legal and institutional framework for IPRs grants protection to all categories of intellectual property included in the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS Agreement) of the World Trade Organization (WTO), namely: copyright and related rights, trademarks, geographical indications, patents, industrial designs, layout designs (topographies) of Integrated Circuits and Protection of Undisclosed Information. Chile also confers protection to new plant varieties. In addition to the standards in the TRIPS Agreement and those in the major WIPO treaties, Chile has commited to even higher standards through bilateral trade agreements.

Chile has been a member of the World Intellectual Property Organization (WIPO) since June 1975, and has signed a number of IPR conventions.. In addition, Chile has been a WTO member since 1 January 1995 and the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) came into force in 2000.

Table 4.3. Chile's participation in international IPR agreements

Agreement, convention or treaty (latest Act in which Chile participates)	Date on which Chile became party (date it became party to the latest Act)
Berne Convention for the Protection of Literary and Artistic Works (Paris Act)	June 1970 (July 1975)
Convention Establishing the World Intellectual Property Organization	June 1975
WIPO Copyright Treaty	March 2002
WIPO Performances and Phonograms Treaty	May 2002
Paris Convention for the Protection of Industrial Property (Stockholm Act)	June 1991
Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations	September 1974
International Convention for the Protection of New Varieties of Plants (UPOV 1978)	January 1996

The Chilean IPR regime has evolved significantly in recent times as a result of the incorporation of TRIPS commitments into national law. Also, several amendments have been made to comply with international obligations derived from bilateral agreements (mainly with the EU, the US, EFTA, Central America, Canada, Mexico and Korea). New amendments will be incorporated into the Chilean IPR legislation because of the ratification of the WIPO Internet Treaties and the implementation of other bilateral IPR commitments.

In late 2003, two sets of amendments were made to the Copyright Law to implement TRIPS and the Free Trade Agreements, and in late 2005 and early 2007 two amendments to the industrial property law were enacted.

The main domestic statutes for the protection of IPR in Chile are the Intellectual Property Law (Copyright Law), Law No. 17.336 of 2 October 1970 with its Regulation and the Industrial Property Law, Law No. 19.039, 25 January 1991, with amendments introduced by Law 19.996, of 1 December 2005, and Law 20.160, of 26 January 2007, and its Regulation.. The protection of new varieties of plants is regulated through the New Plant Varieties Law, Law No. 19.342 of 3 November 1994. These statutes cover the major IP areas referred to in the TRIPS Agreement and also by main WIPO treaties.

- **Industrial Property Rights**

Historically, the Department of Industrial Property of the Ministry of Economy was in charge of granting industrial property rights (trademarks, patents, utility models, layout design of integrated circuits, industrial design), including the registry of geographical indications and appellations of origin. The Seeds Department of the Agriculture and Cattle Service is in charge of administrating the Chilean registry of new plant varieties.

However, a new institutional framework for the industrial property administration was recently enacted and entered into force in January 2009 (Law nº 20.254). The reformed

Industrial Property Office (INAPI, by its Spanish acronym) replaced the existing Chilean registry in order to improve registration services for trade marks, geographical indications, patents, utility models, industrial designs and layout designs of integrated circuits, by granting more human and financial resources. Moreover, the referred amendment provided INAPI with authority to apply such human and financial resources to conduct new capacity building activities in order to promote the use of industrial property rights.

Also, as mentiened above, during 2005, the widest and most significant reform to the Industrial Property Act was conducted since its enactment in 1991 (Law nº 19.996). This reform implemented pending commitments of the WTO TRIPS Agreement and incorporated provisions to protect undisclosed information related to pharmaceutical and agrochemical products for 5 and 10 years, respectively. Additionally, it established a special registry for geographical indications and appellations of origin, rules for assesment of damages for infringement of industrial property rights; and new civil actions and precautionary measures that provide the right holders with a wider range of tools to address judicial enforcement of their rights.

In 2007, the Industrial Property Act was amended (Law nº 20.160) in order to incorporate and protect sound, collective and certification trademarks. Additionally, it provided for a patent term extension to compensate for unjustified delays in the administrative process to obtain registration.

Thereof, currently Chilean national law provides protection for 10 years to trademarks right holders, but they may be renewed indefinitely. There are no requirements of use for registration or renewal of trademarks. Industrial designs that are novel are protected by 10 years from the date of filling. This period is non-extendable. Textiles designs and stampings may be protected at the same time under Copyright Law.

In the case of patents, they patents are protected in Chile for 20 years from filing. Economic models and business plans, discoveries, scientific theories and mathematical methods, surgical, therapeutic or diagnostic methods, plant varieties, animals and software are not protected by patents or utility models. Patent system includes compulsory licenses in cases of (i) monopoly abuse, (ii) national security, public health, and national emergencies, (iii) non-commercial public use, or (iv) cross licensing in relation with patented subject matters.

In regards to Plant Varieties, Chilean legislation is homologated to UPOV 1978 Act. Nevertheless, Chile is committed to adhere to UPOV 1991 and currently, a bill that permits the latter is being presented to Congress for its approval and will is expected to come into force by the year 2009. Rights related to New Varieties of Plants must be pursued before civil courts.

Industrial property right holders have both civil and criminal remedies and can collect costs and damages. Courts have, among others, the faculty to order the destruction of tools and implements used to produce the falsification or copy. The Customs Service may also enforce some industrial property rights at the border.

In addition, Law 19.039 establishes for international exhaustion of these rights. Consequently, parallel importations are allowed.

- **Copyrights and Related Rights**

The Copyright Department of the Library, Archives and Museums Directorate is in charge of the Copyright Register. The main Copyright statutes are the Intellectual

Property (Copyright) Law, Law No. 17,336 of 2 October 1970 with its Regulation (Supreme Decree No. 4,764 of 8 January 1985).

The term of protection for copyrights and related rights is 70 years. In conformity with the Berne Convention, protection is automatically recognized once works are created, but a register is available for publicity measures. Additionally, register constitutes a legal presumption of ownership in favor of the person who is registered as right holder.

According to the Copyright Law right holders have both civil and criminal remedies against infringers of rights. Once convicted, infringers may be forced to pay damages and fines, and also be imprisoned. The Customs Service may also enforce some intellectual property rights at the border.

A new bill was introduced in Congress in 2 of May 2007 to amend the Copyright Law. The main objectives of this new bill is to improve enforcement of copyright and related rights through new civil and criminal procedures, to introduce a new regime of exceptions and limitations to copyright and to regulate the responsibility of internet service providers for eventual copyright infractions, in accordance with international standards. This bill is currently being discussed at the Chilean Senate (Upper House).

- **Enforcement of Intellectual Property Rights**

The Department of Industrial Property, the Court of Appeal for Industrial Property (reformed under the Law No. 19.996) and the Agriculture and Livestock Service for issues elated to plant varieties are responsible for administrative actions related to opposition or annulment of applications or granted registries.

Criminal and Civil remedies provided for infractions in the Industrial Property and Intellectual Property Laws must be pursued before Civil and Criminal Courts.

Persons convicted for offences against right holders of intellectual or industrial property rights may be required to pay costs and damages to right holders and also fines. In cases of intellectual property violations infringers can also be imprisoned.

In the year 2000 Congress passed new legislation for an overall modification of Chilean criminal system. This reform, which has been implemented in every Chilean Region (in Santiago has been implemented on June 2005), has shown to increase efficiency both in criminal courts and in action of police agencies against IPR infringers.

Aditionally in early 2008, the Chilean Civil Police incorporated a new specialized unit – BRIDEPI – devoted to investigate and prosecute crimes specifically related to IPR. The unit extends its authorities over all issues related to offenses related to industrial and intellectual property rights. One of the purposes of BRIDEPI is to identify and disarticulate criminal organizations dealing with piracy, counterfeit and related offenses through intelligence investigations. This specialized unit is expected to become a cornerstone of the Chilean national system for IPR enforcement that came to couple a number of other initiatives in the same direction, carried out by other Chilean agencies, such as the Chilean National Customs Service and the Chilean National Prosecutor's Office.

- **Others issues**

Undisclosed Information

A whole new chapter for undisclosed information was introduced to the Industrial Property Act (Law 19.039) in 2005 to protect both trade secrets and undisclosed data of new chemical entities submitted to government agencies for approval of pharmaceutical and agricultural chemical products. Regarding the latter, the protection of pharmaceutical products extends for a 5-year term, while agricultural chemical products are subject to a 10-year term.

Protection of undisclosed data of pharmaceutical products is under the jurisdiction of the Institute of Public Health, while protection of undisclosed data of agro-chemical products is under the control of the Agriculture and Livestock Service. These government agencies are obliged to protect undisclosed information submitted to them in the process of sanitary registration against disclosure and, additionally, are not entitled during the term of protection to grant sanitary registrations based on the protected data.

In addition to substantive provisions of the Industrial Property Act, Decree 153 of the Ministry of Health regulates the procedure to obtain protection for undisclosed information of pharmaceutical products that are new chemical entities.

Other administrative measures, such as publication in the Institute of Public Health's web site of all applications for new pharmaceutical products, are maintained to ensure that interested parties have the opportunity to promptly assert their rights in Court.

IV.9.A.2 Geographical Indications

Geographical indications of Chilean wines and spirits are regulated through the Law No. 18.455 and its Regulations. As mentioned earlier, the last amendment of the Industrial Property Law creates a registry for Chilean and foreign geographical indications available for any kind of product.

Most of Chile's preferential agreements contain provisions for the explicit recognition of GIs. For instance, the Chilean geographical indication "Pisco" has been recognized in agreements with Mexico, Australia, New Zealand, Singapore, Japan, Canada, the United States, Mexico, China and the European Union.

- **Evaluation of an agreement in Intellectual Property Rights**

Considering that almost every single FTA negotiated by Chile[73] includes provisions on IPRs, we envisage having IPR provisions in an eventual agreement, through which both countries reaffirm its mutual international commitments on IPRs, and state for commitments in areas of particular interest of both parties.

The overall objective of comprehensive initiatives in this field should be to facilitate and encourage Chilean and Indonesian partnership in the pursuit of increased competitiveness, fostering innovation and creating new opportunities for trade and joint ventures, including mutual consultation on common IPR interest issues.

IV.9.B Indonesia

IV.9.B.1 General Information

In the efforts of administering and developing the intellectual property rights (IPR) system in the country, the Government of Indonesia has made a number of significant efforts. Those include the fulfillment of obligation under the TRIPS Agreement, the

[73] Free Trade Agreement with: Canada, United States of America, Japan, Korea, Mexico, China, Central America, European Free Trade Area–EFTA, as well as the Association Agreement between the European Union and the Trans Pacific Strategic Economic Partnership (Chile-New Zealand, Singapore, Brunei Darussalam).

improvement of the IPR sytem, the improvement of public awareness on the importance of IPR, the fostering of closer and more productive cooperation with all related institutions and stakeholders including law enforcement agencies, and human capacity building.

Indonesia is strongly believes that an effective protection system for intellectual property is one of the important keys to advancing the national interest of economic development through promoting creative and innovative activities in the country as well as improving the conditions for investments, trade, and thechnological development.

IV.9.B.2 IPR Laws and Regulations

Indonesia has implemented many laws and regulations in order to develop and strenghten the protection IPR and effective enforcement mechanism. Currently, there are sven IPR laws, namely:

- Law No. 29 of 2000 regarding Plant Variety Protection (PVP);
- Law No. 30 of 2000 regarding Trade Secret;
- Law No. 31 of 2000 regarding Industrial Design;
- Law No. 32 of 2000 regarding Lay-out Design of Integrated Circuit;
- Law No. 14 of 2001 regarding Patents;
- Law No. 15 of 2001 regarding Marks; and
- Law No. 19 of 2002 regarding Copyrights.

With regards to IPR enforcement mechanism, these laws have some main features among others:

- Introduced the Commercial Courts as the judicial authorities in handling IPR civil cases, including its new procedural law like provisional decision (injunction) and the time period to settle IPR civil cases;
- Introduced an arbitration or any other alternative disputes resolutions for IPR disputes settlement;
- Introduced a minimum sanction and/or fine for IPR infringer;
- Increased the amount of maximum sanction and/or fine for IPR infringer.

However, there are also some IPR provisions regulated in other laws namely like:

- Law No. 17 of 2006 Regarding Amendment of the Law No. 10 of 1995 Regarding Customs (Chapter X, Article 53 to 64);
- Law No. 18 of 2002 regarding the National System of Research Development and Application of Science and Technology (Article 13 (2,3, and 4); Article 16 (1), Article 23 (1 and 2), and Article 24 (3 and 4).

Besides those laws, many regulations on IP or related to IP have been also stipulated in the past ten years, namely:

- President Decree No. 74 of 2004 regarding the Ratification of the WIPO Performances and Phonograms Treaty (WPPT);
- President Decree No. 83 of 2004 regarding Patent Exploitation by the Government on Anti-retroviral Medicines;
- Government Regulation No. 13 of 2004 regarding the Titling, Registering, and Using of Original Variety for Making of Essential Derivation Variety;
- Government Regulation No. 14 of 2004 regarding the Requirements and Procedures for the Transfer of PVP and the Use of Protected Variety by the

Government;
- Government Regulation No. 27 of 2004 regarding Patent exploitation by the Government;
- Government Regulation No. 29 of 2004 regarding High Technology Production Facilities for Optical Discs;
- Government Regulation No. 1 of 2005 regarding the Procedure of Application for Registration of Industrial Designs;
- Government Regulation No. 2 of 2005 regarding the Consultant of the Intellectual Property Rights;
- Government Regulation No. 7 of 2005 regarding the Organization, Role and Function of the Trademark Appeal Commission;
- President Regulation No. 20 of 2005 regarding Filling, Examination, and Settlement Disputes of Trademark Appeal Procedures;
- Government Regulation No. 40 of 2005 regarding the Organization, Role and Function of the Patent Appeal Commission.

IV.10 Environment and International Trade

IV.10.A Indonesia

- **Trade and Environment issue in WTO**

As a member of the WTO, Indonesia actively participates in negotiation of Trade and Environment issues. However, a number of issues relating to the interaction between WTO rules and environmental objectives have been considered in disputes in the WTO. At Doha in November 2001, WTO Members agreed to specific but limited negotiations on particular trade and environment issues. With a view to enhancing the mutual supportiveness of trade and environment, trade ministers also agreed to negotiations on:

1. the relationship between existing WTO rules and Specific Trade Obligations (STOs) set out in multilateral environmental agreements (MEAs);
2. procedures for regular information exchange between MEA Secretariats and the relevant WTO committees, and the criteria for the granting of observer status;
3. The reduction or, as appropiate, elimination of tariff and non-tariff barriers to environmental goods (EGs) and services.

Negotiations on market access for environmental goods and services have made little progress. Developed countries favour variations on an agreed list of environmental goods. In contrast, developing countries including Indonesia would prefer to designate goods as “environmental” depending on their use in particular projects.

Refer to Paragraph 31 (i); Indonesia supports the proposal that there is no conflict between STOs in MEAs and WTO’s rules. In addition, Indonesia also refuses to apply MEAs experts in dispute settlement panel of WTO. For the Paragraph 31 (ii), Indonesia supports procedures for regular information exchange between MEA Secretariats and the relevant WTO committees. In relation with paragraph 31 (iii), Indonesia proposes that the criterias used in determination of EGs are “single environmental use” and “non-production process method (non-PPM)”.

V. ANALYSIS OF THE EFFECTS OF TARIFF REDUCTION ON CHILE/INDONESIA IMPORTS, EXPORTS AND INVESTMENT

V.1 Bilateral Trade Liberalization

V.1.A Chile

V.1.A.1 Introduction

This section analyses the effects that a tariff reduction would bring about in bilateral trade between Chile and Indonesia. The latter will consider a set of partial equilibrium models, one for exports and one for imports, taking into consideration Chilean trade data from 2007. Both models consist in studying each market separately and determining the <u>effect of a full tariff reduction</u> on the quantities demanded and supplied of goods, and does not take into account the relationships between these markets and the rest of the economy, as well as macro restrictions of resources in the economy. The final results in terms of imports and exports are given by the difference between demanded and supplied goods after the application of the tariff reduction. Other models might be analyzed, but in our experience partial equilibrium models are better suited for the impacts in small economies.

Since this analysis is performed only on traded goods, it leaves aside the potential trade between the two countries (trade in non-traded goods). This subset of products is important to analyze too, because allows to quantify the total gain of a Free Trade Agreement. We do this at the end of this chapter.

V.1.A.2 Analysis

The methodology to estimate the impact of a Chile – Indonesia FTA on **exports** and **imports,** global and by sectors[74] in described in this section.

V.1.A.2.1 Exports

Following the methodology suggested by Valdés, R.[75], in the case of the expansion of Chilean exports to the trade partner (in this case Indonesia), it is assumed that Chile is a "small country", thus the increase in the exports quantum will depend on the price elasticity of the exports supply. The observed price in the trade partner (Indonesia) is equivalent to the international price plus the prevailing (current) tariff, $p^* (1 + t_0)$, and it does not change as a consequence of the FTA. Thus, the tariff rebate will mean a higher price for the exporter of the "small" country, and as a consequence it will be experienced an increase in the exported volume (quantity). The exporters, with the FTA, will face a new tariff t_1, and by definition the consumers of the trading partner will not experience a change in the paid price, exporters receive $p^*(1 + t_0) / (1 + t_1)$ for their goods. In algebraic terms, the increase of Chilean exports to the trade partner (Indonesia in this case) is expressed as follows:

$$\Delta X = X_T \bullet \varepsilon_p \bullet \Delta t_T / (1 + t_1)$$

In which,

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[74] Evaluación Impacto Liberalización Comercial. "Una Metodología para Evaluar el Impacto Cuantitativo de una Liberalización Comercial: Aplicación al ALC entre Chile y EEUU". 1992, Estrategia Comercial Chilena para la Década del 90. Andrea Butelman y Patricio Meller, CIEPLAN.

[75] Document of the earlier footnote, based in Cline, W. (1978), "Trade negotiations in the Tokyo Round: A Quantitative Assessment", Washington D.C., Brookings Institution, and other publications.

ΔX : increase of Chilean exports sent to the trade partner (Indonesia)

X_T : Current Chilean exports to Indonesia

ε_p : Price elasticity of Chilean exports supply

Δt_T : differential between the current Indonesia tariff and the tariff after the FTA

t_1 : Indonesia tariff after the FTA

The above-mentioned equation is applied to each custom classification item, provided that the following conditions are met:

Trade before the FTA is > 0, and

Tariff equivalent or current (ad-valorem)> 0

If these conditions are not met, the calculation carried out for each item is cancelled.

For the global impact, it is considered that the addition of the change in every single export item to Indonesia would reflect the total increase in Chilean exports to that country in the hypothesis that <u>all customs items would simultaneously face a zero tariff</u>[76]. The above-mentioned implies that the obtaining of the dear result requires of a certain period, determined by the tariff reduction terms negotiated among the parties.

V.1.A.2.2 Imports

Following the same approach by Valdés, R., the measurement of the change in imports coming from the trade partner, when this is a consequence of a bilateral tariffs reduction, considers two impacts: trade creation and trade diversion. The first one implies a larger availability of units of the considered item. In turn, the second case involves the substitution of other sources of supply in favor of the trade partner, assuming that the total availability of goods remain constant. Both impacts are expressed algebraically as follows:

$$CC = M^T \bullet \eta_p \bullet \Delta t_{CH} / (1 + t_0)$$

$$DC = (\rho \bullet P_r \bullet M^T \bullet M^{RM}) / (M^T + M^{RM})$$

By which,

CC : Trade creation of Chilean imports coming from the trade partner (Indonesia)

M^T : Current Chilean imports from Indonesia

η_p : Price elasticity of Chilean imports demand

Δt_{CH} : differential between the Chilean current tariff and the free trade tariff applied to the trade partner

t_0 : Current Chilean tariff[77] or before FTA applied to the trade partner

DC : Chilean Imports trade diversion in benefit of Indonesia exports

: Elasticity of substitution among imported goods coming from different markets

M^{RM} : Chilean imports from the rest of the world

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[76] It is to be pointed out that, as it is not possible to apply the mathematical expression to those goods that Chile currently does not export to the trade partner (Indonesia), even if Chile has comparative advantages in those products, the global estimate would be undervalued.

[77] The Chilean unilateral tariff rate since 2003 is a flat 6%.

P_r : Proportional variation in the relative prices, expressed as:

$$P_r = [(1 + t_1^{T}) / (1 + t_1^{ROW}) \; / \; (1 + t_0^{T}) / (1 + t_0^{ROW})] - 1$$

In which, t_1^{T} and t_0^{T} are the actual tariffs applied to Indonesia after and before the FTA. And, in turn, t_1^{ROW} and t_0^{ROW} are the actual tariffs applied to the rest of the world after and before the FTA.

Similar to the case of exports, these expressions are used to calculate the impact in each customs item and then, added will represent the larger trade imports coming from Indonesia as a consequence of the FTA.

Based on the earlier, and using the Harmonised System of Chilean Tariffs (SACH), are obtained the global impact on Chilean exports and imports. As a next step, comparing the equivalence of the customs classification and the ISIC, it is possible to get the impact of the FTA with Indonesia at a sector level.

V.1.A.3 Conclusions

V.1.A.3.1 Trade impact of a Free Trade Agreement between Chile and Indonesia

The prospective Free Trade Agreement (FTA) between Chile and Indonesia raises basic questions related to the impact that it might induce in the trade flows between both countries. The change that these flows might experience is part of the components that will help to assess if the agreement is beneficial for the Chilean economy. To attempt to obtain the required information in this respect, the methodology that has been earlier described was used. It is necessary to point out that there are other questions related to the potential FTA between Chile and Indonesia that go beyond the scope of the analysis presented in the above mentioned methodology.

The assessment of the impact of a potential FTA between Chile and Indonesia is based on the figures for imports and exports in 2007, excluding those items with special tariffs treatment (or qualification, STT).

The assessment considers the change that both Chilean imports and exports from and to Indonesia might experience, considering the present tariffs paid by each partner and then a hypothetical scene by which each all customs items would face simultaneously a zero tariff, that is a free trade between the two countries.

Besides, to estimate the changes in exports and trade creation on the imports side it was necessary to use the supply price elasticities of exports and the demand price elasticities for imports that correspond to the ones used by Valdés (1992). Concerning trade diversion on the imports side that would be experienced because of the FTA, it is required to have the value of the elasticity of substitution for imported goods from different markets. For that purpose, the value of 1.5 was chosen, as recommended by UNCTAD (1989)[78].

Chilean exports to Indonesia reached in 2007 approximately 237.4 million dollars FOB, comprising 96% of products without tariff. On the other hand, Chilean imports added to around 188 million dollars CIF for the same year. These are concentrated in mineral fuels and rubber and articles thereof (Chapters 27 and 40 of the harmonized system), which as a whole represent more than 50% of total imports from Indonesia last year.

[78] UNCTAD – WORLD BANK (1989), A User's Manual for SMART, Software for Market Analysis and Restrictions on Trade.

V.1.A.3.2 Change in exports

Since it is mentioned in the methodology, the customs tariff subject to evaluation are only those that (1) the traded value >0, and (2) the duty paid in the place of destination >0. With such a consideration, there were evaluated 39 customs tariffs at 6-digits level (of a whole of 115 custom tariffs), that totalized 8.3 millions of dollars FOB in 2007 (of a total of 188 millions of dollars).

The estimated change in the Chilean exports to Indonesia of those 39 customs tariffs as consequence of the FTA, under the assumption that the tariff reduction for the Chilean products would be full and immediate, is presented in the following Table 5.1. It is observed that Chilean exports of that basket to Indonesia in 2007 might increase by 1.9 million dollars FOB, equivalent to a 23.2% growth of the pre – FTA figure. It is necessary to highlight that, the chapter 8 by itself explains 33.2% of the estimated total increase. Moreover, only the grapes represent 23% of the total change.

The prudent estimated change (in value) in the Chilean exports is a consequence of the high concentration in value that possesses the basket exported by Chile to Indonesia, and that already faces zero duty, as it has been previously mentioned. This fact, raises the question on those products that would be potentially exportable for Chile if Indonesia were applying a full tax relief as consequence of a FTA. An attempt for measuring the potentially traded Chilean exports to Indonesia (trade of non-trade goods) develops under the title *Potential Trade*.

In the same line of reasoning, it should be taken into account that any methodology of estimates of trade impact will produce underestimated results, because are only computed those customs lines for which trade is higher than zero. In fact the reduced exported basket to Indonesia is indicative that a basket of products which present real competitive advantages are not commercialized possibly because of the high Indonesian tariffs that they face (in the end, can be inhibitory tariff, that would nullify trade). Because of that, it is reasonable to expect that trade expansion would effectively demonstrate Chilean exports to Indonesia as a consequence of the FTA might be considerably higher than the one presented in this Table 5.1.

Table 5.1. Change in Chilean Exports to Indonesia Because of the FTA by HS Chapter. Rates of Growth and Average *ad valorem* Tariffs (figures in dollars FOB and percentages)

N°	HS6d	Decription	Tariff	Exports Value (FOB US$)	Export Variation (FOB US$)	Export Growth (percentages)
1	30322	Atlantic & danube salmon, excl.fillets, livers and roes, frozen	5	537,742	62,916	11.7
2	60410	Mosses and lichens	15	65,293	34,866	53.4
3	70200	Tomatoes, fresh or chilled	5	179	32	17.8
4	80510	Oranges, fresh	5	6,456	1,149	17.8
5	80540	Grapefruit, including pomelos fresh or dried	5	1,982	353	17.8
6	80610	Grapes, fresh	5	1,957,057	348,356	17.8
7	80810	Apples, fresh	5	371,547	66,135	17.8
8	80820	Pears and quinces, fresh	5	138,195	24,599	17.8
9	80930	Peaches, including nectarines, fresh	5	86	15	17.8
10	80940	Plums and sloes, fresh	5	32,269	5,744	17.8
11	81050	Kiwi fruit, fresh	5	267,236	47,568	17.8
12	130239	Carageenan	5	5,217	610	11.7
13	130239	Mucilages & thickeners,whether or not modified,derived from vegetable products	5	8,835	1,034	11.7
14	150410	Fish-liver oils and their fractions, unfit for human consumption	5	56,554	6,617	11.7
15	150420	Fats & oil of fish, not liver oils solid fraction, not chemically modified	5	176,731	20,677	11.7
16	150420	Fats & oil of fish, not liver oils other fraction, not chemically modified	5	398,868	46,668	11.7
17	151610	Animal fats & oils and their fractions, in packing net weight >=10 kg	5	32,676	3,823	11.7
18	160413	Sardines, prepared or preserved in other	5	8,150	954	11.7
19	160413	Sardines, prepared/preserved in airtight container	10	26,865	6,286	23.4
20	160415	Mackerel, prepared or preserved, in other	5	91,382	10,692	11.7
21	160415	Mackerel, prepared or preserved, in airtight containers	10	460,193	107,685	23.4
22	160419	Horse mackerel, in airtight containers	5	25,308	2,961	11.7
23	160590	Abalone, prepared or preserved	5	346	40	11.7
24	160590	Oth crustaceans, molluscs & oth.aquatic invertebrates, prepared or preserved	5	6,354	743	11.7
25	170490	Oth sugar confectionery, not cont.cocoa	10	14,136	3,308	23.4
26	200560	Asparagus, not frozen, not prepared or preserved by vinegar or acetic acid	5	1,502	176	11.7
27	200892	Mixtures of other edible parts of plant not added sugar,in/not airtight contain.	5	55,577	6,502	11.7
28	210120	Mate preparations consisting of a mixtur mate , milk powder and sugar	5	71,729	8,392	11.7
29	210690	Other food preparations not elsewhere specified or included	5	568	66	11.7
30	282520	Lithium oxide and hydroxide	5	53,871	6,303	11.7
31	283421	Nitrates of potassium	5	271,869	31,809	11.7
32	283691	Lithium carbonates	5	67,834	746	1.1
33	300490	Oth infusion fluids; nutritional or electrolytic solutions	5	26,764	3,131	11.7
34	330290	Oth prep based on odoriferous subs- tances for the manuf of beverages	5	47,198	5,522	11.7
35	400911	Tube,pipe & hose, not reinforced/other material without fitting	5	286	34	11.7
36	401693	Oth gaskets, washers & oth seals	5	16	2	11.7
37	481039	Kraft paper and paperboard in other size	5	22,060	518	2.4
38	870850	Drive-axles of subheading 8701.10 or 8701.90 not fully assembled	15	2,992,061	1,050,213	35.1
39	870899	Parts of suspension shock-absorbers	15	54,095	18,987	35.1
		Total		**8,355,084**	**1,936,234**	

Elaboration: Department of Studies and Information, DIRECON FAL/fal

V.1.A.3.3 Change in imports

The scenario ex-post FTA Chile – Indonesia considered to estimate the change in Chilean imports from Indonesia assumes a zero tariff for the products imported from Indonesia and a 6% tariff to products from the rest of the world. The following Table V.2 shows that trade creation might reach a value of 12.7 million dollars CIF, equivalent to a 6.7% growth over the figure of the year 2007. The estimate of trade diversion would mean an increase of 5.4 million dollar CIF. Taken together, it would be observed that total Chilean imports from Indonesia would increase by 18.2 million dollars CIF, which is equivalent to an expansion of 9.7% of imports.

Both impacts, the trade creation and trade diversion would be concentrated in mineral fuels, electrical machinery (chapters 27 and 85), representing a 47.3% of the estimated trade creation and a 22.4% of the estimated trade diversion.

It is necessary to take into account that even if trade diversion means more imports from Indonesia, they do not indicate higher total Chilean imports, as they imply a substitution of the supply sources.

However, the size of the Chilean imports basket from Indonesia (573 customs lines) compared to the total Chilean imports form the world (more than 6,700 customs lines) in the year 2007, is relatively low, a situation that allows to expect that were an FTA prevail between both parties, this would intrinsically facilitate trade relations and it might be observed the arrival on new products of Indonesian origin, which would increase the change in imports from that country.

Table 5.2. Change in Chilean Imports from Indonesia Because of the FTA, and Rates of Growth by HS Chapter (figures in dollars CIF and percentages)

HS 2D	Description	Value (US$)	Trade Creation	Trade Divertion	Change in Imports
3	Fish and crustaceans, molluscs and other aquatic invertebrates.	54.841	4.346	44	4.389
5	Products of animal origin, not elsewhere specified or included.	4.421	125	248	373
8	Edible fruit and nuts; peel of citrus fruit or melons.	412.733	11.681	17.174	28.855
9	Coffee, tea, maté and spices.	767.424	60.815	40.569	101.384
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; i	3.125.524	88.458	65.792	154.250
14	Vegetable plaiting materials; vegetable products not elsewhere specifie	2.113	60	114	174
15	Animal or vegetable fats and oils and their cleavage products; prepare	92.200	7.306	5.201	12.508
16	Preparations of meat, of fish or of crustaceans, molluscs or other aqua	25.691	2.036	1.417	3.453
17	Sugars and sugar confectionery.	106.966	8.477	5.769	14.245
18	Cocoa and cocoa preparations.	333.041	26.392	18.336	44.728
19	Preparations of cereals, flour, starch or milk; pastrycooks' products.	71.799	5.690	4.036	9.726
20	Preparations of vegetables, fruit, nuts or other parts of plants.	1.628.406	129.044	72.828	201.871
23	Residues and waste from the food industries; prepared animal fodder.	26.250	2.080	1.485	3.566
25	Salt; sulphur; earths and stone; plastering materials, lime and cement.	852	48	48	96
27	Mineral fuels, mineral oils and products of their distillation; bituminou	80.683.677	4.567.001	530.239	5.097.240
28	Inorganic chemicals; organic or inorganic compounds of precious me	1.464	99	83	182
29	Organic chemicals.	1.831.140	124.379	93.199	217.579
30	Pharmaceutical products.	1.661	113	94	207
31	Fertilisers.	10.304.325	699.916	547.903	1.247.820
32	Tanning or dyeing extracts; tannins and their derivatives; dyes, pigmer	527.049	35.800	29.253	65.052
33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations	4.387	298	248	546
34	Soap, organic surface-active agents, washing preparations, lubricating	77.167	5.232	4.356	9.588
35	Albuminoidal substances; modified starches; glues; enzymes.	789	54	45	98
37	Photographic or cinematographic goods.	944.406	64.148	44.137	108.285
38	Miscellaneous chemical products.	104.743	7.115	5.747	12.862
39	Plastics and articles thereof.	206.512	23.377	11.674	35.051
40	Rubber and articles thereof.	18.346.849	576.334	396.897	973.231
42	Articles of leather; saddlery and harness; travel goods, handbags and s	138.310	7.829	7.793	15.622
44	Wood and articles of wood; wood charcoal.	689.559	39.032	35.492	74.524
45	Cork and articles of cork.	456	26	26	52
46	Manufactures of straw, of esparto or of other plaiting materials; baske	87.516	4.954	4.681	9.635
48	Paper and paperboard; articles of paper pulp, of paper or of paperboa	1.183.514	40.533	64.585	105.118
49	Printed books, newspapers, pictures and other products of the printin	35.459	3.011	1.989	4.999
50	Silk.	3.833	412	215	628
52	Cotton.	1.412.157	151.873	58.342	210.216
53	Other vegetable textile fibres; paper yarn and woven fabrics of paper y	4.207	452	0	452
54	Man-made filaments.	2.334.759	188.324	114.306	302.630
55	Man-made staple fibres.	4.367.659	465.085	179.610	644.696
56	Wadding, felt and nonwovens; special yarns; twine, cordage, ropes and	54.455	5.857	3.071	8.927
57	Carpets and other textile floor coverings.	37.610	4.045	2.123	6.168
58	Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings	4.892	526	275	801
59	Impregnated, coated, covered or laminated textile fabrics; textile articl	500.181	53.793	26.386	80.179
61	Articles of apparel and clothing accessories, knitted or crocheted.	1.687.159	95.500	94.070	189.569
62	Articles of apparel and clothing accessories, not knitted or crocheted.	3.058.037	173.096	164.567	337.664
63	Other made up textile articles; sets; worn clothing and worn textile art	430.262	46.184	22.978	69.162
64	Footwear, gaiters and the like; parts of such articles.	8.245.794	612.410	432.282	1.044.692
65	Headgear and parts thereof.	135.276	7.657	7.594	15.251
66	Umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-cro	1.440	122	81	204
67	Prepared feathers and down and articles made of feathers or of down	4.797	407	262	669
68	Articles of stone, plaster, cement, asbestos, mica or similar materials.	66.979	7.583	3.753	11.336
69	Ceramic products.	544.424	61.633	30.617	92.250
70	Glass and glassware.	2.607.339	295.170	132.196	427.366
71	Natural or cultured pearls, precious or semi-precious stones, precious	53.905	4.577	3.030	7.607
73	Articles of iron or steel.	176.440	19.959	9.777	29.736
74	Copper and articles thereof.	62	7	4	11
76	Aluminium and articles thereof.	322.903	36.555	17.645	54.200
82	Tools, implements, cutlery, spoons and forks, of base metal; parts the	314.383	35.591	17.591	53.182
83	Miscellaneous articles of base metal.	26.056	2.950	1.463	4.412
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts	10.903.281	1.153.706	564.127	1.717.833
85	Electrical machinery and equipment and parts thereof; sound recorde	12.873.004	1.457.189	688.031	2.145.219
86	Railway or tramway locomotives, rolling-stock and parts thereof; railw	321	29	18	47
87	Vehicles other than railway or tramway rolling-stock, and parts and ac	8.804.387	797.378	492.490	1.289.869
90	Optical, photographic, cinematographic, measuring, checking, precisic	2.372.982	161.184	116.340	277.523
91	Clocks and watches and parts thereof.	106.518	7.235	5.854	13.089
92	Musical instruments; parts and accessories of such articles.	632.896	53.736	33.614	87.351
94	Furniture; bedding, mattresses, mattress supports, cushions and simila	1.630.182	96.784	64.290	161.074
95	Toys, games and sports requisites; parts and accessories thereof.	2.284.768	193.990	126.552	320.542
96	Miscellaneous manufactured articles.	136.417	11.583	6.378	17.960
	Total	**187.961.007**	**12.748.388**	**5.431.434**	**18.179.822**

Elaboration: Department of Studies and Information, DIRECON FAL/fal

V.1.B Indonesia

V.1.B.1 Analysis of Indonesia-Chile Trade Relation

While Indonesia and Chile are already important trading partners of one another, trade does appear to be concentrated in a handful of products types. In this chapter a series of trade indices are used to investigate whether the Chile and Indonesian economies are complementary to one another, or are competing economies. The degree of complementarity is an important determinant of the magnitude of benefits from a preferential trade agreement. The gains from trade liberalisation will be greatest when the liberalising economies are complementary trading partners. The trade indices can also provide insight into where a country's competitive 'edge' lies, and hence provide insight into likely sectoral impacts of a trade agreement.

Complementary trading partners, in many ways, are characterized by the differences in the goods and services produced and consumed between the economies. Economies that produce a different 'basket' of goods and services to other countries have greater potential for gains from trade. That is, trade is more likely to occur when two economies produce and export different goods and services rather than the same goods and services (with the exception of intra-industry trade).

To estimate the degree to which Chile and Indonesia have complementary rather than competing economies, several indices are constructed. The indices used to assess the extent of complementarity between the Chile and Indonesian economies comprise the:

- revealed symmetric comparative advantage index (RSCA)
- trade specialisation index (TSI)
- bilateral trade intensity index (BTTI)
- trade complementarity index (TCI)

All indices are constructed using Harmonized System (HS) 2 digit level data (which identifies 96 product groups), but for ease of presentation results are grouped into HS codes.

V.1.B.1.1 Comparative Advantage Index

The revealed symmetric comparative advantage (RSCA) index measures the relative competitive performance of Chile's and Indonesia's exports respectively. The RSCA index can be used to assess a country's export competitiveness relative to a trading partner, or relative to the world.

Table 5.3 presents the RSCA index for Indonesia in Chile and world market, which ranges from -1 to 1, where a value greater than/less than zero reveals a country's comparative advantage/disadvantage in the production of a good. The cells highlighted in Table 5.3 reflect the products of Indonesia in Chile and world market have comparative advantage. An illustration of this is fish and crustacea (HS 03), in which Indonesia has a comparative advantage both in Chile and world market. Other products which have comparative advantage both in Chile and world market are Coffee, tea, mat and spices (HS 09); Lac, gums, resins & other vegetable (HS 13); Miscellaneous edible preparations (HS 21); vegetable plaiting materials (HS 14); Live animal (HS 01); and Dairy products (HS 04).

Table 5.3. Indonesia Competitiveness (RSCA) in Global and Chile Market

HS	Product Name	RSCA Indonesia, relative to	
		Chile	Global
03	Fish & crustacean, mollusc & other	1,00	0,91
09	Coffee, tea, matï and spices.	0,98	0,89
05	Products of animal origin, nes or	1,00	0,77
54	Man-made filaments.	0,43	0,76
13	Lac; gums, resins & other vegetable	0,94	0,71
02	Meat and edible meat offal	1,00	0,70
21	Miscellaneous edible preparations.	0,91	0,69
14	Vegetable plaiting materials; veget	0,93	0,68
86	Railw/tramw locom, rolling-stock &	-0,71	0,63
25	Salt; sulphur; earth & ston; plaste	0,87	0,60
10	Cereals	0,98	0,56
01	Live animals	1,00	0,54
04	Dairy prod; birds' eggs; natural ho	1,00	0,51
80	Tin and articles thereof.	-0,58	0,50
65	Headgear and parts thereof.	-0,05	0,49
78	Lead and articles thereof.	-0,47	0,48
08	Edible fruit and nuts; peel of citr	0,98	0,44
44	Wood and articles of wood; wood ch	0,57	0,43
16	Prep of meat, fish or crustaceans,	0,92	0,42
92	Musical instruments; parts and acce	-0,88	0,36
73	Articles of iron or steel.	-0,41	0,36
23	Residues & waste from the food indu	0,91	0,34
36	Explosives; pyrotechnic prod; match	0,76	0,28
17	Sugars and sugar confectionery.	0,92	0,24
07	Edible vegetables and certain roots	0,98	0,24
28	Inorgn chem; compds of prec mtl, r	0,83	0,22
15	Animal/veg fats & oils & their clea	0,93	0,18
69	Ceramic products.	-0,27	0,14
35	Albuminoidal subs; modified starche	0,76	0,03

V.1.B.1.2 Bilateral Intensity Index

Bilateral intensity is determined by comparing bilateral export trade between Chile and Indonesia to that which each exports to the rest of the world. Trade is deemed intense if they trade with each other relatively more than they do with the rest of the world. Table below presents the bilateral trade index for Chile and Indonesia in which the products have values greater than one indicate intense trade. Indonesia’s trade with Chile is deemed more intense than Chile’s with Indonesia as shown in Table 5.4.

Table. 5.4 Bilateral trade intensity index

HS	Products Name	TII	
		Indonesia	Chile
12	**Oil seed, oleagi fruits; miscell gr**	**7,02**	**0,00**
31	**Fertilisers.**	**6,24**	**0,76**
97	**Works of art, collectors' pieces an**	**4,19**	**0,00**
70	**Glass and glassware.**	**2,52**	**0,02**
20	**Prep of vegetable, fruit, nuts or o**	**2,44**	**0,15**
95	**Toys, games & sports requisites; pa**	**2,09**	**0,00**
36	**Explosives; pyrotechnic prod; match**	**1,09**	**0,00**
87	**Vehicles o/t railw/tramw roll-stock**	**1,03**	**1,00**
90	**Optical, photo, cine, meas, checkin**	**0,99**	**0,44**
08	**Edible fruit and nuts; peel of citr**	**0,93**	**0,11**
55	**Man-made staple fibres.**	**0,84**	**0,00**
64	**Footwear, gaiters and the like; par**	**0,77**	**0,00**
85	**Electrical mchy equip parts thereof**	**0,65**	**0,08**
82	**Tool, implement, cutlery, spoon & f**	**0,55**	**0,04**
65	**Headgear and parts thereof.**	**0,54**	**0,00**
59	**Impregnated, coated, cover/laminate**	**0,53**	**0,00**
54	**Man-made filaments.**	**0,47**	**0,00**
71	**Natural/cultured pearls, prec stone**	**0,46**	**0,00**
84	**Nuclear reactors, boilers, mchy & m**	**0,40**	**1,20**
29	**Organic chemicals.**	**0,38**	**0,00**

V.1.B.1.3 Trade Specialization Index

The trade specialization index (TSI) is the most widely-used measure to analyze bilateral competitiveness. It does this by comparing the net flow of goods (exports minus imports) to the total flow of goods (exports plus imports) for Chile and Indonesia, each with the world respectively. A positive value indicates that a country exports more goods in that product group than it imports inferring that it specializes in the production of those goods. The cells highlighted in Table 5.5 represent those product groups that Chile and Indonesia specialize in.

We have also calculated the simple correlation coefficient between Chile and Indonesia's TSI. The correlation coefficient can take a value from -1 to 1. A positive correlation coefficient indicates that the economies are competitors since both countries specialize (or are net exporters) of the same products. Consequently, a negative value suggests that the economies do not specialize in the production of the same goods, and therefore are natural trading partners. The TSI for Chile and Indonesia are positively correlated for some product, such as manufacture of straw (HS 46), art of apparel (HS 62) and fish product (HS 03), providing evidence of the competition nature of their economies.

Table 5.5. Trade Specialisation Index (2007)

HS	Product Name	TSI	
		Indonesia	Chile
98	Commodities specified at chapter level only	1,00	0,90
99	Commodities not elsewhere specified	0,99	-0,94
80	Tin and articles thereof.	0,98	-0,69
15	Animal/veg fats & oils & their clea	0,98	-0,94
75	Nickel and articles thereof.	0,97	-0,97
46	Manufactures of straw, esparto/othe	0,97	0,96
14	Vegetable plaiting materials; veget	0,97	-0,95
61	Art of apparel & clothing access,	0,96	-0,77
62	Art of apparel & clothing access, n	0,95	0,98
03	Fish & crustacean, mollusc & other	0,94	0,96
71	Natural/cultured pearls, prec stone	0,93	0,77
16	Prep of meat, fish or crustaceans,	0,93	-1,00
67	Prepr feathers & down; arti flower;	0,92	-0,61
43	Furskins and artificial fur; manuf	0,92	0,87
26	Ores, slag and ash.	0,90	-0,95
64	Footwear, gaiters and the like; par	0,85	0,86
44	Wood and articles of wood; wood ch	0,84	-0,26
18	Cocoa and cocoa preparations.	0,83	-0,96
92	Musical instruments; parts and acce	0,83	-0,73
94	Furniture; bedding, mattress, matt	0,81	-0,53
09	Coffee, tea, matï and spices.	0,81	1,00
74	Copper and articles thereof.	0,80	-0,83
63	Other made up textile articles; set	0,78	-0,56
40	Rubber and articles thereof.	0,69	-0,14
48	Paper & paperboard; art of paper pu	0,69	-0,81
54	Man-made filaments.	0,63	-0,61
55	Man-made staple fibres.	0,63	0,47
06	Live tree & other plant; bulb, root	0,61	-0,92
57	Carpets and other textile floor co	0,58	-0,95
65	Headgear and parts thereof.	0,53	-0,38
97	Works of art, collectors' pieces an	0,53	-0,38
70	Glass and glassware.	0,52	-0,96

V.1.B.1.4 Trade Complementary Index

The likely success of a preferential trade agreement between Chile and Indonesia can be summarised by the trade complementarity index. The trade complementarity index assesses the suitability of a preferential trade agreement between two economies given how well the structure of one potential partner’s exports match the imports of the other potential partner.

Table 5.6. Complementary Index for Indonesia and Its Major Partners

		Indonesia		Chile	
		Export complementarity	Import complementarity	Export complementarity	Import complementarity
1	Indonesia	na	na	16	64
2	Chile	64	16	na	na
3	United States	57	57	19	64
4	Japan	69	47	26	53
5	China	50	46	22	51
6	Brazil	54	56	16	57
7	Korea Rep.	64	53	20	57
8	Mexico	43	55	17	67

Note: Critical value is 40. A TCI greater than 40 indicates that the economies are highly complementary.
Data source : UNCOMTRADE

The trade complementarity index has been constructed for each year from 1996 to 2007, as illustrated in table 5.4. As can be seen, the complementarity between the Chilean and Indonesian economies has improved over time (particular from the perspective of Indonesia), and that the degree of complementarity is approximately equal for Chile and Indonesia.

V.1.B.2 Analysis of Trade Effect

The prospective Free Trade Agreement (FTA) between Indonesia and Chile raises basic questions related to the impact that it might induce in the trade flows between both countries. The change that these flows might experience is part of the components that will help to assess if the agreement is beneficial for the Indonesian economy. To attempt to obtain the required information in this respect, the methodology that has been earlier described in Chapter 1 was used. It is necessary to point out that there are other questions related to the potential FTA between Chile and Indonesia that go beyond the scope of the analysis presented in the above mentioned methodology.

Since the assessment of the impact of a potential FTA between Indonesia and Chile is using the SMART analysis from WITS, thus the simulation is based on the figures for imports and exports which are available on WITS database. The assessment considers the change that both Indonesian imports and exports from and to Chile might experience, considering the present tariffs paid by each partner and then a hypothetical scenario by which each all customs items would face simultaneously a zero tariff. In other words, that is assumed that free trade between the two countries was taken place in this study. Besides, the Indonesian trade from and to the rest of the world are also counted in this cutting tariff simulation.

Indonesian exports to Chile in 2008 reached approximately 173.86 million dollars *FOB*, comprising of vegetable products that is counted as 4.3 million dollars, equivalent with 2.5% of total export; prepared food stuff, beverages, spirit and vinegar counted as 2.1 million dollars or 1.2% of total trade. Chemical product and allied industries contributes 12.85 million dollars or 7.4% of total trade; Rubbers product gives 10.5 % share or equivalent with 18.3 million dollars. Moreover, Textile product gives 13.65 million dollars to Indonesian export equivalent with 7.85% share. Export of nuclear reactor and machinery contribute US$ 16.6 million or 9.6% of total export. And other products that contributes significantly is Vehicle (Ch. 87) which is counted as 8.8 million dollars or 5.1% share.

Indonesian imports from Chile in 2007 added to around 237 million dollars CIF. These are concentrated in Mineral products and Pulp of Wood products which are accounted respectively as US$ 80.8 million and US$ 131.2 million.

V.1.B.2.1 Change in Indonesian exports

The estimated change in exports from Indonesia to Chile as a consequence of the FTA, under the assumption that the tariff reduction for Chilean products would be full and immediate, is presented in the following Table 5.7. It is observed that exports to Chile in 2008 would increase by 23.3 million dollars FOB, equivalent to a 13.4% growth of the pre- FTA figure. 10 Chapters explain an 84% of this estimated increase in exports, they are (Ch. 27 Mineral fuels; Ch. 31 Fertilizer; Ch. 40 Rubber; Ch. 55, 61, 62 Textile and Textile products; Ch. 64 Footwear. Ch. 84, 85 Nuclear and electrical mach. equipment; and Vehicle Ch. 87. Footwear (Ch. 64) would generate an additional 1,51% of the total change in exports. Vehicle (Ch. 87) explain 1.14% of the increase of Indonesian export to Chile. Electrical machinery would generate 1.25% of total increase Indonesia export to Chile. At lower rates are observed Fertilizer (Ch. 31), and Rubber (Ch. 40), that would add to 1.03% and 0.9% of the total increase respectively. Other products that contribute significantly to Indonesian export to Chile are Art of Apparel & clothing access (Ch. 61 and 62), man-made staple fibers (Ch. 55), Organic chemical (Ch. 29), that would count to 0.81%, 0.4%, and 0.2% of the total increase respectively.

The important rates of growth even if the absolute values are moderate, respond to the high preference that is estimated that Chile would grant to the Indonesian supplies, considering that they would reach a zero tariff. The following Table 5.7 shows the *ad valorem* tariffs applied by Chile to the Indonesian exports in 2008 as an average for each customs Chapter. In all, the simple average of the mixed tariff it is around 6%.

As a final comment, it should be taken into account that any methodology of estimates of trade impact will produce underestimated results, because they only computed those tariff lines for which trade value and duty are higher than zero. Therefore, it is reasonable to expect that trade expansion would effectively demonstrate Indonesian exports to Chile as a consequence of the FTA might be considerably higher than the one presented in this Table 5.7.

Table. 5.7 Change in Indonesian Exports to Chile Because of the FTA by HS Chapter.

(HS)	Chapter Description	Export before FTA 2008 (US$ 000)	Export after FTA 2008 (US$ 000)	Change of Export 2008 (US$ 000)	Share in Change of Export (%)	Rate of Growth (%)	Contribution in Rate of Growth (%)	Tariff average ad valorem
	Total Trade	173,859	197,159	23,300	100.00	13.40	13.40	
	VEGETABLE PRODUCTS							
08	**Edible fruit and nuts; peel of citr**	**412.72**	**448.07**	**35**	**0.15**	**8.6**	**0.02**	**6**
09	**Coffee, tea, matï and spices.**	**767.38**	**879.67**	**112**	**0.48**	**14.6**	**0.06**	**6**
12	**Oil seed, oleagi fruits; miscell gr**	**3125.45**	**3360.14**	**235**	**1.01**	**7.5**	**0.13**	**6**
14	**Vegetable plaiting materials; veget**	**2.11**	**2.33**	**0.22**	**0.00**	**10.6**	**0.00**	**6**
	(CHAPTER 15) ANIMAL OR VEGETABLE FATS AND OILS AND THEIR CLEAVAGE PRODUCT ; PREPARED EDIBLE FATS; ANIMAL OR VEG WAXES	**92.20**	**106.14**	**14**	**0.06**	**15.1**	**0.01**	**6**
	PREPARED FOOD STUFFS; BEVERAGES, SPIRIT, AND VINEGAR							
17	**Sugars and sugar confectionery.**	**106.96**	**122.74**	**16**	**0.07**	**14.8**	**0.01**	**6**
18	**Cocoa and cocoa preparations.**	**333.03**	**382.77**	**50**	**0.21**	**14.9**	**0.03**	**6**
19	**Prep.of cereal, flour, starch/milk;**	**71.80**	**82.65**	**11**	**0.05**	**15.1**	**0.01**	**6**
20	**Prep of vegetable, fruit, nuts or o**	**1628.37**	**1846.97**	**219**	**0.94**	**13.4**	**0.13**	**6**
	(CHAPTER 27) MINERAL FUELS, OIL AND PRODUCTS OF THEREOF	**80683.63**	**87012.12**	**6,328**	**27.16**	**7.8**	**3.64**	**6**
	PRODUCTS OF THE CHEMICAL OR ALLIED INDUSTRIES							
29	**Organic chemicals.**	**1831.11**	**2146.12**	**315**	**1.35**	**17.2**	**0.18**	**6**
31	**Fertilisers.**	**10304.31**	**12102.99**	**1,799**	**7.72**	**17.5**	**1.03**	**6**
32	**Tanning/dyeing extract; tannins &**	**527.02**	**621.48**	**94**	**0.41**	**17.9**	**0.05**	**6**
33	**Essential oils & resinoids; perf,**	**4.38**	**5.17**	**1**	**0.00**	**18.1**	**0.00**	**6**
34	**Soap, organic surface-active agents**	**77.16**	**91.06**	**14**	**0.06**	**18.0**	**0.01**	**6**
38	**Miscellaneous chemical products.**	**104.74**	**127.82**	**23**	**0.10**	**22.0**	**0.01**	**6**
	(CHAPTER 39) PLASTICS AND ARTICLE THREOF	**206.46**	**284.54**	**78**	**0.34**	**37.8**	**0.04**	**6**
	(CHAPTER 40) RUBBER AND ARTICLE THERE OF)	**18346.76**	**19886.34**	**1,540**	**6.61**	**8.4**	**0.89**	**6**
	(CHAPTER 42) ARTICLE OF LEATHER; SADLERY/HAME	**138.15**	**181.17**	**43**	**0.18**	**31.1**	**0.02**	**6**
	(CHAPTER 44) WOOD AND ARTICLE OF WOOD, WOOD CHARCOAL	**522.63**	**607.10**	**84**	**0.36**	**16.2**	**0.05**	**6**
	WASTE AND SCRAP OF PAPER OR PAPERBOARD;PAPER OR PAPERBOARD AND ARTICLE THEREOF							
48	**Paper & paperboard; art of paper pu**	**1183.46**	**1376.53**	**193**	**0.83**	**16.3**	**0.11**	**6**
49	**Printed books, newspapers, pictures**	**35.44**	**40.77**	**5**	**0.02**	**15.0**	**0.00**	**52.08**
	TEXTILE AND TEXTILE PRODUCTS							
52	**Cotton.**	**1412.13**	**1605.55**	**193**	**0.83**	**13.7**	**0.11**	**6**
54	**Man-made filaments.**	**2114.10**	**2438.41**	**324**	**1.39**	**15.3**	**0.19**	**6**
55	**Man-made staple fibres.**	**4367.58**	**5005.90**	**638**	**2.74**	**14.6**	**0.37**	**6**
56	**Wadding, felt & nonwoven; yarns; tw**	**54.45**	**63.13**	**9**	**0.04**	**15.9**	**0.00**	**6**
57	**Carpets and other textile floor co**	**37.61**	**43.65**	**6**	**0.03**	**16.1**	**0.00**	**6**
58	**Special woven fab; tufted tex fab;**	**4.89**	**5.67**	**1**	**0.00**	**16.0**	**0.00**	**6**
59	**Impregnated, coated, cover/laminate**	**500.18**	**578.57**	**78**	**0.34**	**15.7**	**0.05**	**6**
61	**Art of apparel & clothing access,**	**1679.73**	**2181.17**	**501**	**2.15**	**29.9**	**0.29**	**6**
62	**Art of apparel & clothing access, n**	**3054.88**	**3959.94**	**905**	**3.88**	**29.6**	**0.52**	**6**
63	**Other made up textile articles; set**	**430.23**	**495.55**	**65**	**0.28**	**15.2**	**0.04**	**6**
	FOOTWEAR, HEADGEAR; PREPARED FEATHER AND ARTICLE MADE THEREWITH; ARTIFICIAL FLOWERS; ARTICLE OF HUMAN HAIR							
64	**Footwear, gaiters and the like; par**	**8245.49**	**10872.35**	**2,627**	**11.27**	**31.9**	**1.51**	**6**

(HS)	Chapter Description	Export before FTA 2008 (US$ 000)	Export after FTA 2008 (US$ 000)	Change of Export 2008 (US$ 000)	Share in Change of Export (%)	Rate of Growth (%)	Contribution in Rate of Growth (%)	Tariff average ad valorem
65	**Headgear and parts thereof.**	**135.26**	**175.74**	**40**	**0.17**	**29.9**	**0.02**	**6**
66	**Umbrellas, walking-sticks, seat-sti**	**1.43**	**1.86**	**0**	**0.00**	**30.1**	**0.00**	**6**
67	**Prepr feathers & down; arti flower;**	**4.79**	**6.22**	**1**	**0.01**	**29.7**	**0.00**	**6**
	ARTICLE OF STONE, PLASTER, CEMENT, ASBESTOS. MICA OR SIMILAR MATERIAL; CERAMICS PRODUCTS; GLASS AND GLASSWARE							
68	**Art of stone, plaster, cement, asbe**	**66.96**	**78.79**	**12**	**0.05**	**17.7**	**0.01**	**6**
69	**Ceramic products.**	**544.36**	**682.99**	**139**	**0.59**	**25.5**	**0.08**	**6**
70	**Glass and glassware.**	**226.49**	**266.26**	**40**	**0.17**	**17.6**	**0.02**	**6**
	(CHAPTER 71) NATURAL OR CULTURED PERLAS, PRECIOUS OR SEMI PRECIOUS STONES, PREVIOUS METALS, METALS CLAD WITH PRECIOUS METALS, AND ARTICLE THEREOF; IMITATION JEWELRY; COIN	53.87	70.01	**16**	0.07	29.9	**0.01**	6
	BASE METAL AND ARTICLE OF BASE METAL				**0.00**			
73	**Articles of iron or steel.**	**176.42**	**204.88**	**28**	**0.12**	**16.1**	**0.02**	**6**
76	**Aluminium and articles thereof.**	**322.89**	**363.16**	**40**	**0.17**	**12.5**	**0.02**	**6**
82	**Tool, implement, cutlery, spoon & f**	**314.34**	**408.89**	**95**	**0.41**	**30.1**	**0.05**	**6**
83	**Miscellaneous articles of base meta**	**26.04**	**29.83**	**4**	**0.02**	**14.6**	**0.00**	**6**
	MACHINERY AND MECHANICAL APPLIENCES; ELECTRICAL EQUIPMENT							
84	**Nuclear reactors, boilers, mchy & m**	**7316.38**	**8422.57**	**1,106**	**4.75**	**15.1**	**0.64**	**6**
85	**Electrical mchy equip parts thereof**	**9307.13**	**11482.49**	**2,175**	**9.34**	**23.4**	**1.25**	**6**
	87) **VIHECLE O/T RAILWAY/TRAMWAY ROLL-STOCK**	**8788.50**	**10767.60**	**1,979**	**8.49**	**22.5**	**1.14**	**6**
	MISCELLANEOUSE MANUFACTURED ARTICLE							
90	**Optical, photo, cine, meas, checkin**	**2372.84**	**2810.87**	**438**	**1.88**	**18.5**	**0.25**	**6**
92	**Musical instruments; parts and acce**	**632.83**	**819.81**	**187**	**0.80**	**29.5**	**0.11**	**6**
94	**Furniture; bedding, mattress, matt**	**835.65**	**1183.01**	**347**	**1.49**	**41.6**	**0.20**	**6**
95	**Toys, games & sports requisites; pa**	**183.35**	**237.05**	**54**	**0.23**	**29.3**	**0.03**	**6**
96	**Miscellaneous manufactured articles**	**136.40**	**175.11**	**39**	**0.17**	**28.4**	**0.02**	**6**
97	**Works of art, collectors' pieces an**	**6.82**	**7.79**	**1**	**0.00**	**14.3**	**0.00**	**6**

Source: WITS

V.1.B.2.2 Change in imports

The scenario ex-post FTA Indonesia–Chile considered to estimate the change in Indonesian imports from Chile assumes a zero tariff for the products imported from Chile and a 6% tariff to products from the rest of the world. The following Table 5.8 shows that trade creation might reach a value of US$ 1.19 million CIF, equivalent to a 0.5% growth over the figure of the year 2007. The estimate of trade diversion would mean an increase of US$ 119,000 CIF. Taken together, it would be observed that total Indonesian imports from Chile would increase by US$ 1.31 millions CIF, which is equivalent to an expansion of 0.55% of imports.

Trade creation would be concentrated in Inorganic chemical (Ch. 28), representing a 0.11% of the estimated trade creation. An increasing of 0.21% would be explained by Vehicle (Ch. 87) and 0.08% by Beverage, spirit and vinegar (Ch. 22). It is examined that the FTA doesn't give any significant effect on trade diversion.

However, the size of the Indonesia exports basket to Chile in HS 6-digit level (378) compared to the total Indonesia export to the world (4,248) is relatively small (8.73%), a situation that allows to expect that were an FTA prevail between both parties, this would intrinsically facilitate trade relations and it might be observed the new products to export to Chile, which would increase the change in exports to that country.

Table. 5.8 Change in Indonesia Import from Chile Because of the FTA, and Rates of Growth by HS Chapter

HS	Chapter Description (HS)	Value 2007 US$ 000	Trade Creation (TC) US$ 000	Trade Diversion (TD) US$ 000	Trade Total Effect (TE) US$ 000	Share in TE (%)	Rate of Growth (%)		TE Contribution in Rate of Growth
							TC	TE	
	Total Trade	237,134.0	1,192.2	119.6	1,311.8	100.0	0.5	0.55	100
	AGRICULTURAL PRODUCTS								
03	**Fish & crustacean, mollusc & other aqautic**	**690**	**37.13**	**6.5**	**43.62**	**3.33**	**5.4**	**6.3**	**0.02**
06	**Live tree & other plant; bulb, root**	**17**	**2.06**	**3.0**	**5.05**	**0.39**	**12.1**	**29.7**	**0.00**
08	**Edible fruit and nuts; peel of citr**	**1,645**	**56.46**	**33.9**	**90.32**	**6.88**	**3.4**	**5.5**	**0.04**
13	**Lac; gums, resins & other vegetable**	**17**	**0.79**	**0.0**	**0.80**	**0.06**	**4.7**	**4.7**	**0.00**
14	**Vegetable plaiting materials; veget**	**72**	**2.31**	**0.7**	**2.99**	**0.23**	**3.2**	**4.1**	**0.00**
	(CHAPTER 15) ANIMAL OR VEGETABLE FATS AND OIL AND THEIR CLEAVAGE PRODUCTS; PREPARED EDIBLE FATS; ANIMAL OR VEGETABLE WAXES	**782**	**42.46**	**6.0**	**48.50**	**3.70**	**5.4**	**6.2**	**0.02**
	PREPARED FOOD STUFFS; BEVERAGES, SPIRIT, AND VINEGAR			**-**					
16	**Prep of meat, fish or crustaceans,**	**390**	**21.20**	**0.0**	**21.20**	**1.62**	**5.4**	**5.4**	**0.01**
17	**Sugars and sugar confectionery.**	**19**	**1.04**	**0.4**	**1.41**	**0.11**	**5.5**	**7.4**	**0.00**
18	**Cocoa and cocoa preparations.**	**29**	**4.29**	**2.1**	**6.36**	**0.49**	**14.8**	**21.9**	**0.00**
20	**Prep of vegetable, fruit, nuts or o**	**178**	**9.69**	**9.6**	**19.25**	**1.47**	**5.4**	**10.8**	**0.01**
21	**Miscellaneous edible preparations.**	**92**	**6.15**	**0.2**	**6.37**	**0.49**	**6.7**	**6.9**	**0.00**
22	**Beverages, spirits and vinegar.**	**288**	**178.89**	**(0.0)**	**178.89**	**13.64**	**62.1**	**62.1**	**0.08**
23	**Residues & waste from the food indu**	**6,484**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	MINERAL PRODUCTS								
26	**Ores, slag and ash.**	**80,806**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	PRODUCTS OF THE CHEMICAL OR ALLIED INDUSTRIES								
28	**Inorgn chem; compds of prec mtl, r**	**3,324**	**261.41**	**0.9**	**262.33**	**20.00**	**7.9**	**7.9**	**0.11**
29	**Organic chemicals.**	**2**	**0.14**	**0.0**	**0.15**	**0.01**	**6.8**	**7.6**	**0.00**
30	**Pharmaceutical products.**	**123**	**9.30**	**2.7**	**11.99**	**0.91**	**7.6**	**9.8**	**0.01**
31	**Fertilisers.**	**2,533**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
32	**Tanning/dyeing extract; tannins &**	**48**	**3.78**	**-**	**3.78**	**0.29**	**7.9**	**7.9**	**0.00**
34	**Soap, organic surface-active agents**	**-**	**0.01**	**0.0**	**0.01**	**0.00**			**0.00**
35	**Albuminoidal subs; modified starche**	**19**	**1.02**	**0.0**	**1.05**	**0.08**	**5.4**	**5.5**	**0.00**
38	**Miscellaneous chemical products.**	**1**	**0.14**	**0.0**	**0.15**	**0.01**	**14.1**	**15.4**	**0.00**
	(CHAPTER 39) PLASTICS AND ARTICLE THREOF	**8**	**4.25**	**0.4**	**4.61**	**0.35**	**53.2**	**57.6**	**0.00**
	(CHAPTER 40) RUBBER AND ARTICLE THERE OF)	**29**	**8.37**	**0.2**	**8.53**	**0.65**	**28.8**	**29.4**	**0.00**
	(CHAPTER 44) WOOD AND ARTICLE OF WOOD;	**184**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	PULP OF WOOD OR OF OTHER FIBROUSE CELLULOSIC MATERIAL; WASTE AND SCRAP OF PAPER OR PAPERBOARD;PAPER OR PAPERBOARD AND ARTICLE THEREOF			**-**					
47	**Pulpofwood/ofotherfibrouscellu**	**131,244**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
48	**Paper&paperboard;artofpaperpu**	**71**	**4.76**	**0.0**	**4.76**	**0.36**	**6.7**	**6.7**	**0.00**
	TEXTILE AND TEXTILE PRODUCTS			**-**					
50	**Silk.**	**7**	**0.66**	**0.8**	**1.41**	**0.11**	**9.4**	**20.2**	**0.00**
51	**Wool,fine/coarseanimalhair,hors**	**35**	**4.15**	**1.4**	**5.51**	**0.42**	**11.9**	**15.8**	**0.00**
	ARTICLE OF STONE, PLASTER, CEMENT, ASBESTOS. MICA OR SIMILAR MATERIAL; CERAMICS PRODUCTS; GLASS AND GLASSWARE	**-**	**-**	**-**	**-**				
70	**Glassandglassware.**	**5**	**0.44**	**0.1**	**0.57**	**0.04**	**8.7**	**11.5**	**0.00**
	BASE METAL AND ARTICLE OF BASE METAL			**-**					
72	**Ironandsteel.**	**230**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
73	**Articlesofironorsteel.**	**9**	**1.02**	**0.3**	**1.36**	**0.10**	**11.4**	**15.1**	**0.00**

Chapter Description (HS)		Value 2007 US$ 000	Trade Creation (TC) US$ 000	Trade Diversion (TD) US$ 000	Trade Total Effect (TE) US$ 000	Share in TE (%)	Rate of Growth (%)		TE Contribution in Rate of Growth
							TC	TE	
74	**Copperandarticlesthereof.**	**100**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
76	**Aluminiumandarticlesthereof.**	**371**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
82	**Tool,implement,cutlery,spoon&f**	**4**	**0.05**	**0.0**	**0.06**	**0.00**	**1.2**	**1.5**	**0.00**
MACHINERY AND MECHANICAL APPLIENCES; ELECTRICAL EQUIPMENT									
84	**Nuclearreactors,boilers,mchy&m**	**5,533**	**19.46**	**15.4**	**34.84**	**2.66**	**0.4**	**0.6**	**0.01**
85	**Electricalmchyequippartsthereof**	**75**	**3.01**	**0.7**	**3.70**	**0.28**	**4.0**	**4.9**	**0.00**
VIHECLE, VESSELS AND ASSOCIATED TRANSPORT EQUIPMENT									
86	**Railw/tramwlocom,rolling-stock&**	**17**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
87	**Vehicleso/trailw/tramwroll-stock**	**1,531**	**479.21**	**27.6**	**506.77**	**38.63**	**31.3**	**33.1**	**0.21**
(CHAPTER 94) FURNITURE; BEDDING, MATTRESS, MTT		**122**	**28.60**	**6.9**	**35.47**	**2.70**	**23.4**	**29.1**	**0.01**

Source: WITS

V.2 Potential Trade

V.2.A Chile

V.2.A.1 Introduction

When the basket of goods that a country exports to another is small relative to the potential trade that can be set, like it is the case of Chile and Indonesia, and one plans to negotiate an agreement which can provide new possibilities of trade, questions arise respect to the group of goods which before the enforcement of the agreement are not traded. These questions can be for example, what new products can be exported to the trade counterpart? and which method will the most appropriate to value those new products?.

To answer those questions there isn’t formal modeling; therefore different techniques can be designed for such target. However, whichever it is, they will only be useful as indicator of expansion of the exports, since many of the criterions that should necessarily be used are somehow arbitrary.

For the case that concerns us, one scenario is established, resulting in an estimated subset of the potential Chilean exports to Indonesia. The methodology defines the group of goods that simultaneously Indonesia buys while Chile sells from and to the rest of the world, but not to each other.

Once defined the potential basket of the products exportable by Chile and, being known the demand by Indonesia imports, it should be defined what fraction of that demand would be able to be satisfied by Chile. A conservative measure is to suppose that the relative participation of the Indonesia imports from Chile respect of the Indonesia total demand for those goods during the year 2007 stays constant. This rate is equivalent to 0.04% for 2007.

V.2.A.2 Model

Be two countries, *A* and *B*. Country *A* needs to know the basket of exportable potentially products (trade non-traded goods) to country *B*. For that purpose, it requires to identify those products that country *B* imports but not from country *A*, and that country *A* sells to the rest of the world but not to country *B*.

The country *A* exports to the world the goods *a*, *b*, *c* and *d* and to the country *B* the goods *a* and *b*. While country *B* imports from the world the goods *a*, *b*, *d* and *f*. Therefore, the potentially exportable basket from *A* to *B* is composed by good *d*, since products *a* and *b* are already traded among the partners.

The following interesting step is to face these potentially traded products with the tariffs charged by country *B* to imports from country *A*. If they are located in a “high tariff” level, then one could infer that country *A* doesn’t export the identified products as potentially exportable because it faces in the country *B* an inhibiting tariff.

Then, for country *A* is important to know the size of the total demand by country *B* for the products that compose the potential basket. That is, the imported total value of good *d* by *B*. The above-mentioned is important because the economic value of the potential basket from *A* to *B* will be minor or equal to the imported total value by *B* of the good *d*.

Clearly, it arises the question about what fraction of the exportable potentially basket will country A be able to capture. The answer is completely discretionary. Perhaps the experience with other countries can be an useful indicator.

In spite of this restriction, this methodology provides an interesting support when the number of traded products between two countries is small, a situation that means that any evaluation of the trade impact restricted only to that group of traded goods is not sufficient to capture the potential expansion of trade.

V.2.A.3 Conclusions

The use of the model and of the above mentioned assumptions indicate that the potential Chilean exports to Indonesia would be found around US$ 91.4 millions (Table 5.9) FOB (*ceteris paribus*) of the Indonesia demand for imports of these products.

A higher diversification is achieved, arriving as a maximum to 2,947 approximate sub-headings at a 6-digits level of the Harmonized System classification. The above-mentioned represents an increase between 25 times higher than the number of sub-headings to 6-digits exported to Indonesia in the base year[79].

On the other hand, this basket is concentrated in the industrial sector by ISIC classification, which has a participation of the 91.6% of this basket, and represents 94% of the products at a 6 level classification. This is encouraging for Chile, a country that seeks to diversify its export basket.

[79] The base year is 2007.

Table 5.9. Export potential from Chile to Indonesia. Scenario: Matching between Indonesia imports from Rest of the World and Chilean Exports to the Rest of the World – 2007[80].

HS 2d	Description	Number of subheading at 6-level	Indonesian Imports		Value Potential Chilean Exports to Indonesia	Relative Weight (%)
			mill US$ CIF	mill US$ FOB	thousands US$ FOB (0,04%)	
	Total	2,947	31,901.6	29,668.5	91,449.5	100
01	Live animals.	3	9.1	8.5	26.1	0.0
02	Meat and edible meat offal.	24	151.1	140.5	433.1	0.5
03	Fish and crustaceans, molluscs and other aquatic invert	43	40.8	38.0	117.0	0.1
04	Dairy produce; birds' eggs; natural honey; edible produ	22	832.0	773.7	2,384.9	2.6
05	Products of animal origin, not elsewhere specified or in	8	10.0	9.3	28.6	0.0
06	Live trees and other plants; bulbs, roots and the like; cu	7	2.0	1.8	5.7	0.0
07	Edible vegetables and certain roots and tubers.	47	242.5	225.5	695.2	0.8
08	Edible fruit and nuts; peel of citrus fruit or melons.	38	186.0	173.0	533.1	0.6
09	Coffee, tea, maté and spices.	25	31.2	29.0	89.3	0.1
10	Cereals.	12	1,683.7	1,565.8	4,826.4	5.3
11	Products of the milling industry; malt; starches; inulin;	20	231.6	215.3	663.8	0.7
12	Oil seeds and oleaginous fruits; miscellaneous grains, se	15	534.9	497.5	1,533.4	1.7
13	Lac; gums, resins and other vegetable saps and extracts	5	17.1	15.9	49.1	0.1
14	Vegetable plaiting materials; vegetable products not els	3	0.3	0.2	0.8	0.0
15	Animal or vegetable fats and oils and their cleavage pro	14	45.5	42.4	130.5	0.1
16	Preparations of meat, of fish or of crustaceans, mollusc	16	7.6	7.0	21.7	0.0
17	Sugars and sugar confectionery.	11	463.2	430.8	1,327.9	1.5
18	Cocoa and cocoa preparations.	8	39.4	36.7	113.1	0.1
19	Preparations of cereals, flour, starch or milk; pastrycoo	15	82.3	76.5	235.8	0.3
20	Preparations of vegetables, fruit, nuts or other parts of	34	40.9	38.0	117.3	0.1
21	Miscellaneous edible preparations.	14	93.4	86.9	267.8	0.3
22	Beverages, spirits and vinegar.	7	64.8	60.3	185.8	0.2
23	Residues and waste from the food industries; prepared	5	245.0	227.9	702.4	0.8
24	Tobacco and manufactured tobacco substitutes.	7	267.6	248.9	767.2	0.8
25	Salt; sulphur; earths and stone; plastering materials, lim	33	277.0	257.6	794.1	0.9
26	Ores, slag and ash.	10	16.8	15.6	48.1	0.1
27	Mineral fuels, mineral oils and products of their distilla	17	179.5	167.0	514.7	0.6
28	Inorganic chemicals; organic or inorganic compounds o	74	505.9	470.5	1,450.3	1.6
29	Organic chemicals.	145	1,537.6	1,430.0	4,407.8	4.8
30	Pharmaceutical products.	19	107.3	99.8	307.5	0.3
31	Fertilisers.	11	551.4	512.8	1,580.6	1.7
32	Tanning or dyeing extracts; tannins and their derivative	34	494.0	459.4	1,416.0	1.5
33	Essential oils and resinoids; perfumery, cosmetic or toi	25	213.3	198.4	611.4	0.7
34	Soap, organic surface-active agents, washing preparatio	19	268.9	250.1	770.9	0.8
35	Albuminoidal substances; modified starches; glues; enz	10	105.6	98.2	302.8	0.3
36	Explosives; pyrotechnic products; matches; pyrophoric	5	34.5	32.1	99.0	0.1
37	Photographic or cinematographic goods.	21	67.5	62.8	193.6	0.2
38	Miscellaneous chemical products.	35	368.0	342.2	1,054.9	1.2
39	Plastics and articles thereof.	100	2,033.1	1,890.8	5,828.2	6.4
40	Rubber and articles thereof.	45	559.6	520.4	1,604.1	1.8
41	Raw hides and skins (other than furskins) and leather.	2	1.3	1.2	3.7	0.0
42	Articles of leather; saddlery and harness; travel goods, h	19	55.9	52.0	160.2	0.2
43	Furskins and artificial fur; manufactures thereof.	2	0.1	0.1	0.2	0.0
44	Wood and articles of wood; wood charcoal.	32	99.5	92.5	285.1	0.3
45	Cork and articles of cork.	4	0.8	0.7	2.3	0.0
46	Manufactures of straw, of esparto or of other plaiting m	2	0.4	0.3	1.0	0.0
47	Pulp of wood or of other fibrous cellulosic material; re	6	419.9	390.5	1,203.7	1.3
48	Paper and paperboard; articles of paper pulp, of paper	55	375.3	349.0	1,075.8	1.2
49	Printed books, newspapers, pictures and other product	17	64.8	60.2	185.7	0.2

Source: DIRECON, based on official data of Chile and Trade Map.

[80] The FOB value of imports is obtained by multiplying the CIF value of imports by 0.93. This number has been chosen in order to represent the value of the exports from Chile to Indonesia.

Table 5.9 (continuation). Export potential from Chile to Indonesia. Scenario: Matching between Indonesia imports from Rest of the World and Chilean Exports to the Rest of the World –2007.

HS 2d	Description	Number of subheading at 6-level	Indonesian Imports mill US$ CIF	Indonesian Imports mill US$ FOB	Value Potential Chilean Exports to Indonesia thousands US$ FOB (0,04%)	Relative Weight (%)
50	Silk.	2	0.2	0.2	0.5	0.0
51	Wool, fine or coarse animal hair; horsehair yarn and wo	14	6.4	5.9	18.3	0.0
52	Cotton.	37	80.3	74.7	230.1	0.3
53	Other vegetable textile fibres; paper yarn and woven fa	8	3.7	3.4	10.6	0.0
54	Man-made filaments.	22	84.2	78.3	241.2	0.3
55	Man-made staple fibres.	42	100.5	93.5	288.2	0.3
56	Wadding, felt and nonwovens; special yarns; twine, cor	24	61.2	57.0	175.6	0.2
57	Carpets and other textile floor coverings.	9	8.1	7.5	23.1	0.0
58	Special woven fabrics; tufted textile fabrics; lace; tapest	16	21.2	19.7	60.7	0.1
59	Impregnated, coated, covered or laminated textile fabri	16	121.7	113.2	348.8	0.4
60	Knitted or crocheted fabrics.	3	4.0	3.7	11.5	0.0
61	Articles of apparel and clothing accessories, knitted or	76	38.1	35.4	109.1	0.1
62	Articles of apparel and clothing accessories, not knittec	99	64.7	60.2	185.6	0.2
63	Other made up textile articles; sets; worn clothing and	40	16.4	15.3	47.1	0.1
64	Footwear, gaiters and the like; parts of such articles.	20	62.7	58.4	179.9	0.2
65	Headgear and parts thereof.	5	9.6	8.9	27.6	0.0
66	Umbrellas, sun umbrellas, walking-sticks, seat-sticks, w	4	7.4	6.9	21.1	0.0
67	Prepared feathers and down and articles made of feath	5	3.2	3.0	9.2	0.0
68	Articles of stone, plaster, cement, asbestos, mica or sin	29	62.6	58.3	179.6	0.2
69	Ceramic products.	25	111.8	104.0	320.5	0.4
70	Glass and glassware.	43	79.5	73.9	227.9	0.2
71	Natural or cultured pearls, precious or semi-precious st	18	28.8	26.8	82.6	0.1
72	Iron and steel.	94	1,515.4	1,409.3	4,344.0	4.8
73	Articles of iron or steel.	99	1,110.1	1,032.4	3,182.3	3.5
74	Copper and articles thereof.	32	231.9	215.6	664.7	0.7
75	Nickel and articles thereof.	4	17.3	16.1	49.5	0.1
76	Aluminium and articles thereof.	27	299.3	278.3	858.0	0.9
78	Lead and articles thereof.	7	161.2	149.9	462.2	0.5
79	Zinc and articles thereof.	7	177.5	165.1	508.9	0.6
80	Tin and articles thereof.	3	1.5	1.4	4.2	0.0
81	Other base metals; cermets; articles thereof.	5	13.3	12.3	38.0	0.0
82	Tools, implements, cutlery, spoons and forks, of base r	57	183.7	170.9	526.7	0.6
83	Miscellaneous articles of base metal.	34	196.7	182.9	563.9	0.6
84	Nuclear reactors, boilers, machinery and mechanical ap	359	7,739.7	7,197.9	22,186.8	24.3
85	Electrical machinery and equipment and parts thereof;	188	1,974.7	1,836.5	5,660.8	6.2
86	Railway or tramway locomotives, rolling-stock and par	8	31.9	29.6	91.3	0.1
87	Vehicles other than railway or tramway rolling-stock, a	57	2,240.9	2,084.0	6,423.7	7.0
88	Aircraft, spacecraft, and parts thereof.	9	188.4	175.2	540.0	0.6
89	Ships, boats and floating structures.	9	303.4	282.1	869.6	1.0
90	Optical, photographic, cinematographic, measuring, ch	111	526.0	489.2	1,507.9	1.6
91	Clocks and watches and parts thereof.	25	14.0	13.1	40.3	0.0
92	Musical instruments; parts and accessories of such artic	5	4.4	4.1	12.6	0.0
93	Arms and ammunition; parts and accessories thereof.	4	19.6	18.2	56.1	0.1
94	Furniture; bedding, mattresses, mattress supports, cush	33	172.3	160.2	493.8	0.5
95	Toys, games and sports requisites; parts and accessorie	24	35.9	33.4	103.0	0.1
96	Miscellaneous manufactured articles.	40	104.4	97.1	299.2	0.3
97	Works of art, collectors' pieces and antiques.	4	2.0	1.9	5.8	0.0

Source: DIRECON, based on official data of Chile and Trade Map.

Table 5.10 Exportable Potentially Products by Chile to Indonesia. Scenario: Matching between Indonesia Imports from Rest of the World and Chilean Exports to Asia -2007. Grouping by ISIC classification system.

	Values in thousands of US$		Number of Products
	Chilean exports to the World	Potential trade	
I. Agriculture, Fruit, Livestock, Silviculture and Extractive Fishery	**3.075.812,1**	**6.640,0**	**118**
Agriculture, fruit and livestock	**3.014.767,7**	**6.566,4**	**103**
Agriculture	326.811,9	6.008,9	70
Fruit	2.655.421,7	521,2	26
Livestock	32.534,2	36,3	7
Silviculture	**19.022,2**	**61,7**	**8**
Extractive fishering	**42.022,2**	**11,8**	**7**
II. Mining	**42.729.663,2**	**964,6**	**51**
Copper	37.377.316,1	160,7	6
Rest of mining	5.352.347,1	803,9	45
III. Manufacture Industry	**20.348.852,2**	**83.825,3**	**2769**
Manufacuture of food, beverages and tobacco	**7.378.588,5**	**8.723,9**	**295**
Food Manufacturing	6.036.289,9	7.746,6	280
Beverage industries and tobacco	1.342.298,6	977,4	15
Textile, wearing apparel and lether industries	**266.552,0**	**1.652,8**	**431**
Textile products, wearing apparel	226.003,3	1.467,2	409
Leather and leather products	40.548,7	185,6	22
Manufacture of wood and wood products, including furniture	**2.034.128,1**	**549,4**	**53**
Cellullose, paper and printing	**2.927.072,6**	**2.468,5**	**79**
Manufacture of chemicals, chemical, pretoleum, coal, rubber and plastic	**3.857.679,3**	**20.313,6**	**566**
Manufacute of non-metallic mineral products, coal, rubber and plastic	**108.938,3**	**1.102,5**	**108**
Basic metal industries	**2.438.979,2**	**7.886,5**	**176**
Manufacture of fabricated metal products, machinery and equipment	**1.312.889,1**	**40.588,0**	**970**
Metal products, machinery	892.622,2	30.982,9	891
Transport equipment	420.266,9	9.605,1	79
Other manufacturing industries	**24.025,0**	**540,0**	**91**
IV.Other	**564.223,6**	**19,6**	**9**
Total	**66.718.551,0**	**91.449,5**	**2947**

Source: DIRECON, based on official Data for Indonesia and Chile.

V.2.B Indonesia

V.2.B.1 Introduction

When the basket of goods that a country exports to another is small (as the case of Indonesia and Chile), and one plans to negotiate an agreement which grants mutual tariff preferences, questions arise respect to the group of goods that before the enforcement of the agreement were not traded. These questions are: what new products can be exported to the trade counterpart and which will be the most appropriate method to value those new products?

The answer to these questions is not formally modeling; therefore different techniques could be designed for such target. However, whichever it is, they will only give us an additional support to the measurement of the trade impact applied to the basket of goods actually traded among the partners.

In this case, one scenario is established. The scenario uses the destination of the Indonesia exports only to those markets that could be classified as “analogous” or “similar” to Chile. These are: Argentina, Bolivia, Peru, and Brazil.

V.2.B.2 Models

Be two countries, *A* and *B*. The country *A* needs to know the basket of potentially exportable products (trade of non-trade goods) to country *B*. For that purpose, it requires to identify those products that country *B* imports but not from country *A*, and that country *A* exports to the rest of the world but not to country *B*.

The country *A* exports to the world the goods *a*, *b*, *c* and *d* and to the country *B* the goods *a* and *b*. While country *B* imports from the world the goods *a*, *b*, *d* and *f*. Therefore, the potentially exportable basket from *A* to *B* is composed by good *d*, since products *a* and *b* are already traded among the partners. The following step is to take into account the tariffs charged by country *B* to imports from country *A*. If they are located in a "high tariff" level, then it could be accepted that.

Once defined the potential basket of Indonesia exportable products and identified the Chilean demand, it is assumed that the Chilean demand would be satisfied by Indonesia. A calculation for potential product is based on the minimum value of the gap Chile imports from world extracted with Chile import Latin America and Indonesia to others Latin America[81]. It is considered that the maximum value that Indonesia can export to Chile is could not be higher than Chilean total demand or Indonesian total supply to the region.

The use of the model and its assumptions indicate that the potential Indonesian exports to Chile would be found at US$ 93.8 million per year of the Chile demand for imports of these products. This scenario identified 312 products at a 6-digits level of the Harmonized System classification as the potential export products. The result has been agregated to HS 2-digits level as shown in the following tables.

[81] Potential value=Min[(Chile import from world-Chile import from Latin America), Indonesia export to Latin America], calculated based on HS 6-digit level

Table 5.11 Indicative Potential Products: Matching Product Chile Import from Latin America and Indonesia Export to Latin America US$ 000 in 2007

HS	Description	Number of SubHeading	Chile Import from World 2007 (US$ 000)	Chile Import from Latin America (US$ 000)	Indonesia Export to Latin America (US$ 000)	Value Potensial Export Indonesia to Chile (US$ 000)
Total		**312**	**7.806.116,5**	**1.103.730,2**	**415.339,2**	**93.832,8**
94	Furniture; bedding, mattress, matt	6	54.602,2	3.437,1	23.338,2	21.642,0
95	Toys, games & sports requisites; pa	2	29.778,3	207,7	19.574,2	19.574,2
85	Electrical mchy equip parts thereof	30	443.665,1	39.535,0	19.379,3	17.178,9
96	Miscellaneous manufactured articles	6	12.713,0	1.369,6	238.232,6	11.343,3
84	Nuclear reactors, boilers, mchy & m	27	588.792,0	56.267,5	7.083,9	6.903,9
90	Optical, photo, cine, meas, checkin	3	22.797,2	451,6	5.723,2	5.723,2
73	Articles of iron or steel.	18	147.953,6	23.179,3	2.388,5	2.388,5
86	Railw/tramw locom, rolling-stock &	2	8.860,7	1.060,5	2.274,5	1.394,5
87	Vehicles o/t railw/tramw roll-stock	1	2.442,6	629,3	1.348,0	1.348,0
76	Aluminium and articles thereof.	6	40.768,2	6.844,1	954,7	855,6
83	Miscellaneous articles of base meta	4	42.742,6	16.355,4	775,6	775,6
62	Art of apparel & clothing access, n	16	70.956,8	5.028,6	579,3	579,3
82	Tool, implement, cutlery, spoon & f	3	3.881,7	641,0	522,6	522,6
70	Glass and glassware.	7	3.030,7	1.324,4	704,6	493,6
72	Iron and steel.	5	34.105,2	9.941,0	593,6	476,7
88	Aircraft, spacecraft, and parts the	1	407,1	17,3	1.752,1	389,8
63	Other made up textile articles; set	6	11.914,9	757,9	310,7	310,7
61	Art of apparel & clothing access,	13	48.812,2	5.266,7	288,3	288,3
69	Ceramic products.	4	27.874,3	6.783,2	339,9	258,6
74	Copper and articles thereof.	3	11.889,5	436,0	454,7	232,7
68	Art of stone, plaster, cement, asbe	3	3.177,2	358,4	227,0	227,0
64	Footwear, gaiters and the like; par	3	4.176,8	1.256,5	187,9	134,6
71	Precious and semi precious stone; metal and precious metal; imiteation jemelry	1	206,3	33,1	109,2	109,2
97	Works of art, collectors' pieces an	1	117,3	29,3	87.593,5	87,9
67	Prepr feathers & down; arti flower;	1	223,5	61,5	71,8	71,8
65	Headgear and parts thereof.	1	2.316,0	61,1	68,4	68,4
55	Man-made staple fibres.	6	25.326,1	1.347,4	68,1	68,1
56	Wadding, felt & nonwoven; yarns; tw	4	23.715,5	4.775,8	57,0	57,0
54	Man-made filaments.	7	15.344,5	5.331,1	56,1	56,1
52	Cotton.	10	20.185,8	4.879,1	61,1	52,5
59	Impregnated, coated, cover/laminate	3	10.630,7	4.009,5	47,6	47,6
57	Carpets and other textile floor co	2	2.119,2	358,2	29,8	29,8
48	Paper & paperboard; art of paper pu	7	87.209,0	30.668,3	29,5	29,5
39	Plastic and article thereof	23	503.089,8	163.140,5	20,3	20,3
60	Knitted or crocheted fabrics.	1	3.438,1	138,7	16,3	16,3
40	Rubber and article thereof	9	163.919,0	45.895,9	15,7	15,7
49	Printed books, newspapers, pictures	3	4.662,4	1.313,2	15,1	15,1
58	Special woven fab; tufted tex fab;	1	493,0	43,7	15,0	15,0
42	Article of leather	3	12.751,5	896,3	8,3	8,3
44	Wood and articles of wood; wood ch	2	7.195,3	4.546,2	5,9	5,9
38	Miscellaneous chemical products.	7	65.065,9	22.629,8	4,5	4,5
34	Soap, organic surface-active agents	6	80.875,7	50.624,1	3,3	3,3
41	Raw hides and skins (other than furskin) and leather	1	2.887,5	2.351,5	2,2	2,2
29	Organic chemicals.	10	30.667,2	3.477,3	2,1	2,1
33	Essential oils & resinoids; perf,	4	138.469,7	52.818,6	1,8	1,8
32	Tanning/dyeing extract; tannins &	3	25.447,5	9.043,2	1,1	1,1
35	Albuminoidal subs; modified starche	1	2.214,0	419,8	0,6	0,6
31	Fertilisers.	1	3.076,9	208,0	0,3	0,3
25	Salt; sulphur; earth & ston; plaste	3	3.518,6	2.686,6	0,4	0,3
24	Tobacco and manufactured tobacco	3	9.292,4	6.744,7	0,3	0,3
18	Cocoa and cocoa preparations.	3	35.767,6	24.691,9	0,2	0,2
27	Mineral fuels, oils & product of th	1	4.613.080,6	208.012,0	0,2	0,2
20	Prep of vegetable, fruit, nuts or o	2	920,3	300,5	0,2	0,2
15	Animal or vegetable fats and oil	3	257.717,0	251.326,5	0,1	0,1
09	Coffee, tea, matï and spices.	3	28.587,9	19.033,7	0,1	0,1
14	Vegetable plaiting materials; veget	1	115,7	14,3	0,0	0,04
13	Lac; gums, resins & other vegetable	1	786,2	13,1	0,0	0,03
06	Live tree & other plant; bulb, root	2	1.082,0	146,3	0,0	0,01
03	Fish & crustacean, mollusc & other aqautic invertebrates	3	8.259,1	511,5	0,0	0,01

Source: Calculated from WITS data

V.3 Bilateral Liberalization of Trade in Services

V.3.A Chile

V.3.A.1 Analysis

In 2008, services in the Chilean economy represented 61.1 % of total GDP[82], and it has increased its share from 58.3% in 2003; and also its share in employment that comprises 64.6% of total employment in 2008[83], up from 62.3% in 1996. This sector has been very dynamic as has experienced a higher than average rate of growth of its activity, measured in GDP, employment and investment.

Between 1974 and 2004, Services accounted by 32% of direct foreign investment, concentrated in Transport and Communications (12% of the total) and other Services (20%). In the Other Services sector, the most important segments were Financial Services, Insurance (17%), and the Wholesale and Retail Trade (12%).

The importance of the services sector may be clearly seen as a source of employment creation in the last years (2001 – 2008). In the Chilean economy since January 2001, as may be appreciated from the following Table, some 1,173.5 thousand jobs have been created; of which 874 thousand were provided by the services sector, that is a 75% of the total jobs created in the last seven years.

Table 5.12. Chile: Employment creation by industries, 2001-2008

(Thousand jobs and %)

	Total	Non-services	Commerce	Transport &	Finance	Social and	Services
		Industries*		Telecommu-		Communal	
				nications		Services	
Jobs created (thousands)	1,173.5	299.63	261.56	134.54	178.81	298.96	873.87
% share	100.0%	25.5%	22.3%	11.5%	15.2%	25.5%	74.5%

Source: Instituto Nacional de Estadísticas INE, Chile.

* Agriculture, manufacturing industry, construction, mining and electricity, gas and water

As a consequence of Chile's long running privatization policies, state involvement in services is limited. The state retains ownership of Banco Estado, the postal and railway services, and public television. The state also owns seaports and major airports; however, these have been increasingly given in concession to private operators. The authorities indicate that involvement of the State in any of the sectors mentioned does not in any way preclude private participation.

[82] Computed from Banco Central de Chile, National Accounts at 2003 constant prices. According to the UN methodology the water, construction, electricity and gas sectors are considered as part of industry.

[83] Source: Instituto Nacional de Estadísticas INE, employment figures for the January-March period of each year by industries. According to the UN methodology the water, construction, electricity and gas sectors are considered as part of industry

V.3.A.2 Conclusions

In terms of assessing the likely impacts that a bilateral FTA would have on services, unfortunately the absence of reliable data on bilateral trade in cross border services only allows to undertake a qualitative analysis.

There are some data that is useful to look at related to the maritime transport and tourism. The DIRECTEMAR- Dirección General del Territorio Marítimo y Marina Mercante (General Directorate of Maritime Transport and Merchant Vessels, Chile)[84] information concerning Chilean maritime transport does include Indonesia in its classifications. In 2007, 1.2 million tons were exported to Indonesia[85]; being Indonesia the 8th. Destination of Chilean exports in terms of tones, with 2.73% of total cargo exported by Chilean ports. The value of transport paid for exports to Indonesia was of US $ 12.4 millions in 2007, 0.58% of total freight by Chilean ports (28th. Place). In the case of imports from Indonesian ports 1.6 million tones were imported from Indonesia, with a cost of US $ 41.2 millions in 2007, with 2.06% of the freight costs of Chilean imports (11th. Place).

Table 5.13

Chile: Tourist Arrivals from Indonesia and World, 2005-2008

(Number of arrivals)

	2005	2006	2007	2008
World	2,027,082	2,252,952	2,506,756	2,698,659
Indonesia	417	536	734	845
% Indonesia	0.021%	0.024%	0.029%	0.031%

Source: Servicio Nacional de Turismo (National Tourism Service of Chile)

Table 5.14

Chilean tourists departures to Indonesia and world, 2005-2008

(Number of departures)

	2005	2006	2007	2008
World	2,651,135	3,005,273	3,234,426	3,060,925
Indonesia	8	1	14	14
% Indonesia	0.0003%	0.0000%	0.0004%	0.0005%

Source: Servicio Nacional de Turismo (National Tourism Service of Chile)

On the other hand, data on services and trade reflects that there is a positive correlation between services and trade: in the case of Chile, in the period 1999 to 2008, total trade in goods increased from US$ 31.9 billions to US$ 123.2 billions; and correspondingly trade in services surged from US$ 8.5 billions to US$ 22.2 billions in the same period. This is found in general, so if trade increases, it will also experience a corresponding surge in services.

Two general conclusions may be drawn from a further liberalization in the services sector between Chile and Indonesia:

- The participation of Indonesia in Chile's freight services is small; and has been maintained since 2000, as the reduction in the share in exports has been

[84] In www.directemar.cl
[85] Total exported tons by Chile were 44.7 millions in 2007

compensated by a largest share in imports. In 2000, Indonesia accounted for 1.31% of Chile´s freight trade; while in 2007, it was 1.30% of the total. With further liberalization of restrictive practices in the services sector between the 2 countries, the share of freight services might certainly increase. There are no data on other services trade.

- As was calculated in the goods sector, there might be an increase in Chilean exports of around US $ 93.3 millions[86] with respect to the figure of 2007, approximately 49.4% of the exports to Indonesia. As there are no reliable sources concerning trade in services, it is not feasible to have an accurate estimate. But a rough indication may be calculated taking into account the average figure of services in the Chilean balance of payments accounts, which might mean a figure of US $!6.9[87] millions in the year 2007 of additional services because of the trade liberalization between the two countries. The services liberalization would mean additional points of increase in trade services between the two countries, beyond those estimates.

V.3.B Indonesia

There is no reliable data regarding bilateral flow of services between Indonesia and Chile to make an analysis in this area. Nevertheless, based on Chile’s trade in services performance, most Chilean important service sectors both in export and import are transport (sea transport service), travel, insurance, and financial services. Chile had also established trade in services with Indonesia in maritime transport. Since there is no Air Agreement between Indonesia and Chile, Indonesia also plans to build cooperation between Garuda Indonesia Airways and LAN-Chile Airlines through this agreement.

V.4 Bilateral Liberalization of Investment

V.4.A Chile

V.4.A.1 Analysis

Both the Indonesian and the Chilean economies have experienced a dynamic economic growth, experiencing periods of stable and lastly expansion in the last 20 years. This, coupled with liberalization of their economies, is conducive to increase investments and create new opportunities. In the case of Chile, the rate of investment is recovering from the reduction of the international financial crisis that has impacted world and Chilean growth in the year 2009.

Foreign direct investment has been part of the strategy to enhance further growth in the Chilean economy (Chapter 2). This trend has continued, and the competitiveness of the Chilean economy and the low country risk has improved the attractiveness of investments in Chile. The Emerging markets bond index is at low levels for Chile, reaching 134 base points in September 2009, while the average for the world was 376; and for emerging countries in Asia reached 290 and in Europe is 365 (see following table).

[86] This includes the impact of trade creation and trade diversion for exports and the export potential increase
[87] In 2008, Chilean traded services accounted for 17.9% of trade in goods

Table 5.15

Emerging Markets Bond Index Global Spread

2004-2009(Sept)

	Global	Chile	Latin America	Asia	Europe
2004	423	83	527	265	275
2005	306	65	364	265	185
2006	198	80	213	180	149
2007	197	101	208	162	158
2008	406	213	427	356	370
2009 (Sept.)	376	134	408	290	365

Source: JP Morgan Chase. In Banco Central de Chile, Monthly Bulletin(Boletín Mensual), September 2009, page 44.

V.4.A.2 Conclusions

Concerning the consequences for investment in the Chilean economy, given the process of an FTA with Indonesia, it is possible to distinguish two main impacts: better information and an improvement of the legal certainty between both countries. The enhancement of the judicial certainty for investors from both countries and their investments in the other party’s country would be a result of the consideration of the investment aspect in the FTA.

With the improved market access as result of the FTA and the necessary examination of the juridical aspects of foreign and Chilean investment in Indonesia would mean additional investments by Chile in Indonesia, in order to facilitate trade in goods and services.

The needs of the development of the Indonesian economy and its reliance on imported inputs and raw materials, as is the case of other emerging economies, might induce additional Indonesian investments in Chile.

V.4.B Indonesia

There is no reliable data regarding bilateral flow of investment between Indonesia and Chile to make an analysis in this area. However, based on Chilean statistics, between 1998-2008 Japan is the leading Asian investor country in Chile with 3.2% of FDI. Japan has invested in almost all sectors open to investment, while Malaysia has only focused on construction area in which Indonesia also has interest.

Chile has made investment in foreign countries mostly in the Latin America countries. Chile has invested in the mining sector and quarrying industry, electricity, gas and water supply. Chile is also interested in investing in communication, financial and other services. Therefore, Indonesia invites Chileans to invest in Indonesia particularly in mining, energy and financial service sectors. Likewise, Indonesia sees opportunity to invest in Chile in several sectors such as construction and business travel services.

V.4.B.1 Assessment of Impacts of an FTA

In terms of investment, one of the most important aspects of an eventual negotiation of an FTA between Indonesia and Chile that includes investment issues, is the enhancement of judicial certainty for investors from both countries and their investments in the other party’s country. That certainty would be reached through the establishment of different levels of market access in both countries, as the result of the consolidation of the restrictions and limitations applied to investment flows.

In terms of Indonesian investment in Chile, given the actual conditions in the world market, the necessity for Indonesian companies to guarantee the supply of their inputs becomes crucial. Therefore, it is expected that an FTA that considers investment regime would become incentive for Indonesian companies to invest in Chile.

V.5 Effects and Influence on Specific Sectors and Products (as appropriate) (Qualitative Analysis)

V.5.A Chile

For the matrix of analysis of the main impact of a prospective FTA Chile – Indonesia in Chile by industries, it is possible to have a broad picture of which sectors would be influenced by the trade increase (potential exports) starting from the quantitative data calculated in Chapter V.2 . In this section are presented the highlights in key sectors:

V.5.A.1 Agriculture (including fruits and food industries)

- It is a sector that represents a 5.2% of the GDP in 2008[88], it has a larger share of the GDP in Regions VII, VIII, IX, XIV and X; and is the basis of important exporting industries as fruits, wines, juices, canned foods, meat, pork, poultry, dairy products and other export products that have expanded and evolved in the last 20 years. Chile is (2006 data) the 17th exporter in the world food market, with exports in the region of US$ 7 billions[89] in that year and currently US $ 10 billions.
- The potential impact in this case is of US $ 6.6 millions; which would represent an increase of 367% in additional exports, over the level of US $ 1.8 millions in 2007 in agricultural exports to Indonesia.

In this sector Indonesian products would increase its presence in the domestic Chilean market by about US $ 0.6 millions, a minimal impact (+2.8%) in the US $ 21.1 million dollars of imports from Indonesia in 2007.

V.5.A.2 Forestry

- The forest industry represents a 3% of Chilean GDP, and with exports of US $ 5,461.5 millions in 2008, 8.2% of Chilean exports.
- Chilean exports of forest products might increase by US $ 3.0 millions because of a new potential market as a result of the FTA with Indonesia, a growth of 2.3% over the level of 2007 exports (US $ 131.6 millions).

V.5.A.3 Mining

- This is a sector in which Chile has the largest competitive and natural advantages, mostly in the copper sector, being the largest exporter of copper in the world. In 2008, the mining sector comprised 7.1% of Chilean GDP, and mining exports are 57.5% of total Chilean exports, both as a result of increases in the quantum and prices of copper and other mining products. This sector represents a 35.3% of Chilean export to the Indonesian market in 2007 (US $ 80.7 millions).

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[88] See Chapter 1

[89] Calculated from FAO figures by Chile Alimentos, includes several industries as food and beverages and fish and fish foods. (2004 figures).

- The mining exports that Chile exports to Indonesia correspond mostly to non-copper products. As most of these products are already sold to Indonesia, there will be reduced additional exports because of potential trade, which is US $ 1.0 millions of the current (2007) exports of US $ 80.7 millions, that is a 1.2% of potential increase.

V.5.A.4 Manufacturing industry

- The manufacturing sector represents a 16.7% of Chilean GDP[90], and 31.9% of Chilean exports, reaching US$ 21.2 billions in 2008. The exports of this sub-sector are leaded by the food and beverages industries (39.9% of total manufacturing exports), followed by the forest industry (forestry and furniture and cellulose, paper and by-products) reaching 26.6% of Chilean manufacturing exports processed and unprocessed chemicals (26.4% of manufacturing exports). In a 3rd place are the processed and unprocessed chemicals (18.0% of manufacturing exports)is the forest industry, in the 4th place the metal products, machinery and equipment (9.4% of total manufacturing exports) and lastly, basic metal industries (7.0% of total manufacturing exports).

- Concerning the gains from the FTA for Chile, the manufacturing industry might increase its exports by US$ 81.3 millions, which would mean an increase of 55.2% of current industrial exports to Indonesia. The potentially most benefited sector would be the manufacture of fabricated metal products (US$ 40.6 millions of additional exports).

V.5.A.5 Chemical and petrochemical products

- The chemical and petrochemical products are in a 3rd. place among the manufacturing exports of Chile (processed and unprocessed chemicals with 18.0% of manufacturing exports), with a figure of US $ 3.8 billion in exports in 2008.

- The chemical and petrochemical products might increase its exports to Indonesia by US $ 20.3 millions, which would mean an increase of 634.4% of current exports to that market.

V.5.A.6 Textiles, clothing and leather products

- This sector represents 0.7% of Chilean GDP; with Chilean exports to the world of US$ 266.6 millions in 2007.

- Exports to Indonesia were US $ 0.1 millions in 2006, and negligible in 2007 and would increase by US $ 1.7 millions, 1,700% over the level of 2006, because of potential additional exports.

V.5.A.7 Fabricated metal products, machinery and equipment

- This sector represents 2% of Chilean GDP; with Chilean exports to the world of US$ 1,312.9 millions in 2007.

- Exports to Indonesia would increase by US $ 40.6 millions, a 556.2% increase over the level of US $ 7.3 millions in 2007.

[90] GDP at constant prices, Banco Central de Chile

V.5.A.8 Services

- Additional trade in services between Chile and Indonesia would be approximately of US$ 20.0 millions[91], because of the expansion in freight services and other trade in services (potential trade).

The transport services have been pointed out as a “natural barrier to trade” with Indonesia, but as transport is a derived demand, if there are opportunities to further expand trade to Indonesia, the additional services would be supplied by the navigation companies that already operate to Indonesia and the ASEAN area.

V.5.B Indonesia

V.5.B.1 Introduction

Refer to analysis of the main impact of a prospective FTA Indonesia-Chile in Indonesia by industries, it is possible to have a broad picture of which sectors would be influenced by the trade increase (export and import) based on quantitative analysis in previous section. The results are presented in Table 5.5 and Table 5.6 and have been enriched in some selected industries (agriculture, forestry, industrial sector, automotive, chemical, rubber, and textiles). Highlights in key sectors are as follow:

V.5.B.2 Agriculture

It is a sector that represents a 13% of the GDP in 2008, and is the basis of important exporting industries as fruits, coffee, tea, spices, oil seed, and vegetable plaiting material products. Indonesia in 2008 is the 13th exporter in the world agricultural market, with exports in the region of US$ 21.9 billion.

The main impact in this case would be a 10.6% increase in exports as shown in previous section. This increase would be higher in Oil seed (Ch. 12) that would grow by US$ 235,000; compared with a base figure of US$ 3.1 million, followed by fruit, coffee, and vegetable exports growing at a rate of 12.5% with US$ 147,000 of additional exports; and then the food industry likes sugar, cocoa, cereal and preparation vegetable, increasing their exports by 13.8%, with a US$ 295,000 increase.

V.5.B.3 Forestry

The forest industry represents a 3.1% of Indonesian GDP. Indonesian exports of wood and wood products would increase as a result of the FTA with Chile by 16.2% over the level of 2008 exports, that is, a total of US$ 522,000. This impact is particularly caused by wood product marquetry etc (heading-4420) which would add US$ 59,000 of Indonesian export to Chile. Paper industry would experience 16.3% growth compared with base figure of US$ 1.2 million in 2008.

V.5.B.4 Fishery and aquaculture

Import from Chile would growth 6.3% with a US$ 43,000 increase, while potential export product reach US$ 4.6 million, coming from 43 sub-headings. The industry sees the opening of the Chilean market as a strategic step to consolidate these new markets, given the expected growth of the Chilean economy for the next 20 years.

[91] This estimate takes into account the addition of (Trade creation and trade diversion (exports US $ 1.9 millions, imports US $ 18.2 millions) + potential exports of US $ 91.4 millions) and the share of services in trade in goods (17.9% in 2008)=US $ 20.0 millions in additional trade in services

V.5.B.5 Industrial product

The manufacturing sector including mineral fuels (ch. 27) represents a 25% of Indonesian GDP, and 83.6% of Indonesian exports, reaching US$ 114.5 billion in 2008. The exports of this subsector are led by mineral products (38.72% of total manufacturing exports), followed by the machinery and electrical products (11.8%), textile products (8.82%), metal products (8.60%), and plastic and rubber (8.53%) of Indonesian manufacturing exports.

Concerning the gains from the FTA for Indonesia, the manufacturing industry would increase its exports by US$ 22.9 million, which would mean an increase of 13.2% of current industrial exports to Chile. The potentially most benefited sector would be the mineral fuel that would generate US$ 6.3 million. Other industrial products such as electrical equipment, footwear, transportation equipment are would also generate additional export of around US$ 6.78 million. The industry associations emphasize the opening of the Chilean market in three aspects: reduction in tariffs, improvement in the phytosanitary and sanitary treatment and reduction in the transport cost to the South American markets.

Imports from Chile in the manufacturing sector would increase by US$ 57 million or 25.4% of total manufacturing imports from Chile in base year 2007 (US$ 226 billion). This impact would be concentrated in various industries for Indonesia: manufactures of mineral product, chemical industries, plastic, rubber, wood, textile and textile product, fabricated metal product, machinery and mechanical manufacture and vehicle and transport equipment.

V.5.B.6 Automotive

As stated previously, transportation equipment would potentially be the most benefited by this FTA. This sector would experience a 22.5% growth. It is observed that Indonesia could expand its export to Chile, since there are some of these products that Chile imports from rest of the world but not from Indonesia, while Indonesia also exports to rest of the world except Chile.

V.5.B.7 Electric and electronic products

After the FTA, Indonesian export to Chile would increase by US$ 2 million or 23.4% growth in electrical machinery equipment (Ch. 85). On the other hand, imports from Chile would only increase by US$ 3,700, given that existing import from Chile is relatively small.

V.5.B.8 Chemical and petrochemical products

The chemical and petrochemical products represent 4.17% of Indonesian manufacturing export, with a figure of US$ 4.77 billion in export in 2008. The chemical and petrochemical products would increase its export to Chile by US$ 1.25 million, which would mean an increase of 1.3% of current export to that market.

V.5.B.9 Plastic and Rubber products

Export to Chile would increase by 37.8% compared with current trade which is only US$ 206,000. Import from Chile would increase by US$ 4,610, a 57.6% increase over the level obtained in 2008 which only reached US$ 8,000.

V.5.B.10 Textiles and clothing, Leather and leather products, and footwear

This sector represents 2.37% of Indonesian GDP; with Indonesian export to the world of US$ 11.45 billion (2008). Indonesia ranks the 12th place as exporters for this sector. Export to Chile would increase by US$ 5.35 million, 20% over the level obtained in 2007, valued US$ 13.7 million. The increase was only generated by textile and textile products.

V.6 Effects and Influence for the Respective Regions (Latin America/ASEAN)

V.6.A Chile

There is a growing relationship between Chile and the Latin American countries. There are trade agreements with Mercosur (Brazil, Argentina, Uruguay and Paraguay), the Andean Community (Venezuela, Peru, Bolivia, Colombia, Ecuador), Central America (Costa Rica, El Salvador, Nicaragua, Honduras, Guatemala) and Mexico. In 2007, Chilean exports to those markets reached US$ 10.6 billion, having experienced a 15.8% yearly growth between 1999 and 2007 (following table). Latin America has a share of 16.0% of Chilean total exports. As has been noted earlier, 60% of exports to Latin America are of manufactured goods.

Table 5.16 Chile 2008: Access to Latin American markets

	MFN	Tariff	Tariff reduction
Argentina	8.6%	0.1%	98.8%
Brazil	5.9%	0.1%	98.3%
Paraguay	13.9%	1.8%	87.1%
Uruguay	6.0%	1.0%	83.3%
Bolivia	8.7%	6.2%	28.7%
Colombia	13.9%	0.1%	99.3%
Ecuador	12.8%	0.1%	99.2%
Peru	4.1%	0.3%	92.7%
Venezuela	15.3%	1.3%	91.5%
Mexico	21.1%	0.03%	99.9%

Source: DIRECON

There is an opportunity for Indonesian firms to establish distribution and/or manufacturing centers for the Latin American region, given the advantages of Chile as a reliable and well connected regional center.

Table 5.17 Chilean exports to Latin America: 1999 and 2007

Chilean exports to Latin America, 1999 and 2007			
	1999	2007	Annual rate
	(US $ millions)		of growth (%)
Central America	94.8	582.7	25.5%
Mercosur	1,520.2	5,283.4	16.8%
Andean Community	1,059.8	2,418.4	10.9%
Mexico	622.8	2,361.5	18.1%
Total exports	15,914.6	66,718.6	19.6%
Latin America	3,297.6	10,646.0	15.8%

Source: Studies and Information Department, DIRECON, based on data from Central Bank of Chile

Another aspect of the relationship is that Chile is an important investor in several Latin American countries. The stock of Chilean investment abroad for the period 1990 – 2009 (June) is estimated at 48,621 million dollars[92]. Nearly 90% of it is located in Latin American countries, being Argentina the main recipient of Chilean investment, capturing around 32%, followed by Brazil (18%), Peru (15%) and Colombia (13%).

V.6.B Indonesia

There is a strong relationship between Indonesia and the ASEAN countries. There is a Regional Trade Agreement within South East Asian countries known as AFTA. In 2008, Indonesian export to the market reached US$ 27 billion, having experienced a 13.3% yearly growth between 1999 and 2008 (Table 5.8). ASEAN countries have a share of 19.8% of Indonesia total exports. In 2008, Indonesian export to ASEAN countries were mostly manufactured products (85.5%).

There is an opportunity for Chilean firms to establish distribution and/or manufacturing centers for the ASEAN region, given the advantages of Indonesia as a reliable and well connected regional center.

Table 5.18. Indonesian Exports to ASEAN Countries: 1999 - 2008

Indonesian exports to ASEAN Countries in 2008			Annual Growth	Share in Indonesian Export
	1999	2008		
	US$ millions		(%)	(%)
Brunei	28	60	8.9	0.0
Cambodia	69	174	10.8	0.1
Lao PDR	2	4	18.0	0.0
Malaysia	1,336	6,433	17.6	4.7
Myanmar	74	251	16.8	0.2
Philippines	695	2,054	13.1	1.5
Singapore	4,930	12,862	10.0	9.4
Thailand	813	3,661	18.5	2.7
Vietnam	332	1,673	21.1	1.2
Total ASEAN	8,278	27,171	13.3	19.8

Source: Indonesian Statistic

[92] Data produced by the Department of Foreign Investments of DIRECON, in http: //www.direcon.cl

VI. COOPERATION AND INFORMATION EXCHANGE ON OTHER ISSUES

VI.1 Science and Technology

VI.1.A Chile

In the area of Science and Technology, Chile's experience on different Free Trade Agreements (FTA) already signed shows that opening opportunities for cooperation and collaboration connected with development issues, gives a strategic perspective to the relationship and creates long-term opportunities for mutual benefit.

The Chilean Government has already signed a FTA with the European Union, New Zeeland, Singapore, Brunei Darussalam, Canada, Mexico, China, Peru and Australia. In all these free trade agreements we have special sections on Science and Technology collaboration, and mechanisms for identifying possible joint ventures, industry cooperation, educational and cultural projects.

For example, that is the case of Canada, the first FTA signed by Chile, where, based on the new commercial opportunities opened by the agreement, Fundación Chile (a private – public development organization) signed agreements to acquire licenses for the application of biotechnology to Radiata pine.

Finally in the case of the FTA with Australia, the parties agreed on a special chapter of cooperation to create new opportunities in the areas of trade and investment and promote competitiveness, innovation and incentives for research and development. The following areas of cooperation have been identified: science, agriculture, wine industry, food industry, mining industry, energy, environmental issues, small and medium enterprises, tourism, education, labor, human capital development and cultural development.

At present the Chile –Indonesia relationship is in a development stage and shows promising areas for cooperation in science and technology. The interest of the Chilean government, in the context of a broad and comprehensive set of strategic initiatives, is to reinforce partnerships on the above-mentioned issues, recognizing that both Parties, being with important bio-diversities, should promote collaboration for mutual benefit.

In the area of Science & Technology, currently Chile's spending on R&D at 0.7% of the GDP in 2008 (roughly is US$ 600 millions), is low in comparison with OECD countries, but not out line with Latin American comparators.

This can be broken down as follow, 53 % there of is by the Chilean Government, 37% by the private sector, 7% by foreigners and the other 3% by others. Most R&D spending is financed by the government in Chile.

The bulk of fiscal incentives come from direct government support through a multiplicity of funds. Innovation funds are typically small and managed by the Ministry of Education and Economy. Access to government support is granted through public tenders. The largest fund, FONDEF[93], aims at encouraging business innovation and fostering competitiveness in joint ventures with universities and technological institutes.

[93] Managed by Ministry of Education trough CONICYT

Others important funds, FDI and FONTEC94 , were merged in 2005 into a new program Innova Chile. Two smaller funds are FIA (Agrarian Innovation Foundation) and FIP (Fisheries Research fund)95

The Chilean Government wants to increase this to a 1% share of the GDP in 2010.

For this purpose the Government of Chile is expecting the private sector to expand their spending on R&D 10 fold by 2020, with this scenario the GDP contributions changes, the public sector will decrease from 50% to 32% and the private sector's share will increase from 36% to 55%, which reflects the spending of other developed countries.

The Government of Chile is increasing Chile's growth potential, know how, capabilities and products that will create the difference, these are only possible through technological developments and Innovation. For this object in May 2005 the Chilean government created the National Innovation Council & Competitiveness (CNIC), the Council is in charge of advising the President on the National Strategy of Innovation.

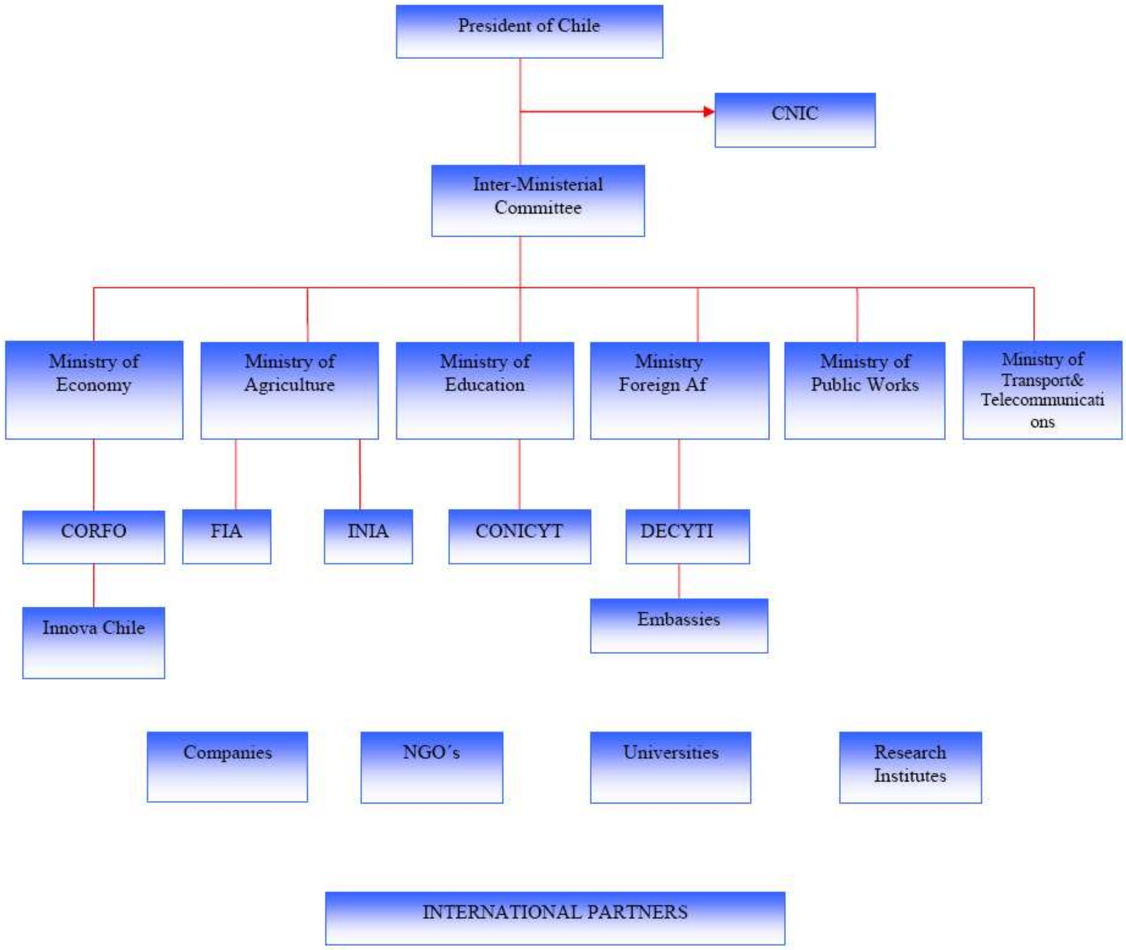
The CNIC combines the multiples visions of the different components of the system of innovation, facilitates the coordination, promotion, and development of this, and organizes this in line with the national priorities. The role of this council is to make consensus of the policies in this area.

The Inter-ministerial Committee implement the strategy of innovation & competitiveness presides over the Ministry of Economy, Ministry of Foreign Affairs, Ministry Agriculture, Ministry of Education, Ministry of Transport and telecommunication, Ministry of Finance.

The government of Chile, trough CNIC identify following seven key elements to improve.

[94] Managed by the government's Economy Development Agency (CORFO)
[95] FIA, Managed by Ministry of Agriculture, FIP managed by Ministry of Economy.

Chart 6.1. Institutional map of the National Strategy of Innovation



There are two main government agencies in Chile related with Science, Technology and Innovation. The National Commission of Investigation Science & Technology (CONICYT), this agency which is part of the Ministry of Education, is in charge of promoting, strengthening and expanding research in the areas of science and technology in Chile. CONICYT is responsible for national policy in the area of supporting universities and national research centres,

The other institution is the government's Economic Development Agency (CORFO), which is in charge of innovation policies and support for industries to help them develop competitive advantage in the area of research and development.

In 2005 Innova Chile was created. This helps with promoting and facilitating private innovation in four areas (general purpose technology, business innovation, technology transfer, and business star-up) with a focus on Biotechnology, ICT and agribusiness.

The Ministry of Agriculture implements it's strategy for promoting innovation to boost competitiveness in agriculture through FIA, which was created in 1981 (reactivated in 1994). And the Institute of Agricultural Research (INIA), the mission of INIA is the creation, adaptation and transfer of technologies to ensure that the agricultural sector will contribute to the safety and quality of food produce in Chile, in addition to provide a competitive and sustainable response to the challenges of rural development.

Both CONICYT and CORFO focus on innovation in the following areas:

- Outsourcing,
- Processed food industries
- Aquaculture
- Financing services
- Fresh fruit production
- Communications
- Logistic services
- Hog poultry breeding
- Construction
- Tourism
- Copper and derivates.

The Ministry of Foreign Affairs plays a key role in connecting international opportunities and possible joint ventures with local partners, through the Coordination of Science &Technology. We foresee that one of the most attractive agencies in Indonesia for identifying possible joint projects is through de National Science and Technology Development Agency especially in areas of common interest.

We propose collaboration with a vision that encompasses four main elements:

1. Identifying projects, institutions and professionals for developing a Partnership on Innovation, Research and Development (I+R+D), for mutual benefit and with a concrete long-term vision to develop joint capacities in international markets. These initiatives would require the involvement of governmental R&D entities, private companies, social organizations, or could combine them.
2. Technology transfer and trade in selected industry sectors, as food industry and selected manufacturing areas.
3. Collaboration in Human Capital Development, through institutional agreements for initiatives aimed at training human resources, developing professional and technical consultancy and fostering the exchange of experiences in selected areas: biotechnology, mining, energy, aquaculture, information technology, tourism, agriculture, food industry, education, and other areas of common interest of the Parties.
4. Common actions undertaken in order to implement a long term forward looking Partnership.

VI.1.B Indonesia

Cooperation in the field of science and technology is very important in fostering sustainable economic and social development, promoting sound business practices, enabling partnership between two countries, the private sectors and other non governmental entities of the Countries. The Cooperation may include:

- human resource development related to science and technology;
- collaboration on research and development;
- exchanging information on science and technology issues;
- encouraging and facilitating visits and exchanges of experts, and exchange of knowledge and technology;
- promoting the holding of seminars and workshops;

- promoting cooperation between the educational institutions of both countries;
- promoting cooperation between the research institutions of both countries;

VI.2 Small and Medium Enterprises, Education, Tourism, Mining, Energy and Logistics.

VI.2.A Chile

VI.2.A.1 Small and Medium Enterprises

The small and medium enterprises are at the heart of the Chilean economy[96]: some 700.000 firms, that is 99% of Chilean firms are micro, small and medium enterprises, employing 75% of the labor force and responsible by 22% of total sales in the Chilean economy[97]. The SME are at the top of priorities in public policies. Thus, the SME are included[98]

- in the Productive Development Agencies, created in all the Chilean Regions
- in the initiative to enhance the credit for the SME and other actors, through the program "Pro Credito", meant to mobilize more than US $ 3.6 billion in additional credits and financing to this sector
- as beneficiaries of the fiscal stimulus plan announced in January 2009, for a total of US $ 4 billions in additional resources to generate more activity and employment
- US $ 700 millions are included in the fiscal stimulus plan in additional infrastructure that will create new jobs and improve productivity, specially in the SME
- A reduction of 15% of the provisional monthly tax payments by the SME announced for 2009

The SME are also part of the export enhancement schemes through Pro Chile, which aim to support the export development of Chilean firms (See www.prochile.cl). ProChile attends 4,500 SME in all of the Chilean Regions[99], has promoted business meetings in its more than 60 commercial offices in the world, and has carried out joint export development projects with other public agencies as CORFO and Innova.

VI.2.A.2 Education and Culture

Education and Culture are strategic and long-term areas that facilitate the building of a long-standing and stable relationship between countries at an international level. Education and culture facilitates the mutual knowledge and respect and enhance the human potential of international partnerships.

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[96] Universidad de Santiago de Chile (2008) "Desarrollo Productivo en Economías Globales y las Instituciones de Garantía Recíproca" in Informe Final Propuesta "Estudio de factibilidad para favorecer las instancias de profundización del mercado de garantías recíprocas", pages 117-147 in http://www.dipres.cl/572/articles-38731_doc_pdf1.pdf

[97] In SERCOTEC(2006) "La situación de la micro y pequeña empresa en Chile" in http://www.redsercotec.cl/archivos/periodico/200711/Libro.pdf

[98] These are the measures included in the last Presidential Address to the Congress, May, 21, 2009., quoted in http://www.comerciointernacional.cl/2009/05/%C2%BFy-que-fue-de-las-pyme/

[99] In www.prochile.cl

Cooperation in Education can focus, among other topics, on education quality assurance processes, on-line and distance education at all levels, primary and secondary education systems, higher education, technical education and vocational training, industry collaboration for technical and vocational training and teacher training and development.

Some instruments for educational cooperation could be the exchange of information such as teaching and curriculum materials, teaching aids, and demonstration materials, as well as the organization of relevant specialized exhibitions and seminars, the joint planning and implementation of programs and projects, the development of collaborative training, joint research and development, across graduate and postgraduate studies and the exchange of teaching staff, administrators, researchers and students in relation to programs that will be of mutual benefit.

Other area of collaboration is to gain understanding of each Parties' education systems and policies including information relevant to the interpretation and evaluation of qualifications, potentially leading to discussions between institutions of higher learning on academic credit transfer and the possibility of mutual recognition of qualifications.

VI.2.B Indonesia

VI.2.B.1 Small and Medium Enterprises

The Constitution of the Republic of Indonesia stipulates one of the goals of national development is to promote the general welfare, meaning that the prosperity of society is the priority rather than individual prosperity. Cooperatives and micro, small and medium enterprises (MSMEs) are representing national economic. The strategic planning should be formulated for empowerment of cooperatives MSMEs in integrated, systematic and sustainable scheme. The regulation of the President of the Republic of Indonesia No. 07/ 2005 on Medium-Term National Development Plan period of 2004-2009 has contained the policy and program co-operatives and SMEs empowerment. Suitable with the mandate of the Law of National Development Planning System, the Ministry of Cooperatives and SMEs need to be described more detail in Strategic Plan.

Due to the one of the goals of national development regarding Micro, small, and Medium enterprises (MSMEs). Article 13 of Law of The Republic of Indonesia Number 25 of 2007 concerning Investment confirm that MSMEs has to be developed through Investment. Hence, business fields that are reserved for micro, small and medium enterprises and cooperatives, as well as business fields that are open to large businesses subject to cooperation with micro, small and medium enterprises, and cooperatives must be determined by the Government. Furthermore, Government shall direct and develop micro, small and medium enterprises, and cooperatives through partnership programs, increase of the competitiveness, inducement of innovation and market expansion, as well as wide dissemination of information. In connection with such policy, Government also establishes criteria regarding MSMEs under article 6 of Law Number 20 of 2008 concerning Micro, Small, and medium Enterprises.

During the year of 2000 - 2003 the role of micro, small and medium enterprises in creation of value added continued to increase from 54.51% in 2000 to 56.72% in 2003. In 2003, micro and small business increased by 4.1%, medium businesses grew by 5.1%, while big business grew only 3.5%. The share of micro, small and medium enterprises in GDP has increased from 26.9% in 2006 to 53.6% in 2007. The contribution of SMEs in non-oil exports continue to increase from US$ 8.19 billion in 2000 to US$ 15.19 billion in 2007.[100]

In general, micro and small businesses have the advantage in utilizing natural resources and labor-intensive, such as: agricultural crops food, plantations, livestock, fisheries, trade and restaurants. Business medium has the advantage of creating value added in the hotel sector, finance, leasing, corporate services and forestry. Great efforts have advantage in the processing industry, electricity and gas, communication and mining.

The Chamber of Commerce and Industry of Indonesia estimates, the MSMEs would grow about 25% in 2010 compared to 2009 forecasted 15-20% range. The growth of MSMEs will be moving at 25-30% level from year to year. In addition, with financing in favor of micro-business sector will also encourage the empowerment of directing the business unit grade.

Currently, there are about 51 million units of MSMEs up to 99% are micro units. Approximately 99% of MSMEs units have not been touched by financial institutions because they are considered not bankable and do not have the collateral or the collateral assets. There are only about 2 million MSMEs dominated the food business as well as services and trade supported by financial institutions. It was through the people's business credit and the units they belong to small-medium businesses. Micro units, particularly in agriculture and business units at the grassroots level, rely on moneylenders with choked interest rate. In this regard, Chamber of Commerce and Industry Indonesia initiate the empowerment programs of MSMEs and cooperatives by mobilizing a network of micro credit through micro-banking financial institutions that are more flexible, effective, and efficient.

Indonesia acknowledged the importance of cooperation with Chile to develop and facilitate MSMEs through the following activities:

a. promoting cooperation and information exchange between government institutions, business groups and industrial associations;
b. exploring jointly effective strategies and support policies for the development of MSMEs, including financial support and intermediary services;
c. holding trade fairs and investment marts and promoting other mechanisms for exchanging goods and services involving MSMEs of both countries; and
d. promoting training and personnel exchange between MSMEs of both countries and relevant business advisors and industrial associations.

Cooperation activities should be oriented to improve knowledge and good practices among MSMEs and to facilitate bilateral trade by MSMEs, including through exchanges of information about regulatory regimes, local markets and regional and national economies of both countries.

VI.2.B.2 Education

Indonesia recently passed a new Law on Education Legal Entities. This law requires that education be provided by non-profit entities, which effectively precludes commercial investment in higher education. The funds provided for such entities are essentially gifts; if the legal entity is subsequently dissolved, the net assets are not returned to the initial fund providers. In designing the implementation for the new education Law, measures to facilitate domestic and foreign investment in education

[100] Exchange rate Rp 9,200/US$ (2000), Rp 9,400/US$ (2007)

could support social development goals, while helping more Indonesians obtain university degrees and reducing the outflow of students overseas.

In Indonesia, many foreign universities operate through joint degree and twinning arrangements. For example, the Faculty of Economics at the University of Indonesia has twinning/linkage/double degree programs with universities from New Zealand, Australia, the United States, and the Netherlands. However, no foreign university has been issued a permit to establish its own program in Indonesia.

Major issues affecting investment in Indonesia higher education includes the type of “education legal entity” that is required when forming an institution of higher education, and the methods by which foreign institution can cooperate with Indonesian institutions.

According to Government Regulation 60 of 1999, an institution of higher education must be either a non-profit foundation or an organization of a social nature[101]. Foreign providers can establish a new institution of higher education by forming a “joint venture” with partners in Indonesia. Under Law No. 16 of 2001 on *Yayasan* (non profit organization / foundation) it appears that foreigners can also establish non-profit educations.

Under the National Education System Law of 2003, an institution of higher education must be in the form of a non-profit education legal entity. The National Education System Law also allows accredited foreign universities to operate in Indonesia provided that they cooperate with Indonesia institutions and comply with existing regulations.

In December of 2008, Parliament passed a new Law on Education Legal Entities. This Law:

- Eliminates the foundation as the legal entity for higher education and replace it with a new, non profit organization / foundation education legal entity. Existing educational foundations would have to convert to the new legal entity.
- Establishes two kinds of legal entities for higher educations: state and private.
- Provides full autonomy to state and private institutions of higher education, and allows them to raise money and to manage their own affairs.
- Allows education legal entities to form a business entity as one way to rise money. The educational legal entity could invest up to 10% of its revenues in the business entity; the remainder of its revenues must be used for education.

The laws and regulations on educations do not contain equity limits for foreign financial participation in higher education. Since all education must be in the form of an educational legal entity, direct investment in higher education in the form of a limited liability company would not be permitted. Thus, the 49% equity limit contained in the Investment Negative List would be of no consequence.

According to government Decree No. 60 of 1999, domestic and foreign institutions of higher education are permitted to cooperation in several ways: a) management contracts; b) twinning programs; c) programs to transfer credits; d) exchange of lecturers and students; and e) various other joint programs or sharing arrangements. Since new implementing regulations pertaining to foreign educational institutions are still to be developed for the new Law on Education Legal Entities, other forms of institutional arrangements could be allowed in the future.

[101] Higher educational institutions provide academic, professional, vocational and technical training; and can be academies, polytechnics, specialized colleges, institutes, or universities. Degrees consist of postsecondary diplomas, bachelors, masters, specialized post graduate, and doctorates.

Cooperating educational institutions must first report to the Minister of National Education. In the case of management contracts, twinning and transfers of credits, written approval is required by the Minister. Other requirements are that: (i) both foreign and domestic personnel must be included in management; (ii) the foreign education institution must be duly accredited in its country of origin and must provide management and lecturer support.

Foreign educational personnel require permission from both the Ministry of Education and the Ministry of Manpower. The permission is granted on a case-by-case basis and is only given when there are no Indonesian instructors capable of filling the position. There appear to be no other restrictions on the number of foreign teachers, lecturers, or managers in Indonesia.

Indonesia’s GATS offer of 2005 includes a commitment on higher education. According to that offer, foreign universities would have to form a partnership with Indonesian Universities and could locate in the cities of Jakarta, Bogor, Bandung, Yogyakarta and Medan. It is appears that the partnership must be in the form of a joint venture subject to the 49% limit on foreign equity. The foreign institution of higher education would have to register and be accredited by the Ministry of Education.

Indonesia’s AFAS schedule does not include higher education. As a result, Indonesia currently has no obligations on higher education in ASEAN. Under the AEC Blueprint, however, Indonesia should include education in its schedule at some time between now and 2015. Depending on when the commitment is made, Indonesia must allow foreign equity of not less than 49% in 2008, 51% in 2010 and 70% in 2015.

Indonesia like many other developing countries has an abundance of unskilled labor, hence it is not surprising that export of relatively unskilled labor has been the major source of labor exports, and conversely the country has tended to import skilled and professional manpower. Less educated workers and less skilled workers in sales, services, farming, and production make up a high proportion of the total labor force and employment.

Although much policy discussion needs to take place in this area before moving forward, it is proposed that Indonesia stands to benefit most through the import of labor services in education – Growing the human capital and intrinsic value of Indonesia’s workforce, and through internationalization allowing the promotion and growth of international competitiveness across the breadth of the economy.

There are considerable opportunities to further promote bilateral services trade and investment to the benefit of both countries. Among the most important areas to further strengthen under a bilateral FTA is human resource capacity. Improvement in skills and ability in different fields of production and management through short term training could enhance bilateral trade and investment links. For example, cooperation in tourism and hospitality management could further develop Indonesia’s services exports.

VI.2.B.3 Tourism

The tourism sector represents a huge opportunity for growth in the bilateral trading relationship. Both Indonesia and Chile can also expect growth in the tourism export profile. There are considerable opportunities to further promote bilateral tourism to the benefit of both countries. Among the most important areas to further strengthen in the near future under this FTA bilateral cooperation is human resource capacity of tourism industry. Formal education in various fields of interest along with improvement on skills and ability in tourism management through short term training could enhance the performance of tourism activities between both countries. Degree education in economics and short term training in tourism is considered very helpful in preparing business actors in trade and tourism industry activities for both Indonesia and Chile. The highly expectation from tourism-related services could allow a direct and straightforward business relations between the two countries.

Cooperation in the field of tourism will contribute to the enhancement of mutual understanding between peoples of both countries and that tourism is an important industry for their respective economies. The cooperation may include:

a. The areas of cooperation:

promotion of tourism;

human resource development related totourism; and

sustainable development of tourism

b. The forms of cooperation:

exchanging information and sharing experience;

encouraging and facilitating visits and exchanges of experts;

promoting the holding of seminars, dialogue and workshops; and

other forms to be mutually agreed upon by the Parties.

VI.2.B.4 Mining

According to the Fraser Institute survey of mining companies, Indonesia ranks 15th on its analysis of pure mineral potential. It is the world's second largest producers of tin, third largest of coal and copper (ranked 3rd largest, after the USA and Chile). It also produces significant quantities of gold and nickel. Minerals and related products represented 19% of Indonesia's total exports, with gold being the largest revenue earner. Indonesia is also a producer of bauxite, phosphates and iron sand, with potential for alluvial diamond production as well. Most of the minerals are situated in remote areas and their exploitation involves high costs.

Currently, the Law of The Republic of Indonesia Number 4 of 2009 concerning Mineral and Coal Mining promulgated on January 12, 2009. Under the new law mineral and/or coal mining shall be managed under the principles of: a) benefit, justice and balance; b) being in favor of the nation's interests; c) participation, transparency, and accountability; d) sustainability and environmental soundness. The new law also gives more power to local authorities. Under the new system, local authorities will give companies five-year exploration licenses that can later be turned in to full mining-development agreements. This creates a lot of opportunities for the investors.

The mining industry benefits Indonesia in many ways. Perhaps of most significance is the development of many remote regions of Indonesia, which otherwise may not have occurred to such an extent, or at such a pace. Mining companies are in many cases the only significant employer in some of these remote areas.

The total Indonesian mining industry contribution to GDP increased from 4.62% in 2007 to 4.89% in 2008. But it should be noted that the mining industry represent a much larger component of the gross regional domestic product of several provinces, including Papua, Bangka-Belitung, West Nusa Tenggara and East Kalimantan.

International Mining companies rank Indonesia highly in term of mineral prospectively. In respect of investment attractiveness, Indonesia would rank in the world's top ten under a "best policy" regime. However, the Indonesian mining industry faces a major test if it intends to remain a significant player in the global mining area. Indonesia needs to attract more investment in Greenfield exploration and/or production expansion in the near future if it wishes to benefit from the continuing upturn in the global mining industry, as a result of the current high energy and mining product demands. This is a crucial time for industry players and the government to work together and reshape the industry for the benefit of all stakeholders, including the people of Indonesia.

Related to Indonesian mining and energy sector policies, the forms of cooperation in mining and energy sector between Indonesia and Chile could be covered in a bilateral FTA may include:

- Indonesia need the investors to build the smelter/refinery for metal minerals and mining infrastruktur;
- Encouraging exchange of views and information on laws and regulations;
- Encouraging and facilitating visits and exchange of experts;
- Encouraging Joint Studies, workshop and training; and
- Promoting implementation of join projects and programmes

VI.2.B.5 Logistics

The main legal instruments for regulating Indonesia's logistics service sector are the Presidential Decree No. 111/2007, Presidential Decree No. 112/2007, and Government Regulation 82/1999. Ministerial Decrees from the Ministry of Trade are also issued from time to time which affect the regulation of the logistics service sector. The main regulators of the logistics service sector are the Ministry of Trade, the Ministry of Transport, and the Ministry of Information and Communication.

Indonesia's National Logistics Strategy consistent with and complements its International trade in logistics services policy. This strategy is aimed at improving the domestic efficiency of Indonesia's logistics service sector.

Some key components of any national logistics strategy are improving:

- Physical infrastructure to support efficient seaports, airports, and roads. This is essential for a cost-effective flow of freight across the archipelago;
- Information and communication technology. This gives the software needed for the infrastructure because it is crucial that real-time information and data flows through the various part of the Indonesia's domestic logistics supply chain so as to keep track of goods; and
- Human resources capacity. Most important of all are the people who operate the infrastructure and technology. Coordination by skilled staff is essential for further building an integrated domestic logistics supply chain in Indonesia. This is essential for Indonesia to continue to move towards an efficient movement of freight from origin to destination.

Indonesia will move faster towards improving the efficiency of its domestic logistics service sector to support its National Logistic Strategy. This means that the development of Indonesia's physical infrastructure, information communications and technology and human resources will happen more quickly. Foreign logistics service suppliers can improve logistics expertise in Indonesia, especially where it supports an effective transfer of technology and best practice to Indonesian counterparts.

The key elements of Indonesia's national logistics strategy include policies that make Indonesia more attractive investment for foreign logistics service suppliers and encourage technology transfer. Technology transfer from foreign to local logistics service suppliers become an important component of Indonesia's international trade in logistics services policy. Indonesia also explores how to effectively transfer technology and skills. The speed and manner of introducing any more foreign logistics service suppliers would be done in a way that is consistent with Indonesia's stage of development.

Indonesia has a range of objectives and strategies to pursue Indonesia's international trade in logistics services interests. These objectives and strategies vary by international trade fora – World Trade Organization, ASEAN and future bilateral trade agreements.

In pursuing Indonesia's objectives and implementing its strategies, Indonesia will analyze and prepare before pursuing its international trade in logistics services interest at international trade fora. Indonesia's objectives at international trade fora focus on improving market access for Indonesia's exports of labour services for logistics services. Indonesia can pursue this objective through the World Trade Organization, ASEAN and future bilateral international trade agreements.

In pursuing its market access interest, Indonesia would be pursuing services sectors in which it is internationally competitive today as well as high value added service sectors that it is likely to be internationally competitive in the future. Domestic initiatives can support Indonesia moving from exporting low value added labour intensive logistics services to high value and capital-intensive logistics services.

Indonesia's strategies for pursuing its international trade in logistics services interest vary by international trade fora. These strategies cannot be separated from Indonesia's other strategies. They must be pursue in an integrated and mutually reinforcing way between international trade fora and ensure consisting between Indonesia's domestic and international trade in logistics services strategies. A component of Indonesia's strategy will be continued to reform the logistics services sector in order to become more integrated into the global economy and benefit from the international trade in logistics services.

Indonesia could be seeking the coverage of export development assistance for logistics services under future bilateral trade agreements. In negotiating the modalities or coverage at the beginning of any future bilateral trade agreement, Indonesia should negotiate not only for the coverage of international but also export development assistance. The focus of this export development assistance is to provide the necessary capacity building for Indonesian logistics services specialist to meet standards in export countries. Bilateral trade agreements are more accommodating of providing this type of assistance than the World Trade Organization or ASEAN, for instance the Indonesia-Japan Economic Partnership Agreement provides a good framework for Indonesia pursuing such export development assistance.

VI.3 Other Areas of Cooperation

VI.3.A Chile

VI.3.A.1 Gender Issues

"The Government Program is concerned about the construction of a more fair society, which includes the dimension of gender equity. The Gender Agenda, which contains commitments that are expected as the administration ends in 2010 is the guiding instrument for the implementation of these public policies. To make progress in this Agenda, the National Women Service SERNAM mission is to design, propose and coordinate policies, plans, measures and legal reforms conducive to equal rights and opportunities between women and men, and diminishing discriminatory practices in the process of political, social, economic and cultural aspects in the country.

The strategic objectives that are operational are:

a. Incorporate the gender perspective in policies and programs in the public sector, through the coordination, technical assistance and training to public officials.
b. Promote equal rights and opportunities between women and men, through the development and promotion of bills or other regulatory changes.
c. Reduce the main discrimination that affect women through the design, implementation, validation and transfer of models integrated program.
d. Promoting a culture of equality through the implementation of communication campaigns to make visible gender issues and provide priority positive images of women in the media.
e. Promote the position of the Government of Chile, through the dissemination of the international agenda in gender and the implementation and monitoring of horizontal cooperation agreements, bilateral and multilateral.
f. Contribute to the definition of public policies aimed at gender equity through the generation and dissemination of knowledge about the discrimination that affects women and gender gaps”[102].

VI.3.B Indonesia

VI.3.B.1 Cooperation in Transportation

VI.3.B.1.1 Air Services

It is very important to make an agreement concerning air transportation between Garuda Indonesia Airways and LAN Chile. When both countries are trying to enhance the bilateral relationships, it is very important that direct or connecting travel facilities between the two countries are available. Garuda Indonesia Airways already has fixed schedule to Sydney and Melbourne three times a week. On the other hand, LAN already has fixed schedule from Sydney to Santiago.

Furthermore, LAN could give required permissions to Garuda Indonesia Airways for boarding passenger (three flights a week) from Santiago through Sydney/Melbourne to Jakarta, permission for more destinations can be considered.

VI.3.B.1.2 Shipping Services

It needs to be emphasized that expansion of direct shipping links between Indonesia and Chile ports be undertaken on a reciprocal basis.

[102] Taken form SERNAM program for the current Government period (2006-2010) in Mensaje de la Presidenta de la República Señora Michelle Bachelet Jeria en el Inicio de la Legislatura Ordinaria del Congreso Nacional 21 de mayo de 2009, Servicio Nacional de la Mujer SERNAM, pages 485-491 (informal translation)

VI.3.B.2 Cooperation in the development of Special Economic Zones

Both countries could learn from each other's experience in setting up of Investment Parks or Special Economic Zones, e.g. the Batam Industrial Development Authority in Indonesia and Iquique Free Zone and Punta Arenas Free Zone in Chile.

Indonesia would like to invite participation of Chile in setting up Special Economic Zones in Batam (Electronic, Electrical, Chemical), Bintan (Textile, Processed Food) and Karimun (Ship Building, Ships Components). These three islands have already been declared as Free Trade Zones.

VI.3.B.3 Cooperation in Intellectual Property Rights

Indonesia and Chile have an Intellectual Property Rights **(**IPR) relationship, which could be reinforced and extended through an IPR Chapter in a bilateral FTA. Both countries are committed to implementing the WTO's TRIPS Agreement. Both participate actively in the World Intellectual Property Organization, a specialized United Nations (UN) agency with important normative and development agendas.

The overall objective for an intellectual property chapter in a bilateral FTA would be to support increased trade and investment between two countries. Provisions in a bilateral agreement can be tailored closely to the bilateral relationship and so usefully build on commitments in APEC and in the multilateral arena. Provisions that aim to promote harmonization around international standards and to strengthen administration of IPR systems and enforcement of IPR rights can facilitate IPR-related trade and investment. Both countries recognize that an FTA would present an opportunity to strengthen the institutional foundations of the excellent and longstanding record of cooperation between the countries on IPR issues.

During the study, business consistently identified IPR systems as an influence on business decisions. Strengthening bilateral commitments on IPR would allow businesses in both countries to better register, use and enforce their IPR in each other's markets and deliver real outcomes of lasting benefit to both economies.

VI.3.B.4 Cooperation in the Construction Sector

Efforts to promote capacity building for enhancing Indonesian construction labour force competency can be considered under Indonesia-Chile FTA. For enhancing training and educational facility on construction sector Indonesia, it is hoped that both countries can cooperate to develop Vocational Training Centre for Construction Services (VTCCS) facilities in less developed area through Indonesia-Chile FTA.

Indonesia hopes sustainable activities cooperation in training development, research and technical engineering to enhance and develop competence in construction sector. Indonesia is interested in developing its capability to participate in the construction services market in Chile. Cooperation between the Indonesian Construction Services Provider and its Chilean counterparts will benefit both countries to jointly participate in global construction projects.

VII. CONCLUSIONS

VII.1 Why Indonesia/Chile?

VII.1.A Chile

Today, Indonesia, a market comprised of a population of 240.3 millions (4th. Largest in the world), with a per capita income (PPP) of US $ 3.900 (2008), has consolidated its position as a leading player in the ASEAN region and the world economy (15th largest economy in PPP in 2008)[103], and is becoming an increasingly important market for other economies through commerce, achieved under trade and investment facilitation, liberalization and an increasing relationship with all ASEAN nations. Exports were US $ 139.3 billion in 2008, that is, an export of US $ 579 per capita, the 32nd. Exporter in the world in 2008. Economic and financial partnership is becoming a valuable tool to build closer economic relations with its main business partners.

Indonesia has become a stable market for Chilean exports (US $ 210.0 millions in 2008), reaching 0.30% of Chilean exports, after a low of 0.24% in the year 2001. This share has fluctuated between a high 0.61% in 1999 and a low 0.24% in 2001. Chilean imports from Indonesia have reduced its share in total imports from the 0.67% in 1999 to 0.33% in 2008.

Chile and Indonesia are building new capacities as hubs for their respective regions.

Both countries-Chile and Indonesia have been active members in several international organizations and initiatives, as the WTO, APEC and other instances, in which have shared similar points of view and tasks.

VII.1.B Indonesia

The Latin American market is a new and emerging market to discover. Chile, as one of the most liberal and trade oriented countries in the region would offer a valuable advantage, in terms of both trade creation and investment promotion. As analyzed throughout this report, a prospective FTA between Indonesia and Chile offers some opportunities, in terms of trade development and investment promotion generally. Taking into consideration the rising investment opportunities offered by both countries and their pace for economic development; mutual cooperation on common interest issues would create a hub of economic prosperity and welfare for both regions. Since Indonesia and Chile consider each other as springboards to penetrate into their respective regional markets, both trade and investment opportunities offered by the prospective FTA shall create a mutually beneficial situation.

Bilateral trade between Indonesia and Chile over the last decade has shown a dynamic progress. Even though in 2002 the trade volume reached the lowest point of US$ 118.1 million, it has been gradually improved year-by-year until it reached its peak performance in 2008, i.e. US$ 402.6 million with trend 18.42% in the last five years. Indonesia always experienced trade deficit in the last few years, however Indonesia-Chile FTA was projected to reduce Indonesian trade deficit. Based on bilateral trade intensity index, Chile’s trade with Indonesia is deemed more intense than Indonesia’s with Chile. In other words, Chile exports to Indonesia are larger than expected on the basis of Chile’s importance in world trade, inferring that Indonesia is a comparatively important trading partner of Chile’s.

[103] CIA fact book data

A neat observation of both countries' trade related legislation and implementation suggests that the areas to be included into a prospective FTA emerge as construction, business travel and health services; mining; agriculture; tourism, trade and investment promotion; science and technology; telecommunication; and other areas of common interest to both countries.

VII.2 Strategic Framework

VII.2.A Chile

An on-going goal of Chilean governments since the 90s has been to expand and enhance trade. The Chilean trade policy has used three instruments to simultaneously achieve greater opening to and better integration into the world economy: 1) unilateral liberalization and facilitation of trade and investments, 2) active participation in the multilateral system and negotiations, and 3) bilateral negotiations through FTAs and other trade agreements. By implementing policies conducive to unilateral opening, Chile has sought to improve the allocation of productive resources, making domestic economic activities more efficient and competitive. At the multilateral level, Chile has actively participated in discussions and decisions in the WTO, and has modernized its economy to comply with the WTO's obligations.

Bilateral agreements have enabled Chile to address and move forward in key globalization issues, namely services, investment, trade remedies, intellectual property, government procurement and competition policies, and also to address new strategic issues such as labor standards, environment, and economic, technological and development partnership. In this sense, trade exchanges have been expanded and diversified, creating conditions to improve competitiveness, attract new investment and technology, and generate new jobs.

VII.2.B Indonesia

Within the framework of ASEAN Free Trade Agreement (AFTA), Indonesia has the obligation to undertake the ASEAN Economic Community Policy. In this context Indonesia aligns its customs tariff for industrial and agriculture products with the Common Effective Preferential Tariff (CEPT) applied by all ASEAN Countries to third countries. Hence, in order to avoid a possible trade diversion within the ASEAN CEPT, Indonesia negotiates FTAs in parallel with AFTA and ASEAN Plus Dialogoue Partner FTAs.

Moreover, bearing in mind both Indonesia's and Chile's applied tariff rates for industrial and agricultural products which are 7.64% on average and 6% flat respectively, as well as their liberal open markets, it is estimated that full liberalization in terms of industrial and agricultural products would not be a hard objective to achieve. Chile tariff policy relative liberal, however It is still applied some non tariff barriers policy such as quota, import control, and sanitary-phytosanitary policy.

In 2008, 5.5% of Chilean exports came from agriculture, forestry and extractive fishery sector, scoring a currency inflow of US$ 3.83 billion. Although this sector may appear to be relatively small compared to the industrial and mining sectors, it is of no lesser importance to Chile's economic activity. The average annual rate of growth over the last 9 years has been 9.3%, and has accelerated in the last years stimulated by an increase of Asian and European markets. Moreover, since Chile grants tariff quotas as a result of reciprocity to quotas imposed by the counterpart, Indonesia shall negotiate on the basis of either unlimited amounts or tariff quotas. Therefore, tariff elimination schedule for agricultural products on a prospective FTA between Indonesia and Chile is expected to be based on mutual concessions.

VII.3 Recent FTAs

VII.3.A Chile

Chile has followed an active policy of bilateral economic agreements, and today these agreements cover 61% of World population and 84% of world GDP. More than 90% of Chilean exports go to countries with which Chile has trade agreements

This trend has been enhanced in the last three years, as has been the closing of negotiations and the actual enforcement of new trade agreements with Japan in 2007, India in 2007 and Australia in 2009. Also in 2008 it began negotiations with Turkey, which is in its final stage for approval. Negotiations for trade agreements with Vietnam and Malaysia are currently in process.

In 2006 Chile and Thailand finished a Joint Study Group on the Feasibility of an FTA, with positive conclusions. In the same year, another JSG was concluded with Malaysia and in 2007 was finished the study with Turkey, and currently are being carried out a Joint Study with Indonesia, Hong Kong, China, Israel and the Dominican Republic; and several studies to enhance the trade relationship between Chile and the Russian Federation.

Chile is determined to follow new steps to further enhance its policy of opening new preferential relationships including through plurilateral commercial agreements, as with P4.

VII.4 Effects of a Free-Trade Agreement Chile/Indonesia

VII.4.A Chile

- In the case of Chile, trade with Indonesia has increased from US $ 184.6 millions in 2000 to a figure of US $ 398.7 millions in 2008, which has meant a growth of 116.0% between 2000 and 2008, well below the growth of Chilean foreign trade in the same period (258.8%). In 2008, Indonesia accounted for 0.32% of Chile´ s foreign trade. Direct investment levels have not been significant and there are no registered Indonesian investments (through the DL 600) in the period 1979-2008.
- An FTA between Chile and Indonesia would have a positive impact on bilateral trade and economic welfare. It has been calculated that the trade effects would increase Chilean exports by approximately US $ 93.3 millions considered to have an impact because of potential trade gains, and this would represent an increase of 39.3% over the figure of 2007 (US $ 237.4 millions).
- This estimate takes into account the effect that might be created because of the several goods that Indonesia imports from the rest of the world and does not import from Chile. This is also true in the other way round. Indonesia imports from the rest of the world goods that are not imported from Chile (2007) by at least of US $ 60 billions (FOB values)[104]. Chile already sells those same items to other countries. Because of the better information, development of new

[104] Import figures from the Indonesia First Report (Draft): US $ 61,661.5 million imports, from Chile US $ 197.9 millions in 2007

commercial channels and the improvement in administrative procedures with an FTA, it is estimated that this “trade of non traded goods” would provide the additional exports presented in this Study.

- Other benefit which is the reduction in the “transactions costs” associated with the operation of foreign trade, because of facing better administrative and organizational structures and procedures after the FTA.
- The dynamic effects because of a better resource allocation in Chile and Indonesia would create additional positive impacts on both countries
- Another important benefit would be the improvement in market access. Exports from Indonesia to Chile are facing competition in the Chilean market of other suppliers that have already obtained FTA status –as is the case of goods from China and Korea- or that are already negotiating with Chile as is the case of Vietnam and Malaysia. In order not to lose competitiveness in the Chilean market it would be needed, from the Indonesian point of view to have a better access in order to equalize conditions of market access compared to its competitors in Chile. There would also be a cost reduction for Chilean producers as equipments and inputs that are currently imported from Indonesia would reduce its cost as the 6% general rate in tariffs would not be applied would to those products.

Chile and Indonesia are both members of APEC and thus may enhance or develop new trade schemes as the one already developed by the P4.

VII.4.B Indonesia

In general, bilateral trade between Indonesia and Chile has jumped to US$ 402.6 million in 2008 from US$ 338.1 million in 2007. Indonesia import from Chile increased US$ 71.6 million (35.4%) in the same period. Moreover, in the last ten years, the trade balance was in favor of Chile and Indonesia’s trade deficit showed a steady increase after 2003. The trade balance deficit reached US$ 146 million in 2008, while it was only US$ 15.3 million in 1999.

More precisely, in 2008, Indonesia’s exports to Chile fell down to US$ 128.3 million, decreased 5.3% compared to 2007. Also, Chile’s share in total exports of Indonesia fell down from 0.12 % in 2007 to 0.09 % in 2008. Indonesia’s imports from Chile reached US$ 274 million in 2008. After decreasing import in 2001 and 2002, the total value of imports from Chile started rising in 2003, and performed 2.4% and 35.4% growth rates in 2007 and 2008 respectively. However, the share of Chile in Indonesia’s total imports fluctuated from 0.18% in 2001 to 0.21% in 2008.

As reflected in the simulation result, it is reasonable to claim that if the tariff rates were zero for Indonesia in 2008, Indonesia’s exports to Chile would increased at least US$ 23.3 million (13.4%). On the other hand, Indonesia is expected to increase import from Chile by US$ 1.3 million. By using the same tools and methodology above, there are 603 HS-6-Digit commodities that would be affected by the tariff reduction in 2008.

Indonesia’s potential exports to Chile would be found at US$ 93.8 million per year of Chile’s demand for imports of these products. This potential product consists of 312 products at a 6-digits level of the Harmonized System classification. The top five potential products in 2-digits level are: furniture (HS 94); Toys, games and sport requisites (HS 95); Electrical machinery equipment (HS 85); Miscellaneous manufactured article (HS 96); Nuclear reactors, boiler machine (HS 84).

VII.5 Effects on Trade and Investment by main economic sectors.

VII.5.A Chile

- The industries that could be mostly benefited because of the FTA with Indonesia could be the manufacture of fabricated metal products, machinery and equipment; other manufacturing products; textile, wearing apparel and leather industries, agricultural products and potential services.
- Foreign direct investment would increase as having a better investment climate due to better and more stable rules for investment promotion and protection would be conducive to higher levels of Chilean and Indonesian investments in both economies.
- This would also be facilitated because of the respective areas of influence in the case of Indonesia in Asia, and in the case of Chile in Latin America.
- An FTA would enhance cooperation in areas of mutual interest between Chile and Indonesia, as have been analyzed in this document, in science, innovation and technology, gender issues, tourism, education, small and medium enterprises and other issues

Chile as a springboard

1. Chile has the potential to act as a springboard for foreign companies that, after carrying out a productive process of transformation of their goods in Chile, could export the final product to the markets where Chile has tariff preferences, due to the wide network of Free Trade Agreements signed during the last years. With a total of 20 FTAs with 56 countries.
2. The process involves three stages. The first one is the one that involves the import by Chile of the foreign parts or inputs, that will pay a 0% tariff in the majority of cases (depending on the Agreement between the foreign country and Chile), or at the most the MFN of 6%, with the only exception of the products in band prices. Once in Chile, these inputs should go through the necessary transformation process to meet the rules of origin to apply for the tariff preference in the destination market. At the end, the third stage is the export of the final good that meets the respective rule of origin to the final market destination.
3. Following this criteria, the General Directorate of International Economics Affairs (Ministry of Foreign Affairs of Chile) conducted a study to identify potential products of some South American countries that could use Chile as a springboard to the following markets: China, South Korea, United States and Mexico. The results of this study are in the website of DIRECON[105]: www.direcon.cl
4. Among the products identified are: products of the food industry, fabrics, manufactures of plastic, parts of vehicles, etc.
5. There are a large number of foreign companies that are carrying out projects involving Chile as a springboard. They do it in two ways. On one side, through strategic alliances between the foreign firm and the Chilean one. Or, on the other side, through foreign investment in Chile.

[105] Gobierno de Chile. Dirección General de Relaciones Económicas Internacionales. “Encadenamientos productivos”. Santiago, Septiembre 2008. Programa DIRECON-BID

VII.5.B Indonesia

The commodity composition of exports shows that industrial sector plays a vital role in Indonesia's exports to Chile, covering 79% of the total amount in 2008. In addition, increasing in manufacturing exports to Chile had always been the main element of the rise in total amount exported to Chile.

The data shows that "Motor vehicle 4 & more" has the first place in Indonesia's exports to Chile with amount US$ 14.7 million in 2008 (11.5% from total export to Chile). Other manufacturing products which have significantly contribution are "Rubber, canvas and footwear leather", "Electrical equipment", "Textile and garment".

The size of the Indonesia exports basket to Chile in HS 6-digit level (378) compared to the total Indonesia export to the world (4.248) is relatively small (8,73%). It means that the FTA should facilitate trade relations and increase Indonesia export share to Chile.

Indonesia's main import products from Chile in 2008 are iron ores & concentrates (HS 2601110000) with US$ 148 million or 54% share. Other main products imported from Chile are chemical wood pulp, soda (HS 4703210000), iron ores and concentrate (HS 2601120000), chemical wood pulp (HS 4703290000), Other potassium salt (HS 3104900000) and drive-axle of subheading 8701.10 (HS 8708501100). Those products contributed 28.6% of the total Indonesia import from Chile.

Foreign Direct Investment (FDI) has played a decisive role in Chile's economic growth and development. During 1998-2008, the main sector investments in Chile are electricity gas and water supply; mining and quarrying; communication; and financial sector with share 32%, 26%, 14%, and 6% to Chile inflow FDI respectively. Similar to Chile inflow FDI, the outflow investment in Chile is dominated by mining and quarrying sector; electricity, gas, and water supply; communication; and financial sector contributing to Chile total outflow investment 42%, 22%, 11%, and 8% respectively. Some important sectors for Indonesia to invest in Chile are communication, mining, and financial sector. Indonesia would benefit If It can penetrate Chile market to these sectors.

Chile export in services sector increased from US$ 4.083 million in 1999 to US$ 8.785 million in 2007. While import in services accounted US$ 4.606 million in 1999 increased to US$ 9.947 million in 2007. The most Chile important services sectors both in export and import are transport (sea transport service), travel, insurance, and financial services. Chile had built services trade with Indonesia, especially in maritime transport.

In establishing Indonesia-Chile FTA, it is very important to cover in other areas cooperation such as custom procedures, standards, technical barriers to trade, sanitary and phitosanitary, government procurement, competition policy and intellectual property right.

It is to be considered that although based on economic analysis show that gain from trade under the FTA between Indonesia and Chile was very limited, there are non-economically consideration to be adreesed in this study. First, most of stakeholder views that FTA with Chile should be focused on market diversification to America Latin as emerging market. Secondly, It is predicted that Bilateral FTA with Chile has limited resistance from stakeholder including chamber of commerce and industry. Third, some Asia Pacific countries such as China, Korea, Singapore, Brunei Darussalam, Australia have implemented the bilateral FTA with Chile. Moreover Malaysia, Thailand, and Vietnam are also doing negotiation the FTA with Chile.

VIII. RECOMMENDATIONS

1. The Joint Study's main conclusions indicate that an FTA between Chile and Indonesia would have a positive impact on the economic relationship of two countries:

    - An FTA between Chile and Indonesia would, as a result of the tariff elimination, will increase bilateral trade for both countries. The tariff elimination could make possible to trade goods that at present are "non traded goods" in bilateral terms, but that are part of both countries global trade.
    - An FTA, with disciplines that provide legal certainty would improve the investment environment and would have a positive impact on the trade of services including those associated to the increase of trade in goods.
    - An FTA between Chile and Indonesia would induce a reduction in the transaction costs of trade between the two countries, due to the inclusion of trade facilitation measures.
    - Both Indonesia and Chile have strong networks of economic relations in their respective regions. Indonesia has agreements with ASEAN, Japan, China, Korea, India, Australia and New Zealand economies and is currently commencing negotiation with major trading partner, bilaterally and regionally. On the other hand, Chile has commercial and economic agreements *inter alia* with all Latin American countries and with the USA and Canada. Indonesia could be a gateway for Chile to the Southeast and East Asia as Chile could be the gateway for Indonesia to Latin America.
    - Both sides agreed to have cooperation in areas that have been stated in the report and other issues that both sides deemed necessary.

2. Both sides agreed to advise their respective Governments on the results obtained by the "Chile-Indonesia Joint Study Group on the Feasibility of a Free Trade Agreement", so that appropriate decisions concerning possible future negotiations between Chile and Indonesia should be considered.

IX. APPENDIX

APPENDIX 1 . TRADE AGREEMENTS SIGNED BY CHILE/INDONESIA Bilateral/Regional or Groups of countries

Chile

APPENDIX 1.1 Bilateral/Regional or Group of Countries[106]

Country or Group of Countries	Type of Agreement	Signature Date	Effective Date
European Union (2)	Association Agreement	18 November 2002	1 February 2003
P4 (1)	Strategic Economic Partnership	18 July 2005	8 November 2006
Canada	Free Trade Agreement	5 December 1996	5 July 1997
Australia	Free Trade Agreement	30 July 2008	6 March 2009
China	Free Trade Agreement	18 November 2005	1 October 2006
Colombia	Free Trade Agreement	27 November 2006	Pending internal legal procedures in Colombia
Costa Rica (Chile-Central American FTA)	Free Trade Agreement	18 October 1999	14 February 2002 (Bilateral Protocol)
EFTA (3)	Free Trade Agreement	26 June 2003	1 December 2004
El Salvador (Chile-Central American FTA)	Free Trade Agreement	18 October 1999	3 June 2002 (Bilateral Protocol)
Guatemala (Chile-Central American FTA)	Free Trade Agreement	18 October 1999	Parliamentary pending
Honduras (Chile-Central American FTA)	Free Trade Agreement	18 October 1999	28 August 2008
Japan	Free Trade Agreement	27 March 2007	1 September 2007
Korea	Free Trade Agreement	15 February 2003	1 April 2004
Mexico	Free Trade Agreement	17 April 1998	1 August 1999
Nicaragua (Chile-Central American FTA)	Free Trade Agreement	18 October 1999	Bilateral Protocol under negotiation
Panama	Free Trade Agreement	27 June 2006	7 March 2008
Peru	Free Trade Agreement	22 August 2006	1 March 2009
United States	Free Trade Agreement	6 June 2003	1 January 2004
Bolivia	Economic Complementation Agreement Nº 22	6 April 1993	7 July 1993
Ecuador	Economic Complementation Agreement Nº 32	20 December 1994	1 January 1995
Mercosur (4)	Economic Complementation Agreement Nº 35	25 June 1996	1 October 1996
Venezuela	Economic Complementation Agreement Nº 23	2 April 1993	1 July 1993
Cuba	Economic Complementation Agreement N° 42	20 December 1999	28 August 2008
India	Preferential Trade Agreement	8 March 2006	17 August 2007

Pacific 4 is formed by Brunei Darussalam, Chile, New Zealand, and Singapore.

The countries that participate as members of the European Union are: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Portugal, Spain, Sweden, the Netherlands, and the United Kingdom. As from May 1, 2004, the new member countries are: Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia. The new members as from January 2007 are: Rumania and Bulgaria.

[106] In www.direcon.cl, SUMMARY CHART

The European Free Trade Association (EFTA) is formed by: Iceland, Liechtenstein, Norway and Switzerland.
Mercosur is formed by Argentina, Brazil, Paraguay and Uruguay. Chile participates as an associated country to the Agreement.

APPENDIX 1.2 Major issues covered in the trade agreements signed (including but not limited to tariff reduction, rules of origin)

APPENDIX 1.2.1 Tariff Reduction in the FTAs

Immediate Tariff elimination in the FTAs

Chile-United States

Imports	Exports
In products: 89% In trade:71,2% Excl. None	In products: 95,2% In trade:75,2% Excl. None

Chile-EU

Imports	Exports
In products: 92.8% In trade:91.6% Excl. in products: 1.4% Excl. in trade: 0.2%	In products: 75.7% In trade:85.1% Excl. in products: 6% Excl. in trade: 0.3%

Chile-EFTA

Imports	Exports
In products: 85.6% In trade:82% Excl. in products: 12.8% Excl. in trade: 11.3%	In products:85% In trade:93% Excl. in products: 8.5% Excl. in trade: 11.4%

Chile-China

Imports	Exports
In products: 75% In trade:50% Excl. in products: 2% Excl. in trade: 3%	In products: 37% In trade:92% Excl. in products: 3% Excl. in trade: 1%

Chile-Japan

Imports	Exports
In products: 78.1% In trade:94.8% Excl. in products: 5.9% Excl. in trade: 0.1%	In products:80% In trade:58.8% Excl. in products: 9.2% Excl. in trade: 0.4%

INDONESIA
Bilateral/Regional or Groups of countries

Country/Group	**Agreement**	**Signed**	**Entry into Force**
ASEAN	**Framework**	**28/01/1992**	**28/01/1992**

Countries	**Agreements on Enhancing ASEAN Economic Cooperation**		
ASEAN Countries, People Republic of China	**Framework Agreements on Comprehensive Economic Cooperation between ASEAN and China**	**05/11/2002**	**01/07/2003**
ASEAN Countries, Republic of Korea	**Framework Agreements on Comprehensive Economic Cooperation between ASEAN and Korea**	**13-Des-2005**	**01/07/2006**
Indonesia, Japan	**Agreement between the Republic of Indonesia and Japan for an Economic Partnership**	**20/08/2007**	**01/07/2008**
ASEAN Countries, Australia and New Zealand	**ASEAN - Australia and New Zealand Free Trade Agreement**	**27/02/2009**	
ASEAN Countries, India	**ASEAN - India Free Trade Agreement**	**13/08/2009**	

APPENDIX 1.2.2 Rules of Origin

(Already included in Chapter 4, 4.2.7)

APPENDIX.2 ANSWERS BY CHILE TO QUESTIONS RAISED BY INDONESIA DURING THE 2ND. MEETING AND ON THE CHILE FIRST DRAFT REPORT. Rev. 1 Santiago, September 20, 2009

SECTIONS/ ANSWERS

CHILE

I.3 Environment for a Bilateral Free Trade Agreement

1. How Chile relation with MERCOSUR and the implementation are work? *Answer by Chile: "Chile is an associate member of MERCOSUR, that is, is not a full member of the block and has a treatment in the form of "4+1", granted by the Economic Complementation Agreement Nº 35 (ACE 35), in force since 1 October, 1996. The economic and commercial relationship is monitored trough the Ordinary and Extraordinary Meetings of the Administrative Commission of the Agreement.".*
2. What kind of benefit (market access) does Chile get from MERCOSUR countries? *Answer by Chile: "With the signing of the Economic Complementation Agreement Chile-Mercosur in 1996, over 90% of tariff reduction process entered into force. The total liberation of trade must not exceed 2014"*

II. Main Characteristics of the Chilean/Indonesian Economy and institutional framework

II.1.A. Macroeconomic Features

3. Concerning the macroeconomic aggregates, would it be possible to provide GDP structure by expenditure approach, such as consumption, investment, government expenditure, export and import (in 10 years series)? *Answer by Chile: It is in file "Data_for_Indonesia_Part1(Macroeconomic_Features) Q3, Q4. xls"*
4. Could you provide nominal exchange rate, real exchange rate, and term of trade (in 10 years series)? *Answer by Chile: It is in file "Data_for_Indonesia_Part1(Macroeconomic_Features) Q3, Q4. xls"*
5. How the role of government in coordinating with the Central Bank to reach the annually target of inflation rate. *Answer by Chile: "None. The Government conducts fiscal policy on the basis of a structural balance rule."*
6. Regarding to annually target of inflation rate, what are policy tools most used by Central Bank (monetary base, rate of interest)? *Answer by Chile:* "*The nominal interest rate, called the monetary policy interest rate (TPM). It is set by the Central Bank's board on the basis of the inflation perspectives"*

II.1.B. Trade Policy Regime: Formulation and Implementation

7. What is the approach taken by Central Bank in exchange rate policy: fixed rate, floating with interventions, or fully floating rate? *Answer by Chile: "Fully floating rate."*
8. Which has been the behavior of the nominal and real exchange rate and of the terms of trade? (last 5 or 10 years). *Answer by Chile: It is in file "Data_for_Indonesia_Part1(Macroeconomic_Features) Q3, Q4. xls"*
9. Evolution of the degree of openness of the economy (X+M)/GDP in the last 10 years? *Answer by Chile: It is in file "Data_for_Indonesia_Part1(Macroeconomic_Features) Q3, Q4. xls"*

10. Evolution of the degree of debt service ratio in the last 10 years? *Answer by Chile: It is in file "Data_for_Indonesia_Part1(Macroeconomic_Features) Q3, Q4. xls"*
11. Could you explain Chile's foreign exchange policy? *Answer by Chile: "Fully floating exchange rate and no exchange or capital controls."*

II.1.E. Employment Policies, Laws and Salaries

12. How is the role of labor union in each state of Chile? *Answer by Chile: "The State of Chile is unitary. So it doesn't contemplate any State/Province legislation and so the role of labor unions in each part of the territory is the same as defined by their own statutes and the Labor Code: to represent workers affiliated thorough collective bargaining, to subscribe the collective instruments with their employers, to pursue their enforcement and request the rights obtained through them; to represent workers in the exercise of their individual rights, to oversee for the enforcement of labor and social security laws and claim before administrative authorities about their non accomplishment and others mentioned in article 220 of the Labor Code and or their statutes."*
13. Does Chile have the rule for minimum labor wages (nationally and each state)? *Answer by Chile: "Chile has ruled annually on minimum wages, through a consultative process. The present minimum wage is $165.000 (Chilean pesos) meaning about US$300 monthly. This is a nationwide legislation. Al told before there are no stet legislation on any matter and beyond that there are no specific regulation concerning any region on minimum wages."*
14. Are there any differences on wages based on gender and foreign/domestic workers? *Answer by Chile: "There are no legal differences on wages based on gender and foreign/domestic workers. Even more, accordingly to Article 19 of the Political Constitution, paragraph 16, "any discrimination which is not based on personal skills or capability is prohibited, although the law may require Chilean citizenship or age limits in certain cases." And the Labor Code establishes in its Article 2 that: "Any discriminating action/act is contrary to the labor laws." Discriminating actions/act are differences, exclusions or preferences based on race, color, sex, age, civil state, unionization, religion, political opinion, citizenship, national ancestry or social origin motifs with the purpose of annul or modify equal opportunities or treatment in employment and occupation. "Only distinctions, exclusions or preferences based on required qualifications for a specific employment won't be considered as discriminatory." However, there are in practice some allegations on discrimination based on gender and other motifs, but people have the means to claim under administrative and judicial instances. We should also say that Articles 19 and 20 of the Labour Code, which refer to the rules on nationality of workers in Chilean corporations provide as follows:*

"Article 19. At least eighty-five per cent of the workers employed by a same employer shall be of Chilean nationality.

"The employer who employs less than twenty-five workers shall be exempt from this provision.

"Article 20. For computing the proportion which the foregoing article refers to, the following rules shall be followed:

"1. The total number of workers working for an employer within the national territory shall be taken into account, and not the number of the different branches separately.
"2. Specialized technical personnel who cannot be replaced by national personnel shall be excluded from this rule.
"3. That foreigner whose spouse or whose children are Chilean nationals, or who is a widower or widow to a Chilean national shall be regarded as Chilean, and
"4. Foreign nationals who have resided in the country for more than five years shall also be regarded as Chileans, irrespective of any accidental absences."

II.1.F. Environmental Policies and Laws

15. Related to investment, does Chile have rules concerning environmental for each sector of industry, to be specified? *Answer by Chile: "The Chilean General Environmental Law Nº19300, adopted in March 1994, establishes the basis for a modern and realistic environment management. One of its objectives is to create the instruments for an efficient management of the environmental issue, in order to give adequate protection to natural resources. To this end, it includes numerous instruments or tools, among them, an environmental impact assessment system. Under this system, every national or foreign investment project having an environmental impact has to be submitted to this system. This materializes in two types of documents: the environmental impact statement, for projects whose environmental impact is not very significant, and the environmental impact studies, for projects with a larger environmental impact.*

The Environmental Impact Assessment System (EIAS)
One of the primary goals of Chile's environmental policy in relation to the presentation and development of investment projects is to harmonize economic development with adequate environmental protection, reconciling economic development with sustainable natural resource use in the development of public and private investment projects and activities.

The Environmental Impact Assessment (EIA) is a preventive tool in the environmental management system, which is used to identify and evaluate the impacts of a project or activity on the various components of the environment in any of its phases, prior to implementation. Its purpose is to design measures to reduce or mitigate negative impacts and to strengthen positive impacts.

In Chile, EIA for investment projects operates in accordance with the mechanisms set forth in Law 19,300 and in the 1997 Environmental Impact Assessment System Regulation, which was amended in 2001 (the consolidated, coordinated and systematized text was set by Article 2 of Supreme Decree No. 95 of Ministry Secretariat General of the President). All major investment projects since the latter's enactment have been subjected to EIA, thereby providing the Chilean environmental authorities with valuable experience in operating the system and in detecting and correcting its flaws and shortcomings.

Law 19,300 came into force without abolishing pre-existing legislation; thus a project or activity submitted to EIA must also comply in complementary fashion with the sectoral environmental standards applicable to the project or activity.

The environmental impact assessment system has two different ways for evaluating the environmental impacts of a project or activity, namely the Environmental Impact Study and the Environmental Impact Statement.

Steps in the Environmental Impact Assessment System:
Prior to carrying out or modifying a project or activity, investors must undertake a comprehensive review of the listed criteria in order to determine the need for an EIA. In the event that the proposed project or activity is not mentioned on this list, it can still submit voluntarily to EIA.

The following projects or activities liable to cause environmental impact during any of their phases must be submitted to EIA:
a) Aqueducts, dams, reservoirs and siphon spillways shall be subject to the authorization laid down in Article 294 of the Water Code. Significant damming, draining, drying, dredging, defenses or alterations of natural water bodies or courses.
b) High-voltage electric power transmission lines and their substations.
c) Power generation plants generating in excess of 3 MW.
d) Nuclear reactors and plants and related facilities.
e) Airports, bus and truck terminals, train stations, railroads, gasoline stations, highways and public roads likely to affect protected areas.
f) Ports, navigation channels, shipyards and maritime terminals.
g) Urban or tourism development projects located in areas not included in a plan referred to in Article 10 (h) of Law 19,300.
h) Regional urban development plans, inter-district urban plans, district zoning plans, section plans, industrial or real-estate projects or modifications carried out in zones declared as latent or saturated.
i) Mining projects, including coal, oil and gas and covering prospecting, extraction, processing plants and disposal of wastes and rock matter, industrial quarrying of rock aggregate, peat and clay.
j) Oil pipelines, gas pipelines, mining flumes and other similar facilities.
k) Industrial-scale manufacturing facilities such as metallurgy, chemicals, textiles, construction materials, metal equipment and products, and tanneries.
l) Industrial-scale agribusiness, slaughterhouses, facilities and stables for livestock breeding, milking and fattening.
m)Industrial-scale forestry projects on fragile soils or in native forests; cellulose, furniture and paper plants, wood-chip, plywood and timber plants and sawmills.
n) Projects involving intensive exploitation or cultivation of hydro-biological resources, and processing plants. Intensive exploitation projects involve the use, for any purpose, of hydro-biological resources officially classified in one of the following preservation categories: endangered, vulnerable or rare; and which do not have management plans; and where extraction takes place using factory-type fishing vessels.
o) Custom production, storage, transports, disposal or reuse of toxic, explosive, radioactive, inflammable, corrosive or reactive substances.
p) Environmental sanitation projects, such as sewerage and potable water systems, water and non-industrial solid waste treatment plants, sanitary landfills, submarine diffusion ducts, systems for treatment and disposal of liquid or solid industrial wastes.
q) Carrying out civil works, programs or activities in national parks, national reserves, natural monuments, virgin zone reserves, nature sanctuaries, marine parks, marine reserves or in any other area under official protection.

r) Mass application of chemicals in urban areas or in rural zones near populated areas, or by water courses or bodies that could be affected.

If a project or activity is contained in this list, or if it is voluntarily included, the proponent of the project or activity must submit either an Environmental Impact Statement or an Environmental Impact Study.

An investor must submit an Environmental Impact Study for mandatory assessment of the environmental impacts of the project or activity, during any of its phases, if it is likely to generate or result in at least one of the following effects, characteristics or circumstances:
a) Risk to human health resulting from the quality and quantity of emissions, effluents and waste;
b) Significant adverse effects on the quality and quantity of renewable natural resources, including soil, water and air;
c) Resettlement of human communities or significant alteration to the way of life and customs of an affected population;
d) Location of the project or activity in the proximity of protected areas, resources and areas liable to be affected, as well as the environmental value of the territory on which the project or activity will be located;
e) Significant alteration, in terms of magnitude or duration, of the scenic landscape or tourist value of the area; or
f) Alteration to monuments, sites of anthropological, archaeological and/or historical value and, in general, sites which are considered part of the country's cultural heritage.

An Environmental Impact Statement should be filed if the project or activity does not generate or involve any of the above effects, characteristics or circumstances.

An Environmental Impact Study must contain the following information: a description of the project or activity baseline, together with an action plan for complying with applicable environmental legislation; identification, prediction and assessment of the environmental impacts likely to be caused by the project or activity, including potential risk situations; and a plan for mitigation, restoration and compensation measures, together with any applicable measures for risk prevention and accident control.

An Environmental Impact Statement must be filed in the form of an affidavit, containing a description of the prospective project or activity, or the modifications which the applicant plans to make, declaring compliance with the applicable environmental legislation. It may include voluntary environmental commitments not required by law that the proponent of the project or activity intends to comply. The environmental impact statement or study must be submitted to the Regional Commission for the Environment (COREMA) of the region where the physical works envisaged in the project or activity are to be carried out, prior to execution. When the activity or project could cause environmental impacts in areas located in more than one region, the corresponding statement or study must be submitted to the Executive Office of CONAMA.

The respective COREMA or the Executive Office of CONAMA, as appropriate, has up to 120 working days to evaluate an Environmental Impact Study. In duly justified cases, this period may be extended one time for an additional 60 working days. Within the evaluation period, the institutions may request the clarification, rectification or *amplification of the contents of the study, as it sees fit, granting the applicant an additional period of time. If both parties agree, the deadline for finalizing the impact study assessment process may be postponed in the meantime.*

In cases where an environmental impact statement is submitted, the respective COREMA or Executive Office of CONAMA has up to 60 working days to make its evaluation. This period may be extended once for an additional 30 working days. If during the evaluation period, the corresponding Commission finds errors, omissions or inaccuracies, it may request clarification, rectification or extension, as necessary, giving the applicant an additional deadline to reply. If both parties agree, the deadline for finalizing the impact statement assessment process may be suspended pending the reply.

During the evaluation period, copies of the environmental impact statement or study are distributed to the public services with environmental competence in the area of the project or activity, for review on compliance with the respective regulations and comment on the measures proposed in the project or activity.

To insure that the community is duly informed, the respective proponent of the project must publish, within 10 days of submission, an abstract of the study in the Official Gazette and in a national or regional newspaper, as appropriate.

In the case of an environmental impact statement, on the first working day of every month the National or Regional Commission for the Environment must publish in the Official Gazette and in a national or regional newspaper, as applicable, a list of the projects or activities that have submitted impact statements during the previous month. In addition, the commission must send a copy of this list to the municipalities where the works or activities envisaged in the project under evaluation are to be carried out.

The assessment process concludes issuing with the Environmental Rating Resolution, which may or may not be favorable. A favorable resolution certifies the project's compliance with the requirements and formalities that Law 19,300 and the EIAS regulations establish for impact statements or studies.

In the case of an Environmental Impact Study, a favorable resolution will certify that all applicable environmental requirements are met; and that the project or activity complies with environmental legislation, including the environmental requirements contemplated by the applicable sectoral permits; and that suitable mitigation, compensation and recovery measures have been proposed in light of the possible effects, characteristics, or circumstances set forth in Article 11 of the Law. The resolution can also impose certain conditions to be met before starting the project or activity.

A favorable resolution for an impact statement certifies that the project or activity fully satisfies all applicable environmental requirements, including those considered for sectoral environmental permits; that the project or activity does not require an environmental impact study, since it does not fall within the scope of Article 11 of Law 19,300; and that all errors, omissions or inaccuracies that may have existed in the impact statement have been duly clarified.

An Environmental Impact Statement shall be rejected if it is does not comply with the environmental legislation; the mistakes, omissions or inaccuracies in the Statement are not corrected; and if the project or activity requires an Environmental Impact Study.

If the resolution is favorable, the Ministries and public services must issue the relevant sectoral environmental permits. On the other hand, if the resolution is unfavorable, neither the proposed project or activity nor its modifications, may be carried out; and the relevant authorities are bound to withhold the relevant authorizations or permits relating to the project's environmental impact, even if all other legal requirements are met.

The Law provides the following avenues for administrative appeal against an unfavorable resolution or to challenge specific conditions established in a favorable resolution:
a) Appeal against the resolution of an environmental impact statement may be filed before Executive Office of CONAMA.
b) Appeal against a resolution rejecting or imposing conditions or requirements on an Environmental Impact Study may be filed with the Council of Ministers of CONAMA.

Any such appeal must be filed by the proponent of the project within 30 days following the date of notice of the corresponding resolution. The competent authorities shall render their final decision within a 60-day period from the filing date of the appeal. The decision of the administrative appeal in turn can be appealed, within 30 days of its date of notice, before the civil judge of the competent jurisdiction.

Further information on Chile's Environmental Impact Assessment System can be found at www.conama.cl/

It is worth noting that most investment projects require additional permits and/or must fulfill other requirements besides those set forth in the EIAS. All investment projects, both foreign and local, must comply with the country's general and sector-specific legislation, at the national, regional and municipal level."

16. We acknowledged that Chile is on going FTA negotiation with Malaysia and Thailand. We would like to know whether Chile has incorporated environmental provisions in those FTAs. *Answer by Chile: Malaysia: Negotiations with Malaysia are still going on. There is no an agreed final text yet that can be made public. Environmental issues have been part of the discussions.*

Thailand: The Joint Feasibility Study for a Free Trade Agreement (FTA) with Thailand has been completed. Environment was one of the areas analyzed. Negotiations have yet to be initiated.

II.3 Trade in Services

17. Does Chile have statistics in Trade in Services by country of origin and destination? *Answer by Chile: "No"*

II.4 Investment

18. Does Chile have investment outflow statistic to each ASEAN member countries by sector (10 years series). *Answer by Chile: It is in file "Data_for_Indonesia_Part2(Investment_Outflow).xls"*
19. Could you provide investment inflow statistic from Asian countries by sector (10 years series)? *Answer by Chile: It is in file*

"Data_for_Indonesia_Part2(Investment_Inflow).xls"

20. Could you explain what are Chile's industry development strategies to increase export through Pro-Chile? *Answer by Chile: "Being prepared"*

IV. TRADE AND INVESTMENT POLICIES

IV.2. Measures affecting Trade in Goods

IV.2.A. Tariffs

21. Could you specified in detail about specific duties applied by Chile in each product? *Answer by Chile: "Chile applies a flat MFN custom tariff of 6% for most products. However, there are some exceptions for sugar, wheat and wheat flour, which are subject to a price band system (and thus to a specific duty), plus some special measures to poultry*[107]*.*

In addition, Chile applies a surcharge of 50% on used goods. Only in the U.S. Chile FTA will remove the surcharge."

22. In Chile's FTA with other countries, are the preferences granted for goods produced with material imported or elimination of duties and taxes? *Answer by Chile: "Simplified drawback system for exports. It aims to stimulate the growth of nontraditional exports. The drawback is 3% of the value of the goods exported. For this purpose, it is understood as the FOB value (U.S. $) of exported goods of the respective commodity. All exported goods containing at least fifty percent of imported inputs can access to the reimbursement provisions of this Law.*

    Drawback of customs duties and other charges. The aim of this franchise is to achieve a competitive access of Chilean exporters to international markets, allowing them to recover customs duties and other charges paid for certain imported products and services that had been consumed or incorporated into an exported good.

    This benefit allows exporters of goods and services to recover customs duties and other charges paid on the importation of: Raw materials, in-process products; Parties and parts used as inputs that are incorporated or consumed in the production of goods exported.

    Also enjoy this benefit domestic goods sold to export processing zones, to which they must incorporate nationalized input CIF by an amount of not less than 10% of sale value.

    The services rendered abroad shall be treated as export, the exporter must comply with the requirements and formalities required for export. In this case, the reimbursement may not exceed the percentage for the general rate of customs duty on the value of the service.

    These products may have been imported by the exporter or third parties.

[107] The only measure to which poultry is subjected is a MFN tariff of 12,5% (Since January 1 of 2009), higher than the general 6% MFN. Law No. 19914 o f January 1, 2006 establishes that the tariff will be reduced gradually each year from 25% until it reaches 6% on 1 January 2012.

The duty paid on imported inputs that are eligible for reimbursement include:

Ad-Valorem duties
Specific duties
Clearance rate
Surcharges that apply to the importation of used goods"

23. Can Chile explain why there are any product applied high tariff duties more than 6% (ex. HS 0207)? Are they sensitive products category? *Answer by Chile: "Idem answer than Question 21"*

IV.2.B. Non-tariff Measures

24. We noted in page 71 that preferential duty quota to several products are being applied within the framework of FTA. What are those products and in which FTA? *Answer by Chile: "The detailed information for each country is in the text. We may add an amendment to the sugar quota, which is put below (A. Sugar HS code 1701.99.00). Chile applies a duty free quota of 60,000 tons for sugar within the framework of WTO, as a result of the renegotiation of its bound rate of tariff. Additionally there is a quota of 45,000 tons of sugar that are given to specific countries due to FTAs. Quotas in the case of sugar are as follows:*

Contingents:

A. Sugar HS code 1701.99.00	*60,000 ton (Argentina 21,000 ton, Guatemala 16.700 ton, Brazil 9,700 ton and any other origin 12,600)*
B. Sugar HS code 1701.91.00	*30,000 ton (Colombia 15,000 and any other origin 15,000)*
C. Sugar HS code 1701.91 and 1701.99	*15,000 ton (Bolivia 6,000, Colombia 6,000, Honduras 1,000 and any other origin 2,000)"*

25. If Chile established FTA with Indonesia, does Chile will apply preferential duty quota to several products? *Answer by Chile: "It depends on the bilateral negotiation".*

IV.2.C Import Customs Procedures

IV.2.D. Measures Affecting Exports

26. Regarding to duty drawback system, does foreign company operating in Chile also get the advantage of the system? Does the system include imported capital goods? *Answer by Chile: "The consultation relates to Law 18,708. In this context, the law states that "exporters may be reimbursed for customs duties and other taxes paid on raw materials, or spare parts imported by the exporter or other parties, where such inputs have incorporated or consumed in the production of export goods." Therefore, independent of ownership of the company, the exporter status is valid to access the mechanism. Moreover, tariffs on capital goods can not be recovered. However, since 2008, Chile cut tariffs to zero on imports of*

capital goods, so that today these aspects are not relevant to these effects"

27. Could explained more detail about price band sytem mechanism (page 71) ?
Answer by Chile: Current Price Band System (PBS) applies to imports of wheat and wheat flour, based on the following legislation: (a) Law 19.897, published on 25 September 2003, establishing rules on the importation of goods into the country, which amends Article 12 of Law 18.525 and the Customs Tariff; and, (b) Supreme Decree 831 of the Ministry of Finance, published on 4 October 2003, regulating the application of Article 12 of Law 18.525, as substituted by Article 1 of Law 19.897.

Law 19.897 modifies Article 12 of Law 18.525 on the Rules on the Importation of Goods. Chile's PBS is regulated by Article 12 of Law 18.525 as amended by Law No. 19.897.

The text of the relevant portions of Article 12 of Law 18.525, is as follows:

> "Established hereunder are specific duties in United States dollars per tariff unit and rebates on the amounts payable as *ad valorem* duties established in the Customs Tariff, which could affect the importation of wheat, wheat flour and sugar, as stipulated in this Law.
>
> The amount of these duties and rebates shall be established as provided for in this Article by the President of the Republic, by way of a supreme decree issued by the Chilean Ministry of Finance by order of the President of the Republic, six times for wheat in the course of each twelve-month period extending from 16 December to 15 December of the following year... in terms which, when applied to the price levels attained by the products in question on the international markets, allow domestic market stability.
>
> For the purpose of determining the duties and rebates up until the annual period ending in 2007, the floor and ceiling prices for wheat... shall be considered in the drafting of Chilean Ministry of Finance exempt decrees No. 266... published in the Official Journal of 16 May 2002, expressed in f.o.b. terms in United States dollars per tonne. There shall be established, on the one hand, specific duties when the reference price is below the floor price of US$128 for wheat... and, on the other hand, rebates on the amounts payable as *ad valorem* duties established in the Customs Tariff when the reference price is above the ceiling price of US$148 for wheat...
>
> For the purpose of determining the duties and rebates as from the annual period ending in 2008 and up to 2014, the floor and ceiling prices established in the previous paragraph shall be adjusted annually by multiplying the values in force during the previous annual period by a factor of 0.985 in the case of wheat... In 2014, the President of the Republic shall evaluate the modalities and conditions of application of the price band system, taking into consideration international market conditions, the requirements of the industrial, productive and consumer sectors and Chile's trade obligations at that date.
>
> The duties and rebates referred to in this Article shall correspond to the difference between the floor or ceiling prices determined above and a f.o.b. reference price, multiplied by a factor of one (1), plus the general *ad valorem* duty in force for these products. The f.o.b. reference price shall consist of the average of the daily international prices for wheat... recorded in the most

relevant markets over a period of 15 calendar days for wheat... reckoned from the date fixed by the Regulations for each decree.
[...]
The duties and rebates for wheat flour are based on those determined for wheat, multiplied by a factor of 1.56.
The duties and rebates applicable to each import transaction shall be those in effect on the date of the waybill of the vehicle transporting the goods in question.
The duties resulting from the application of this Article, added to the *ad valorem* duty, shall not exceed the tariff rate bound by Chile under the World Trade Organization for the goods referred to in paragraph 1, each import transaction being considered individually and using the c.i.f. value of the goods concerned in the transaction in question as a basis for calculation. The rebates established as a result of the application of this Article shall in no circumstances exceed the amount corresponding to the *ad valorem* duty payable on the importation of the goods. The National Customs Service shall adopt the measures necessary to enforce the provisions of this paragraph.
The President of the Republic, by way of a supreme decree issued by the Chilean Ministry of Finance and endorsed by the Ministry of Agriculture, shall establish, pursuant to this Article, the periods in which specific duties and tariff rebates are to be established and applied. Furthermore, the President shall establish the most relevant markets for each product, the procedures and dates for calculating the reference prices and other methodological factors necessary for the implementation of this Article."

In its version amended through Law 19.897, Article 12 of Law 18.525 specifically provides for the issuance of a Supreme Decree in order to determine: (a) the periods in which specific duties and tariff rebates are to be established and applied; (b) the most relevant markets for each product; (c) the procedures for calculating the reference prices; (d) the dates for calculating the reference prices; and (e) other necessary methodological factors to implement the provisions in Article 12 of the Law.

Decree 831 of the Ministry of Finance of 26 September 2003 contains the implementing regulations for Article 12 of Law No. 18.525, as replaced by Article 1 of Law No. 19.897.

"Having regard to the provisions of Article 12 of Law No. 18.525, establishing 'Rules on the importation of goods into the country', as substituted by Article 1 of Law No. 19.897, and the powers conferred upon me by paragraph 8 of Article 32 of the Political Constitution of the Republic of Chile, I hereby issue the following:

Decree:

The following regulations for the application of specific duties in dollars of the United States of America, per tariff unit, and rebates on the amounts payable as *ad valorem* duties established in the Customs Tariff, referred to in Article 12 of Law No. 18.525, as substituted by Article 1 of Law No. 19.897, are hereby adopted.

§ 1. Initial Provisions

Article 1.- Specific duties and tariff rebates.

The specific duties in dollars of the United States of America, per tariff unit, and the rebates on the amounts payable as *ad valorem* duties established in the Customs Tariff, hereinafter referred to as duties and rebates, which may affect the importation of wheat, wheat flour and sugar, shall be determined in accordance with the provisions of Article 12 of Law No. 18.525, hereinafter referred to as the Law, and by the present regulations.

The amount of such duties and rebates shall be set by the President of the Republic by a supreme decree, issued by the Ministry of Finance "by order of the President of the Republic", six times for wheat in the course of each annual period extending from 16 December to 15 December of the following year, and twelve times for sugar in the course of each annual period extending from 1 December to 30 November of the following year, in terms which, when applied to the price levels attained by the products in question in international markets, are such as to lend stability to the domestic market.

Article 2.- Definitions

For the purposes of these regulations and the application of duties and rebates, the following definitions shall apply:

(a) Reference price: average of the daily international wheat and sugar prices recorded in the most relevant markets, which shall be used for determining the duties and rebates under the Law;
(b) Floor price: price used to determine the specific duties under the Law, when the reference price is lower than the floor price; and
(c) Ceiling price: price used to determine the rebates on the amounts payable as *ad valorem* duties established in the Customs Tariff under the Law, when the reference price is higher than the ceiling price.

Article 3.- Products covered

The duties and rebates established in conformity with the Law and these regulations shall apply to the following tariff codes of the Chilean Customs Tariff:

Product	Code	Item
Wheat	1001.9000	Other
Wheat flour	1101.0000	Wheat flour or meslin
Sugar	[...]	[...]

Article 4.- References to values and measures

The floor and ceiling values and the reference prices provided for in these regulations shall be expressed in f.o.b. terms in dollars of the United States of America.

The duties and rebates established in conformity with these regulations shall be applied in dollars of the United States of America, per tariff unit in the case of duties and per tonne in the case of rebates.

§ 2. Wheat

Article 5.- Issuing of decrees

Duties and rebates for wheat shall be determined six times in the course of each annual period extending from 16 December to 15 December of the following year by a supreme decree, which shall be published in the Official Journal within a period of five days prior to the date of their entry into effect.

The periods of validity for implementation of each supreme decree establishing duties or rebates shall be as follows:

- From 16 December to 15 February;
- from 16 February to 15 April;
- from 16 April to 15 June;
- from 16 June to 15 August;
- from 16 August to 15 October; and
- from 16 October to 15 December.

Article 6.- Floor and ceiling prices

The floor and ceiling prices for wheat during the period from December 2003 to December 2014 shall be as follows:

Floor and ceiling prices for wheat, by period of validity		
Period of validity	Floor price	Ceiling price
16.12.2003 to 15.12.2007	128	148
16.12.2007 to 15.12.2008	126	146
16.12.2008 to 15.12.2009	124	144
16.12.2009 to 15.12.2010	122	142
16.12.2010 to 15.12.2011	120	140
16.12.2011 to 15.12.2012	118	138
16.12.2012 to 15.12.2013	116	136
16.12.2013 to 15.12.2014	114	134

Article 7.- Reference price

The reference price for wheat shall correspond to the average of the daily prices recorded in the markets specified in Article 8, over a period of 15 days counted retroactively from the 10^{th} day of the month in which the relevant decree is to be published.

Article 8.- Most relevant market

The most relevant market for wheat, during the period of application of duties and rebates extending from 16 December to 15 June of the following year, shall be that of *Trigo Pan Argentino*, and the prices will correspond to the daily prices quoted for that product *f.o.b. Argentine port*; during the period of application extending from 16 June to 15 December, it shall be that of *Soft Red Winter No. 2*, and the prices will correspond to the daily prices quoted for that product *f.o.b. Gulf of Mexico*.

[...]

§ 4. Determination of specific duties and tariff rebates

Article 13.- Establishment of duties and rebates

In each supreme decree issued under these regulations there shall be established, with respect to the products forming its subject matter, specific duties, when the reference price is below the floor price, and rebates on the amounts payable as *ad valorem* duties established in the Customs Tariff, when the reference price is above the ceiling price.

When the reference price is above the floor price but below the ceiling price, this shall be recorded in the corresponding decree, which shall not establish duties or rebates during the period in which it remains in force.

Article 14.- Calculation of specific duties

The specific duties applicable to imports of wheat, refined sugar and raw sugar shall correspond to the difference between the floor price and the reference price of each product multiplied by a factor of one (1) plus the general *ad valorem* tariff in force established in the Customs Tariff.

Specific duty	=	(Floor price in force - reference price)	*	(1 + general *ad valorem* tariff in force, Customs Tariff)

Article 15.- Calculation of the tariff rebate

The rebates on amounts payable as *ad valorem* Customs Tariff duties, applicable to imports of wheat, refined sugar and raw sugar, shall correspond to the difference between the reference price and the ceiling price of each product multiplied by a factor of one (1) plus the general *ad valorem* tariff in force established in the Customs Tariff.

Tariff rebate	=	(Reference price	*	(1 + general *ad valorem*

	- ceiling price in force)	tariff in force, Customs Tariff)

Article 16.- Wheat flour

In the case of wheat flour, the duties and rebates applied shall be those determined for wheat multiplied by a factor of 1.56.

Specific duty or tariff rebate for wheat flour	=	Specific duty or tariff rebate in force for wheat	*	1.56

Article 17.- Date of application of duties and rebates

The duties or rebates applicable to each import transaction, established pursuant to the procedure specified in these regulations, shall be those in effect on the date of the waybill of the vehicle transporting the goods in question.

In the case of electronic filing, the waybill date will be taken to be the date of actual acceptance of the vehicle and the goods will be considered to have been presented at the same time, in accordance with Article 37 of the Customs Ordinance.

Article 18.- Limitations on the application of duties and rebates

The duties resulting from the application of these regulations, added to the *ad valorem* duty, may not exceed the tariff rate bound by Chile under the World Trade Organization, each import transaction being considered individually and using the c.i.f. value of the goods concerned in the transaction in question as the basis for calculation.

The rebates on the amounts payable as Customs Tariff *ad valorem* duties determined for each import transaction may not exceed the amount corresponding to the *ad valorem* duty established in the Customs Tariff in force, calculated on the basis of the c.i.f. unit value of the goods.

The National Customs Service shall adopt the measures necessary to enforce the provisions of this Article.

ANNEX

Summary Table for the implementation of paragraph 2

Periods for the calculation of reference prices	Period of publication of decree	Periods of validity of specific duties or rebates	Most relevant market
26 Nov. - 10 Dec. 27 Jan. - 10 Feb.	11-15 Dec. 11-15 Feb.	16 Dec. - 15 Feb. 16 Feb. - 15 April	*Trigo Pan Argentino*

27 March - 10 April 27 May - 10 June 27 July - 10 Aug. 26 Sep. - 10 Oct.	11-15 April 11-15 June 11-15 Aug. 11-15 Oct.	16 April - 15 June 16 June - 15 Aug. 16 Aug. - 15 Oct. 16 Oct. - 15 Dec.	*Trigo Pan Argentino* *Trigo Pan Argentino* *Soft Red Winter No. 2* *Soft Red Winter No. 2* *Soft Red Winter No. 2*

"

28. Could you provide the evaluation result of modalities and condition of application of the price band system mechanism (page 71)? *Answer by Chile: "The same as Question 27"*
29. Regarding to interest rate for exporters concerning trade financing provided by CORFO (page 74), does it also apply to foreign exporter? *Answer by Chile: "Being prepared"*
30. Does Chile allowed the importation of re-manufactured goods? *Answer by Chile: "YES"*

IV.2.E. Technical Barriers to Trade

31. Why are national standards in Chile applied with non mandatory compliance? *Answer by Chile: "In Chile there are technical regulations, technical standards and conformity assessment procedures. The technical regulations are those which compliance is mandatory, they are developed by the Ministries and other governmental Agencies with competence in the specific area to be regulated. Instead the technical standards are those which compliance is not mandatory; the Chilean institution in charge of the development of technical standards (national standards) is the National Standardization Institute (INN).*

The Chilean standards (technical standards) help to improve the quality, security and industrial competitiveness, because they specify the quality of a product or service, to define the set of properties or characteristics required to fulfill their use function satisfactorily.

As part of the growth and globalization of the markets, it detects the necessity to develop new standards and theses ones must be included in the development of the productive process regarding to standards recognized internationally, i.e., knowledge documents and public use, established by consensus and approved by a recognized organization."

32. Concerning to standard, how does the treatment do to imported goods from other countries? Can you make a brief description about this procedure? *Answer by Chile: "Regarding to Chilean technical standards, it is same treatment to national and imported products, and it doesn't have a specific procedure, it depends of the product, there is no a market surveillance or similar (the compliance is not mandatory); some companies and/or importers prefer to fulfill the Chilean standards so they can compete with a high standard of quality (for example) and some consumers are stricter in*

quality standards”.

33. Does Chile have a mechanism of coordination with the different Government Agencies related to Technical regulation issues? Which ministry has the most role on issuing technical regulations? *Answer by Chile: “Yes, there is a National Commission on Technical Barriers to Trade. It was created in 1997. The Commission is headed by the General Directorate of International Economic Affairs (DIRECON), Ministry of Foreign Affairs, and has played a fundamental role on dealing with the coordination between the different Government Agencies. By centralizing the process, and dealing with all the agents involved in the development of technical regulations, the Commission provides all the parties involved, with a common forum to express their concerns and expectations related to the nation's standardization agenda.*

The Government Agencies have the most role on issuing technical regulations are the Ministry of Health (www.minsal.cl) and the Superintendence of Electricity and Fuel (www.sec.cl)”.

34. Could you provide numbers of technical regulations that Chile has notified to the WTO? (until 2009) *Answer by Chile: “Total: 168 notifications.*

Only related to technical regulations: 125 notifications (74,4%)

(Source: TBT Information Management System of the WTO: http://tbtims.wto.org/Default.aspx)”

35. Does Chile have some kind of mechanism of coordination with the industry related to TBT issues? *Answer by Chile: “Yes, since October 2008 we have a Public-Private Committee on Technical Barriers to Trade; it is leaded by DIRECON by the public side and by The Federation of Chilean Industry (SOFOFA) by the private side”* .
36. Does Chile have MRAs with ASEAN countries? How is the experience regarding to MRAs? *Answer by Chile: “No. However, Chile participates in the Part I of the APEC EEMRA (Mutual Recognition Arrangement on Conformity Assessment of Electrical & Electronic Equipment). Chile is assessing legislative requirements with regard to participating in Part II of EEMRA.*

By the other hand, Chile subscribed the APEC Arrangement for Exchange of Information in Toys Safety and it is evaluating its participation in the Sectoral Food MRA of APEC.”

37. How is the process of notification and analysis of received comments regarding technical regulations established under Law? *Answer by Chile: “The Ministry or agency with regulatory powers shall publish, through a notice placed in a communications medium with national distribution or on its web site, the draft technical regulation or conformity assessment procedure it is proposing to adopt.*

The above-mentioned notice must include, at the least, an abstract of the draft technical regulation or conformity assessment procedure and in such case must indicate the place where the complete text can be consulted. The abstract must indicate the purpose of the draft regulation or procedure and the reasons for the approach adopted. Copies of the abstract and the draft regulation must at the same time be submitted to the DIRECON, because DIRECON must comply with the measures for reporting regulations and/or conformity assessment procedures and receiving comments, as established in Article 2, *paragraph 10; Article 3, paragraphs 2 and 3; Article 5, paragraph 7; and Article 7, paragraphs 2 and 3 of the TBT Agreement.*

The notice indicated in above must be published sufficiently in advance of the date the measure is adopted so that anyone can submit written comments within a period of no less than 60 days, attaching any background material he or she deems necessary.

The Ministry or agency with regulatory powers shall analyze and take into account said written comments. In addition, it must make available to the public the responses to any significant comments it received, at the same time as the final technical regulation or conformity assessment procedure is published.

Notwithstanding the provisions of the preceding paragraph, the competent authority shall in no way be required to provide confidential information whose disclosure could constitute an obstacle to compliance with laws, could be otherwise contrary to the public interest, or could damage the legitimate commercial interests of public or private companies.

Technical regulations and/or conformity assessment procedures must allow a reasonable time between the date of their adoption and their application. A reasonable time shall be understood to mean a period of no less than six months, except when this would be an ineffective means for achieving legitimate objectives.

In the event that duly substantiated urgent problems relating to safety, health, environmental protection or national security arise or threaten to arise, the Ministry or agency with regulatory powers may omit the steps provided for in the preceding paragraphs and must inform to the DIRECON that the regulations are being put into effect.

Notwithstanding the provisions of the preceding paragraph, once technical regulations and/or conformity assessment procedures have been adopted in the cases indicated in the preceding paragraph, the competent authority must provide sufficient opportunities for anyone to submit written comments, attaching the background material he or she deems necessary.

The Ministry or agency with regulatory powers shall analyze the comments received and take said written comments into account. In addition, it must make available to the public responses to any significant comments it received."

IV.2.F. Sanitary and Phitosanitary

38. How long does the process of inspection and monitoring activities for food products conducted by Ministry of Health. *Answer by Chile: "We kindly request for a clarification of this question"* .
39. Could you inform more detail the role of SERNAPESCA in implementing national fishery policies and sanitary control and certification of all hydro biological products for export? *Answer by Chile: "SERNAPESCA is the government agency in charge of enforcing the Fishing Law of Chile. In this regard it is responsible for the sanitary certification of all fish products for export and for enforcing several sanitary control programs for fish producing facilities."*

40. Does Chile have cooperation agreement in implementing national fishery policies and sanitary control and certification of all hydro biological products in Chile's FTAs, particularly with Asia countries? *Answer by Chile: "Chile does not have cooperation agreements as the ones mentioned."*
41. Could you inform recent notifications of Chilean SPS until 2009? *Answer by Chile: "Chile has delivered 290 regular notifications and 24 emergency notifications since 1996. 24 regular notifications and no emergency notifications have been made throughout 2009. The last regular notification was informed on October 6 and it was on requirements for imports of beef products regarding BSE. This information is readily available on the WTO online data base spsims.wto.org"*

IV.2.G Rules of Origin

42. The Chilean report only informed general criteria for the qualification of good. Could you specify types of ROO used by Chile in some FTA, especially FTA with Korea, China and other Asia Countries? *Answer by Chile: "Types of rules of origin used in some FTA: Change of chapter, Change of heading, Change of Subheading, Regional value content"*
43. Regarding to three ROO main methods that Chile has mentioned on page 86, which method is commonly used? *Answer by Chile: "The more used method is change of tariff classification"*

IV.3. Services

IV.3.A. Measures Affecting Trade in Services

44. Could you mention all measures that discriminate between national and foreign services providers? *Answer by Chile : There are a few, clearly identified NT restrictions affecting specific sectors, all of which have been properly listed or scheduled in our FTAs. The most frequently consulted restrictions are the following:*

Legal services:
As a general rule, only Chilean nationals may practice as attorneys at law in Chile. However, foreign nationals who have completed the totality of their studies in Chile may practice as attorneys at law in the territory.

Additionally, only Chilean nationals may perform as court officials and ministers of faith (notaries, public defenders, etc).

Specialized services, private armed security guards:
The supply of these services is limited to Chilean nationals only.

Specialized services, custom agents and brokers:
The supply of these services is limited to Chilean nationals only.

45. What is the limitation of foreign equity ownership for all services sectors? *Answer by Chile: There is no horizontal foreign equity requirement for services related investment. However, there are very few sector- specific foreign equity requirements in place, all of which have been listed or scheduled in our FTAs. The most frequently consulted restrictions are the following:*

Water transport:
Only Chilean natural or juridical persons may register a ship in Chile. A juridical person shall be duly constituted in Chile, has its principal domicile and real and effective seat in Chile. Additionally, 50% or more of the social capital must be held by Chilean natural or juridical persons. This requirement also applies to juridical persons owning a juridical person seeking to register a ship.

Air transport:
The current requirement mirrors the regulations on the water transport sector, with regards to ship registration and foreign equity participation.

Communications:
Applications for the granting of a radio broadcasting concession are limited to Chilean juridical persons with less than 10% of foreign equity participation. However, the requirement can be lifted subject to proven reciprocity.

46. Are foreigner allowed to work in any level of management in services companies? If possible, are there requirements in this matter? *Answer by Chile: Yes, as a general rule there no national treatment limitations for senior management / board of director's positions. However, specific restrictions exist and they have been properly reserved/scheduled in our FTAs. The most frequently consulted restrictions are the following:*

Communications:
Only Chilean nationals may be president, administrators, or legal representatives of the juridical person who owns a social communication medium such as sound and image or a national news agency. In the case of public radio broadcasting services, the majority of the members of the Board of Directors must be Chilean nationals. The legally responsible director and the person who replaces him or her must be Chilean with domicile and residence in Chile.

Printing, publishing, and other related industries:
The current requirement mirrors the regulations on the Communications sector.

Fisheries:
The president, manager, and the majority of the directors or administrators of a Chilean juridical person seeking to register a vessel in Chile, must be Chilean natural persons.
Likewise, a joint ownership (comunidad) may register a vessel if (1) the majority of the joint ownership is Chilean with domicile and residency in Chile; (2) the administrators are Chilean natural persons; and (3) the majority of the rights of the joint ownership (comunidad) belong to a Chilean natural or juridical person

Transportation, shipping:
Current requirements in the registration regime mirror he Fisheries sector.
Additionally, whenever the works of stowage and dockage are carried out by juridical persons legally constituted and with their principal domicile in Chile, the chairman, administrators, managers, or directors must be Chilean natural persons.

47. Could you inform any policies in other services sectors such as construction, design and architecture, tourism and travel agent, semi skilled labor, etc.? *Answer by Chile: Currently, there are no other regulatory initiatives affecting specific services sectors. With the exception of construction services*

(Anex II – Future Reservations), indeed, it is important to stress that our existing reservations/schedules reflect the "effective treatment" provided to services and services providers in Chile.

48. What services sectors are covered in Chile's FTAs with other Asia countries? *Answer by Chile: For every negotiation, Chile seeks to include as many sectors as possible. Indeed, we do not exclude any sectors per se, which is consistent with GATS article V. Consequently, when horizontally reviewing our existing agreements with our Asian partners, one could conclude that all sectors have been included.*

IV.4. Foreign Investment Regimes

IV.4.A. Treatment of Foreign Investment

49. Could you explain more detail the special investment regime that provide foreign investor better treatment than domestic counterparts? In which sectors this policy is applied? (Page 94) *Answer by Chile: The especial and voluntary regime called Decree Law 600, is a foreign investment contract signed by the State and a foreign Investor seeking to materialize an investment in Chile. Due to its contractual nature, its terms and conditions (determined by the Foreign Investment Committee), can not be modified unilaterally, providing the investor with a greater sense of security and legal certainty. The regime applies to all sectors regardless of their economic impact.*

The particular features of this regime can be summarized, as follows:

Capital repatriation one year after its entry
Profit remittances at any time
Guaranteed (fixed) total tax burden of 42% (one time "opt out mechanism")
Guaranteed access to the "formal exchange market".

For further enquiries, please refer to www.cinver.cl *.*

50. How long does investment process take from application to realization? *Answer by Chile : "Since no screening mechanism is in place, the length of the investment process will depend on the specific restrictions applicable for the sector(s) in which the investment is sought. Nevertheless, according to investor's feedback, the investment process tends to be expeditious and simple".*

IV.4.B. Special Investment Regimes and/or zones

IV.4.C. Investment Agreements

IV.5. Trade Defense Measures

51. Could you provide the information about Chile's safeguard cases for the last 5 years? *Answer by Chile: In* http://www.cndp.cl/Invest_Ini_1999%20a%20la%20fecha.xls*, and* http://www.cndp.cl/Med_Aplic_1999_a%20la%20fecha.xls *(In Spanish)*
52. How do Chile's procedures handle dumping cases? Could you provide Chile's experience in investigating process to those matters? *Answer by Chile: This experience may be found in the website of CNDP* http://www.cndp.cl/pagina_interior.asp?inferior=interior_secretaria.asp *(in Spanish)*

IV.6 Government Procurement

53. Regarding to government procurement mechanism, are foreign companies able to participate? *Answer by Chile: "YES"* Is there any minimum value of the project? *Answer by Chile: "NO"*

IV.7 Transparency

TWO ADDITIONAL QUESTIONS

Following the questions that I sent to you last week, I have two more questions regarding the policy of Chile government for foreign workers, the question are : ADD. 1. Employment policy : what kind of policy that can be set by Chile government to its foreign workers ? *Answer by Chile: "Chile is signatory of The United Nations International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families (1990). Chile has also included in its Memorandum of Understanding on Cooperation about Labour and Migration with the Republic of Peru the commitments to that UN Convention as well to the ILO Declaration on Principles and Rights at Work and its Follow Up (1998). The principle of Protection of Migrant Workers had been previously incorporated in the Labour Cooperation Agreement between Canada and Chile in 1996 parallel to our FTA with that economy. We have also agreed with a number of economies on bilateral agreements on pension systems. According to these agreements, we have developed a further protection to migrant workers, being temporary or permanent.*

We have also incorporated provisions on our FTAs with our trade partners about temporary movement of people, especially in the Mode 4 of trade in services according to GATS. These negotiations have addressed issues on mutual recognition of credentials in selected professions and facilitating business visitors' travel. Bilateral trade agreements increasingly include provisions for the temporary movement of persons. Hazards to migrants, particularly lower skilled ones, may be associated with temporary labour migration including poor living and working conditions, harassment and abuse.
So, according to these considerations and experience, we also endorse to share best practices and policies on international migration.
We have also signed the Protocol against the Smuggling of Migrants by Land, Sea and Air, as well as the Protocol to Prevent, Suppress and Punish Trafficking in Persons, especially Women and Children, supplementing the Convention against Transnational Organized Crime as a Framework to define our policies in this matter."
ADD. 2. Workers from which countries that can be the Indonesian workers' competitor in Chile ? *Answer by Chile: "We have no migration policies calling for migrant workers from abroad. There have a few communities from Latin American countries, especially from Argentina and Peru but not especially from Asian countries. So, if a skilled person has the possibility to come and has a labor contract, he/she wouldn't have normally any problem to obtain a visa, providing he/she is in accordance to migration rules.*
Considering recent data, in 1982 there were 84.345 migrant people and in 2002 the number grew to 195.320. As a percentage of the total population foreigners were in 2002 the 1.3%. By now the total can be estimated in around 300.000 people."

INDONESIA

I.3 Environment for a Bilateral Free Trade Agreement

1. How ASEAN Investment Area (AIA) and ASEAN Framework Agreement on Trade in Services (AFAS) Works?

ASEAN Investment Area (AIA) has been changed into ASEAN Comprehensive Investment Agreement (ACIA) which was signed by ASEAN countries on February 26th, 2009 in Cha-am Thailand. Main purpose of ACIA, as stated in article 1 of the agreement is to establish opened and free investment regime in ASEAN in order to reach economic integration as final destination under AEC through progressive liberalization in investment regime.

ACIA is not yet ratified by all of the ASEAN countries. It is expected to be ratified by the ASEAN members at the time of the next ASEAN Summit in October 2009 and be expected to be implemented by the end of this year.

ASEAN Framework Agreement on Services (AFAS) is an agreement among ASEAN countries in services sector to enhance trade productivity between those countries by liberalizing the services sector through several stages.

The latest stage is AFAS 7 which was signed at the 14th ASEAN Summit on February 26th, 2009 in Cha-am Thailand. It is an agreement to advance liberalization of 65 sub fields of services through directed schedule in the fields of Priority Integration of Services Sectors.

2. Does the EPA with Japan include Chapters on Investment and Services? Could you provide the texts?

Yes, it does. It is stated in chapter 5 and 6 of the basic agreements of IJEPA:
Neither Party shall impose or enforce any of the following requirements, in connection with investment activities in its Area of an investor of the other Party:
(a) to export a given level or percentage of goods or services;
(b) to achieve a given level or percentage of domestic content;
(c) to purchase, use or accord a preference to goods produced or services provided in its Area, or to purchase goods or services from natural or legal persons or any other entity in its Area;

II. Main Characteristics of the Chilean/Indonesian Economy and institutional framework
II.1.A. Macroeconomic Features

3. Concerning the evolution of macroeconomic aggregates, would it be possible to have the evolution of a longer time series for consumption, investment and government expenditure (5 years or more), beyond 2007 and 2008?

Composition of GDP by expenditure, period 2003-2009Q2 is shwon in the table below.
Gross Domestic Product By Expenditures at Current Prices
(Billion Rp)

	TYPE OF EXPENDITURES							2009	
		2003	2004	2005	2006	2007	2008	Q1	Q
1	*Consumption expenditures*	1.535.779	1.723.944	2.010.577	2.380.736	2.840.264	3.436.325	908.340	944.40
2	*Household Final Consumption*	1.372.078	1.532.888	1.785.596	2.092.656	2.510.504	3.019.459	808.413	808.66
3	*Government Final Consumption*	163.701	191.056	224.981	288.080	329.760	416.867	99.927	135.74
4	*Gross domestic capital formation*	392.789	515.381	655.854	805.786	986.215	1.369.583	400.579	426.72
5	*Change in inventories*	122.682	36.911	39.975	42.382	-1.053	7.664	-3.023	2.84
6	*Statistical Discrepancy 1)*	-185.355	-87.673	-47.163	-70.416	-35.806	84.054	-44.931	-47.96
7	*Export of goods and services*	613.721	739.639	945.122	1.036.316	1.162.974	1.474.508	308.159	322.64
8	*Import of goods and services (-/-)*	465.941	632.376	830.083	855.588	1.003.271	1.418.105	267.333	283.20
9	*Gross Domestic Bruto*	2.013.675	2.295.826	2.774.281	3.339.217	3.949.321	4.954.028	1.301.790	1.365.45
10	*Net factor income from abroad*	-77.414	-105.350	-135.000	-142.269	-162.485	-175.865	-50.801	-50.31
11	*Gross National Product*	1.936.261	2.190.476	2.639.281	3.196.948	3.786.837	4.778.163	1.250.989	1.315.14
12	*Net indirect taxes (-/-)*	85.272	62.534	53.719	98.143	112.189	69.646	56.618	37.74
13	*Depreciation (-/-)*	100.684	114.791	138.714	166.961	197.466	247.701	65.090	68.27
14	*National Income*	1.750.305	2.013.151	2.446.847	2.931.844	3.477.182	4.460.816	1.129.282	1.209.12

4. In general terms, taking into account the inflationary levels, which is the role of the Central Bank? is it independent?, since when?

Bank Indonesia as an independent central bank was initiated when a new Central Bank Act, UU No 23/1999 on Bank Indonesia was enacted on May 17, 1999 which has been amended with UU No.3/2004 on January 15, 2004. The Act confers it the status and position as an independent state institution and freedom from interference by the Government or any other external parties.
Bank Indonesia has one single objective of achieving and maintaining stability of the Rupiah value. The stability of the value of the Rupiah comprises two aspects, one is stability of Rupiah value against goods and services as reflected by the rate of inflation and the other is the stability of the exchange rate of the Rupiah against other currencies. The prescribed single

objective is intended to establish a target that is clear and to be achieved by Bank Indonesia within its limits and responsibilities.

5. Given the inflation situation, which is the monetary policy followed? which policy tools are most used (monetary base, rate of interest)?, does Indonesia have an inflationary target?

There is no dominant policy tools used by Bank Indonesia to mantain inflation target. In July 2005, Bank Indonesia implemented new and enhanced monetary policy measures within the Inflation Targeting Framework (ITF) which encompasses four main areas: the use of the BI rate as an operational target, enhanced decision making process, more transparent communications strategy, and strengthened policy coordination with the Government. The move is intended to strengthen the effectiveness and to provide good governance to its monetary policy making to achieve price stability needed to support sustainable economic growth and attain social welfare. With the ITF, the inflation target is the overriding objective and nominal anchor of monetary policy. In this regard, Bank Indonesia will apply a forward-looking strategy to steer present monetary policy towards achievement of the medium term inflation target.

The inflation targets are set by the Government after coordinating with Bank Indonesia. For 2008 and 2009, the Government set CPI inflation targets at 5% and 4.5% respectively with deviation of ± 1%. The BI Rate is used to convey the monetary policy stance and operational targets. The BI Rate is a one-month interest rate regularly announced by Bank Indonesia for a specific time frame.

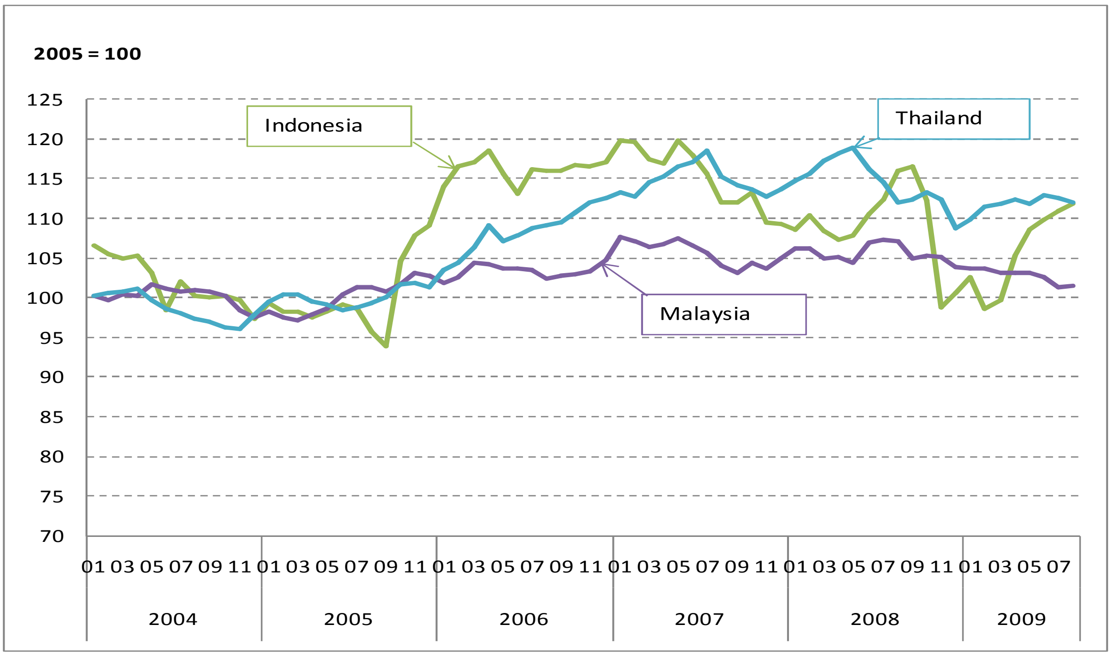
II.1.B. Trade Policy Regime: Formulation and Implementation

6. Which is the approach in exchange rate policy, flexible, flexible with interventions, fixed, free rate of exchange?

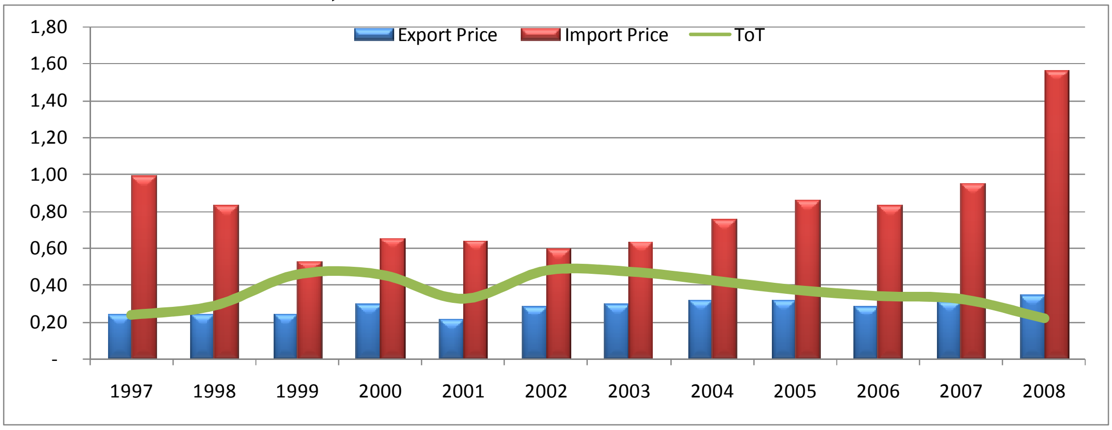
In July 1997, the contagion effects from the exchange rate turmoil in Thailand spread out to other Asian countries. Accordingly, the rupiah was under strong pressures and forced Bank Indonesia to abandon the managed floating regime. In response to greater pressures on the rupiah and to secure foreign exchange reserves, on August, 1997 Bank Indonesia abandoned the managed floating exchange rate system by eliminating the intervention band. Bank Indonesia decided to modify the foreign exchange system from managed float to free float. Under current exchange rate regime, Bank Indonesia no longer targeted certain level of exchange rate. However, Bank Indonesia occasionally intervenes in the foreign exchange market to safeguard and smooth the volatility of the exchange rate.

7. Which has been the behavior of the nominal and real exchange rate and of the terms of trade? (last 5 or 10 years).

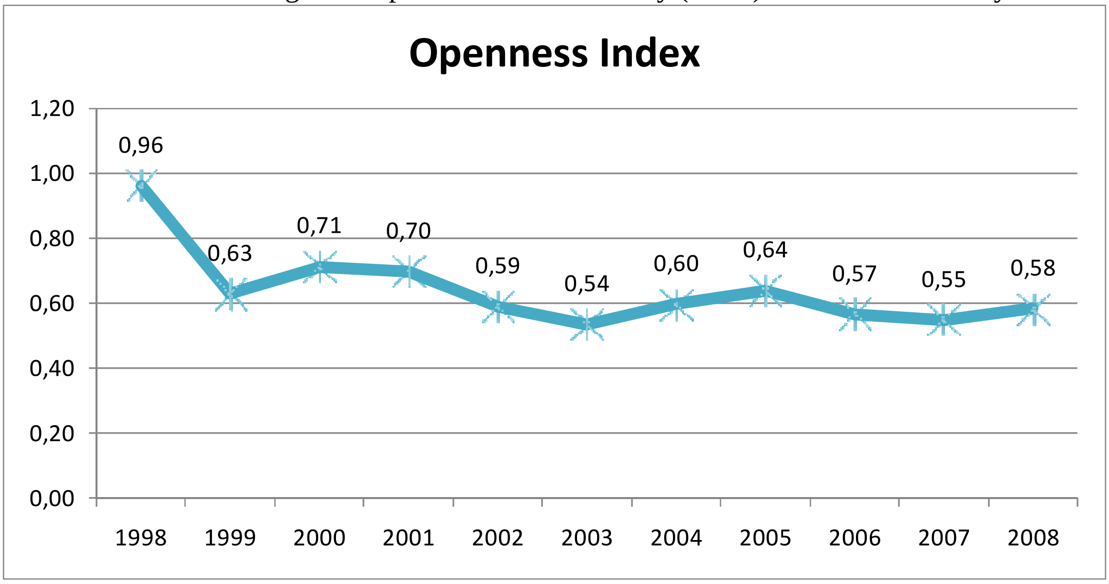
Behaviour of Real Effective Exchange Rate, 2004-2009



Behaviour of Term of Trade, 1997-2008



8. Evolution of the degree of openness of the economy (X+M)/GDP in the last 10 years?



Source: IFS

II.1.E. Employment Policies, Laws and Salaries

9. Which is the link between labor and trade in the Indonesian view?

Liberalization of global trade will pose a tight competition among workers of all countries since it allows the traffic of workers from one country to another much more rapidly. It also will require professional workers, the criteria of which are set forth by developed countries. In facing this situation, it is time for Indonesian workers to adjust themselves to the criteria on each profession to be able to compete with professionals from other countries to fill in vacancies at domestic and international market. This is in line with Law No.13 of 2003, which stipulates among other things the improvement of Indonesian worker's ability and self-capacity to compete, and the utilization of expatriates. Some professions the Indonesian workers have claimed international reputation for are among other things accountancy, oil drilling, construction, seamanship, nursing, and midwifery.

II.1.F. Environmental Policies and Laws

10. We note from page 78 of the Indonesia Report, that the section explains in general terms how FTAs include environment provisions and which type of environmental provisions are commonly included. We would like to know, as well, key features of Indonesia position regarding these issues.

Under Indonesia Japan Economics Partnership Agreement (I-JEPA) there is article 74 concerning on Environmental Measures.

In this article stated:

Each Party recognizes that it is inappropriate to encourage investments by investors of the other Party by relaxing its environmental measures. To this effect each Party should not waive or otherwise derogate from such environmental measures as an encouragement for establishment, acquisition or expansion of investments in its Area.

11. We acknowledge that Indonesia signed, in 2007, an Economic Partnership Agreement with Japan and we note that the Chapter on Cooperation and the Implementing Agreement contain provisions regarding the environment. We would like to know whether Indonesia has incorporated this kind of environmental provisions in other FTAs.

Indonesia has also environmental provisions with Korea and China, under ASEAN-KOREA FTA and ASEAN-CHINA FTA respectively. In ASEAN-KOREA FTA this provisions provided in article 3.1 and ASEAN-CHINA provided in article 7.

II.3 Trade in Services

12. Does Indonesia have statistics in trade in services? How disaggregated is services sector statistics?

No, Indonesia does not have statistics on trade in services.

II.4 Investment

13. Does Indonesia have statistic on FDI and Indonesia investment in third countries?

Indonesia has only FDI inflow statistics and Indonesia does not have investment statistic in third countries

IV.2.D. Measures Affecting Exports

14. Indonesia has followed an important plan of tariff and protection reduction. According to our figures, import tariff fluctuate between 0 and 15%, with the exception, among others, of alcoholic beverages and cars? What is the preferential treatment to those products in other Trade Agreements Indonesia has signed? How are those products to be treated considering the BOGOR goals in 2010?

Alcoholic beverage (wine of fresh grapes (HS 2204), etc.) imposed base rate (2005 MFN) 170% and there are no tariff commitments under the AANZFTA (unbound tariff for period 2009-2025). However, in general, import tariff on motor cars and other motor vehicles include in normal track eliminated gradually until 2015 (0%). For the detail about Indonesian tariff under AANZFTA and IJEPA, see Annex 1 Schedule of Tariff Commitments (Indonesia), available on http://ditjenkpi.depdag.go.id/website_kpi/index.php?module=aseanausnz and Annex 1-2 to 1-15, available on http://ditjenkpi.depdag.go.id/website_kpi/index.php?module=ijepa respectively.

15. Indonesia applies import licensing system. Could you provide us for a detailed list of the products covered by that system? In particular, how does it work the importation of alcoholic beverages to Indonesia? Does it works with an importation license too?

The detailed lists of Indonesia Import Licencing System are:

Table of Import Licencies Issued by Ministry of Trade

No	Commodity
1	Machine and machine equipment non baru
2	Rice
3	Corn
4	Soy bean
5	Sugar
6	Textile
7	Shoes
8	Electronics
9	Toys
10	Tabung gas elpiji 3 kg / elpiji 3 kg
11	Clove
12	Petroleum
13	Cakram Optic
14	Multifunction machine, photocopy BW
15	Salt
16	Plastics
17	Etilena
18	Saccharine and Salt
19	Raw Diamond
20	Subsidy fertilizer
21	Cyclamate / preparat alcoholic aroma
22	Alcoholic beverages
23	BPO
24	Waste Non B3
25	Precursor Non Pharmacy
26	Dangerous material
27	Detonator material
28	Nitro Cellulose (NC)
29	PCMX
30	Ceramics
31	Hand tools
32	Certain Products
33	Steel
	No Entry to Indonesia
1	Gombal
2	Waste B3
3	Jenis BPO tertentu
4	Mesin menggunakan BPO
5	Alat Pemadam Kebakaran (isi)
6	Barang Cetakan Bhs Indonesia/daerah
7	Babi dan turunannya
8	Small shrimp and Udang Biasa

As shown above, Alcoholic beverages is one of the products must have Import Licensing too. Import Licensing for Alcoholic beverages based on Minsiter of Trade and Indsutry Decree No. 230/MPP/KEP/VII/1997 and Minister of Trade Decree No. 15/M-DAG/PER/III/2006.

16. Does Indonesia in all FTA apply a general rule of origin? In which products or sectors does Indonesia have special rules?

Indonesia applies Rules of Origin (ROO) in all FTA. However, under IJEPA, we have product specific rules set out in Annex 2 Product Specific Rules requiring that the materials used undergo a change in tariff classification or a specific manufacturing or processing operation shall apply only to non-originating materials.

17. Which disciplines are included in the chapters on origin?

Refer to IJEPA, disciplines including in the chapters of origin covered:
Difinitions, originating goods, accumulation, de minimis, Non-qualifying Operations, Consignment Criteria, Unassembled or Disassembled Goods, Fungible Goods and Materials, Indirect Materials, Accessories, Spare Parts and Tools, Packaging Materials and Containers for Retail Sale, Packing Materials and Containers for Shipment, Claim for Preferential Tariff Treatment, Certificate of Origin, Obligations regarding Exportations, Request for Checking of Certificate of Origin, Verification Visit, Determination of Origin and Preferential Tariff Treatment, Confidentiality, Penalties and Measures against False Declaration, Sub-Committee on Rules of Origin, Operational Procedures for Rules of Origin

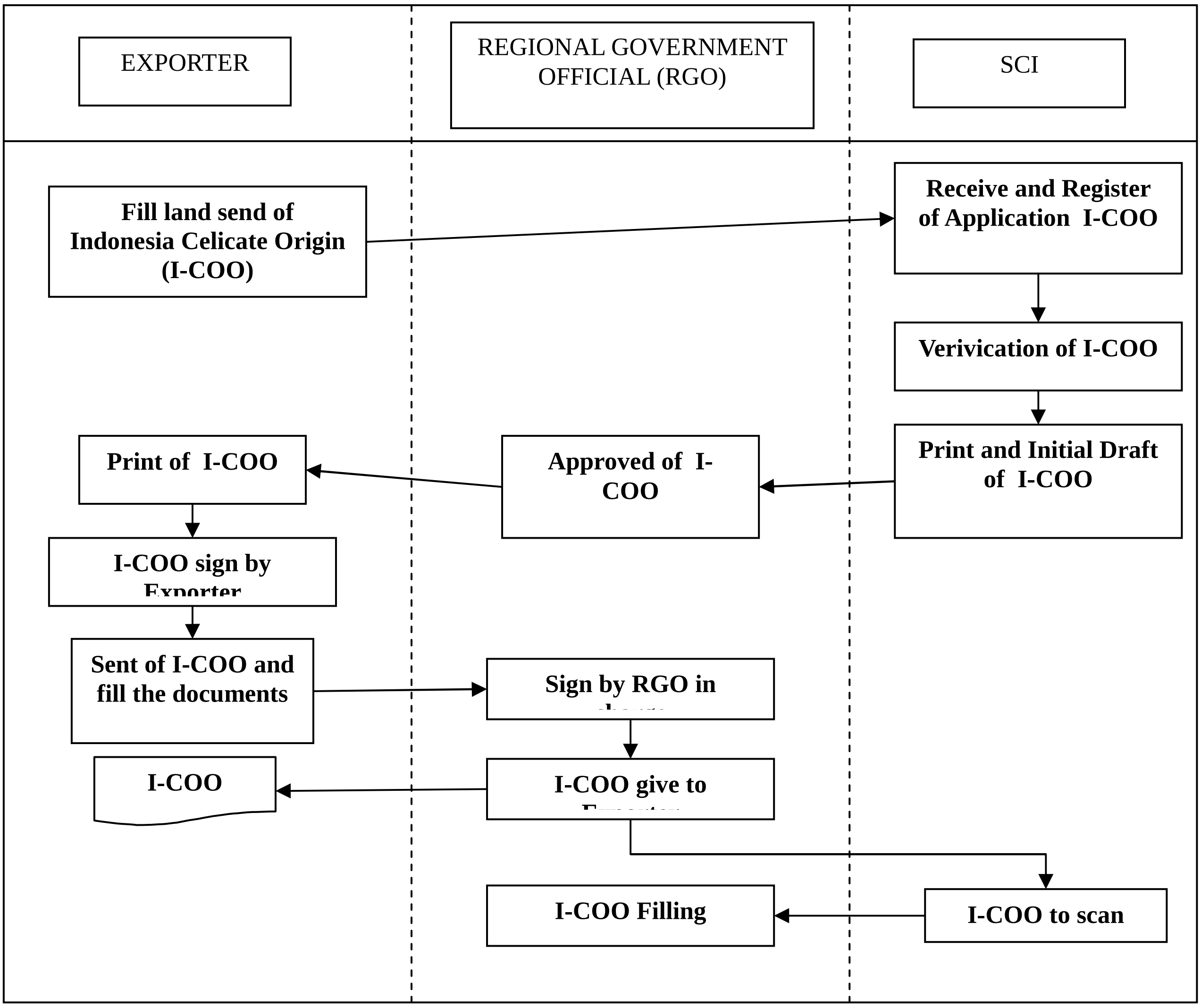
18. How has been implemented the rule of “single point” and do you effectively have a single “point”, because even if it is called a single entry point, more than one entry points may exist in the same country.

Indonesia has implemented the rule of single point to submit the export and import documents, namely Indonesia National Single Window (INSW) which can accessed by on line system: www.insw.go.id. INSW system has link directly to our Custom, Ministry of Trade, Animals and botanical Quarantine Agency, and Food and Medicine Monitoring Agency.

19. Which is the procedure for the “on-line” certification process mentioned in your Report?

Procedure of Issuing Indonesia COO for On Line System

1. *Requirement to apply COO*
   - *Photocopy of export declaration*
   - *Original Copy of Bill of Lading (B/L) or Copy Air Way Bill (AWB), or copy Cargo Receipt*
2. *Additional documents (Optional)*
   - *Self assessment*
   - *Local invoice*
3. *Admission filling of COO form*
   - *Flash disk, disket, compact disk (CD)*
   - *E-mail*
   - *COO on line: www.skaservices.com*
4. *Pay for issuing COO: 5000 IDR/form*
5. *Service Level Agreement (SLA) for issuing COO is one day service*



Indonesia has 85 institutions which are issuing COO and 28 of them are using online system.

IV.2.E. Technical Barriers to Trade

20. Technical regulations and conformity assessment procedures (mandatory) are developed by the SNI or other governmental Agencies? Can you make a brief description about this procedure?

Two bodies are responsible for formulating and implementing standards and technical regulations in Indonesia, the National Standardization Agency of Indonesia (Badan Standardisasi Nasional - BSN) and the National Accreditation Body (Komite Akreditasi Nasional - KAN). BSN is responsible for developing and promoting of National Standardization in Indonesia (SNI) and conformity assessment. Standards are formulated in harmony with international or foreign national standards by means of adopting or adapting relevant standards. Generally, compliance with SNI is voluntary; however, those standards relating to safety, security, health, environment conservation and/or for economic considerations may also be mandatory through technical regulation.

BSN also conducts the operational activities of the Indonesian Enquiry Point and Notification Body dealing with matters relating to technical barriers to trade. The principal responsibilities of the Enquiry Point and Notification Body include: responding to technical enquiries on domestic regulations from other WTO Members, standards and conformity assessment procedures, and fulfilling notification obligations under the TBT Agreement.

KAN is responsible for implementing standards using the BSN accreditation and certification system. Implementation of standards is carried out through the activities of accreditation and certification system. Certification is provided by domestic organizations or laboratories accredited by KAN, or overseas organizations or laboratories that have mutual recognition agreements with KAN. In the case of product certification, domestic or overseas producers who consistently produce goods in conformity with SNI specifications can be granted a certificate to use the SNI mark.

21. Indonesia has mentioned that they have been restructuring the institutional framework; can you make a brief description about the main aspects of this restructuring? In this process including measures to improve the Good Regulatory Practices?

In recent years there has been a restructuring of the institutional framework and procedures on process of standard development to foster openness, transparency, consensus, impartiality, coherence, and effectiveness, taking account of the development dimension and of international rules.

22. Why have you notified only a few numbers of technical regulations to the WTO? (until November 2006, 18 technical regulations notified to the WTO Secretariat)

In the context of WTO, BSN conducts as a Notification Body and Enquiry Point for Indonesia, and until September 2009 there were 32 technical regulations notified to WTO Secretariat. BSN conducts the operational activities of the Indonesia Enquiry Point and Notification Body dealing with matters relating to technical barriers to trade. The principal responsibilities of the Enquiry Point and Notification Body include are for responding any enquiries from other WTO Members which maybe dealing with technical regulatory standards and conformity assessment procedures, and for fulfilling notification obligations under the TBT Agreement.

23. Does Indonesia have a mechanism of coordination with the different Government Agencies related to TBT issues like a National Commission on TBT?

Yes, Indonesia has a mechanism of coordination with different Government Agencies related to TBT issues.

24. Does Indonesia have some kind of mechanism of coordination with the industry related to TBT issues?

Yes, Indonesia has mechanism of coordination with the industry related to TBT issues.

25. Does Indonesia have MRAs? How is the experience regarding to MRAs?

Yes, we have many MRAs under ASEAN Framework such as:

- *ASEAN Mutual Recognition Arrangement on Engineering Services, Kuala Lumpur, 9 December 2005*
- *ASEAN Mutual Recognition Arrangement on Nursing Services, Cebu, Philippines, 8 December 2006*
- *ASEAN Mutual Recognition Arrangement on Architectural Services, Singapore, 19 November 2007*

- *ASEAN Framework Arrangement for the Mutual Recognition of Surveying Qualifications, Singapore, 19 November 2007*
- *ASEAN Mutual Recognition Arrangement Framework on Accountancy Services, Cha-am, Thailand, 26 February 2009*
- *ASEAN Mutual Recognition Arrangement on Medical Practitioners, Cha-am, Thailand, 26 February 2009*
- *ASEAN Mutual Recognition Arrangement on Dental Practitioners, Cha-am, Thailand, 26 February 2009*
- *ASEAN Sectoral Mutual Recognition Arrangement (MRA) for Good Manufacturing Practice (GMP) Inspection of Manufacturers of Medicinal Products, Pattaya, Thailand, 10 April 2009*

26. How is the process of notification and analysis of received comments regarding technical regulations established under Law and, for this reason, with the direct participation of the Congress?

The process of notification starts with the development of draft of technical regulation by the respective ministry. When the ministry introduces the first draft of technical regulation, it will then organize meeting(s) with all concerned stakeholders (representatives of other related ministries, industries, The National Standardization Agency (BSN) and conformity assessment bodies) to discuss the first draft. The draft is then sent to BSN as Notification Body and Enquiry Point for TBT Agreement. BSN reviews the draft against TBT Agreement, and sends suggestion on the draft regulations to the ministry, if any. The Ministry of Trade any either accept the comments and make amendment on the draft regulation, or reject BSN suggestion. The final draft is then notified to the WTO by BSN.

27. Is there any web site where you can find all information about technical regulation and conformity assessment procedures?

Yes, there is. Information on technical regulation notified to the WTO as well as conformity assessment procedure can be accessed through BSN website (http://www.bsn.go.id). But, the full text related to regulated products can be accessed through the respective ministry stipulated the regulations, as indicated in the notification form circulated by the WTO Secretariat.

IV.2.F. Sanitary and Phytosanitary

28. How long does the register process take for processed food and where we can find the certificates for these products?

45 working days for general registration; 15 working days for variation of the registered products; 5 working days for rapid registration.
MUI (Majelis Ulama Indonesia or Indonesian Council of Ulama) perform halal certification for foods, drugs and cosmetics consumed by people.

29. The trade of chicken parts is very important for Chile. In this context, what happen with the analysis about the prohibition for this trade?

Indonesia banned imports of chicken leg quarter (CLQ) from the United States in 2000 claiming that CLQ do not meet the ASUH criteria (Aman/Safe, Sehat/Healthy, Utuh/Whole, and Halal/Halal) because the government could not be assured that the slaughter was done according to halal.

30. How long does it take the testing process made by BPOM in order to release foods from customs?

The answer is include in number 28

IV.2.G Rules of Origin

31. Which are the procedures for the rule of origin processes, which are included in its FTAs and which is the preferred method (certificate by entity, self certification)

The procedures for the rule of origin processes depend on:

1. *Origin criteria*
2. *Direct consignment*
3. *Documentary evidence*

The preferred method is depending on the user's need.

IV.3.B. International Commitments Related to Services

32. The study indicates that for foreign laws firms it is necessary to be established in a joint venture. The joint venture requirement is necessary for all sectors?

Not all services sector requires joint venture.

33. Legal services: the joint venture requirement includes foreign legal services? For example: international dispute arbitrations or foreign law consultants? What happens if the legal service is provided in cross-border way? Are barriers for cross-border provisions?

Foreign legal firms cannot operate directly, and instead must seek a relationship with local firm. A degree from an Indonesian legal facility or other recognized institution and Indonesian citizenship are required to practice as a lawyer, though foreign lawyers can operate as consultants. There are limits on the number (five) and the percentage (20) of foreign lawyers who can work in Indonesian act firms. Indonesia has made no binding WTO offer for Mode 3 (commercial presence), but has made an offer on Mode 1 (cross border supply), Mode 2 (consumption abroad) and Mode 4 (presence of natural persons). The last confirms the current situation where foreign lawyers are restricted to working in Indonesian act firms as employees or experts in international act.

34. Telecommunication services: Which Policy Indonesia applies to have a more competitive market in fixed phone line?

While there have been gradual reforms in recent years, resulting in greater competition, the two principal carriers, PT Telkom and PT Indosat, continue to dominate fixed phone line and international services. The new investment regime published in June 2007 introduced investment law including on certain telecommunications sectors regulation. Foreign investment in fixed line networks is permitted up to 49 per cent. Indonesia has made WTO commitments on various telecommunications services, including commitments on pro-competitive regulatory disciplines. However, these commitments are subject to significant market access and national treatment limitations, including foreign investment limitations of only 35 per cent.

35. Computer and related services: Is Indonesia looking for reforming the partnership requirement?

Foreign firms can operate with 100 per cent foreign ownership. As with other sectors, foreign consultants must comply with labor and immigration acts. Indonesia's Mode 3 commitment is limited to partnerships.

36. Mining, energy and environmental services: In mining an authorization is required, which are the criteria to give this authorization. Are the criteria discriminatory? What are the

restrictions to foreign investment?

Authorization body to regulate mining activities is the Ministry of Energy and Mineral Resources. Given Indonesia's substantial mineral and energy reserves, and recent privatization of production and exploration in these sectors, there are significant opportunities for foreign mining, energy and environmental service providers. However, the Indonesian Government retains exclusive authorization rights for all stages of mining activity, from survey, exploration, exploitation, production and refining, to transport and marketing. State enterprises are dominant in this sector. Where there is private involvement, the Government imposes foreign investment restrictions and employment of nationals. Indonesia has relatively few WTO commitments in energy-related services sectors.

37. Construction: what kind of projects are those who the government believes that local firms are unable to do the work?

The government believes that local firms are able to do all kinds of construction works. However, foreign construction firms are only permitted to be subcontractors or advisors to local firms.

38. Are other sectors opened to foreign investment? What happened for example with tourism or transportation?

Yes, tourism and transportation sectors are still welcomed for foreign investment in certain areas with some particular requirements.

39. Has Indonesia negotiated under negative list approach?

Usually the services sector negotiation in WTO applies positive list approach.

ASEAN FTA:

40. What is the negotiation scope? Are the commitments GATS plus? Could you explain more of the negotiation[108]?

ASEAN has signed many agreements covering ASEAN Trade in Goods Agreement (ATIGA), ASEAN Comprehensive Investment Agreement (ACIA), ASEAN Framework Agreement on Services (AFAS 7th), and Mutual Recognition Agreement (MRA) in several sectors.

41. Do Air transport negotiations include traffics rights?

In Article II (Areas of Cooperation) point 2 of ASEAN Framework Agreement on Services stipulated that:
2 Member States shall strengthen and enhance existing cooperation efforts in service sectors and develop cooperation in sectors that are not covered by existing cooperation arrangements, through inter alia:

- *establishing or improving infrastructural facilities*
- *joint production, marketing and purchasing arrangements*
- *research and development and*
- *exchange of information.*

[108] 2º paragraph: could you explain us the agreement? These actions are for all the ASEAN countries? And for the same sectors? Which are the restrictions to be remove (ex: NT, MA, or NMF)? Do you have a list of services sector excluded of this liberalization?

Related to air services, there is an agreement on ASEAN Multilateral Agreement on Air Services (Manila, 20 May 2009). One of the objectives is to facilitate and enhance air services and their related activities, to complement the other transport facilitation and liberalization efforts in ASEAN.

42. MRA: What are being recognized: titles, licenses? Are these MRA for some professional services, what about the other professional services?

See answer number 25

43. Does the ASEAN FTA consider emergency safeguards measures? What kinds of disciplines?

The ASEAN FTA provides for the imposition of a safeguard measure on imports during the period that tariffs are being phased out or reduced for any particular good, and for up to three years beyond that. A measure can be imposed by any Party to the ASEAN FTA to address situations of serious injury to a domestic industry caused by increased imports as a result of tariff reductions under the FTA by either suspending further tariff reductions or reverting to higher tariffs for a certain period.

A safeguard measure shall not be applied against an originating good of a Party which is an ASEAN Member State, as long as its share of imports of the good concerned in the importing Party does not exceed three per cent of the total imports from the other Parties, provided that those Parties with less than three per cent import share collectively account for not more than nine per cent of total imports of the good concerned from the other Parties.

ASEAN – China FTA:

44. Each ASEAN Country made individual commitments?

Yes, Each ASEAN Country made individual commitments

45. Are ASEAN commitments with China less than these countries commit within ASEAN?

Yes, ASEAN commitments with China are less than intern ASEAN.

ASEAN – Korea FTA:

46. Was the negotiation made in Positive list?

Yes, it was.

IV.4.C. Investment Agreements

47. Is the classification of restricted investment sector updated annually? Could we have access to this classification?

According to the presidential Regulation of the Republic of Indonesia Number 77 jo. Number 111 of 2007 concerning List of Business Fields Closed and Open with Conditions to Investment article 3 para (1), the classification of restricted investment sector is not update annually. It shall enforce for 3 years and in para (2) elucidated that in the event that a period of 3 years elapsed and the regulation has not been regulated, the existing Presidential Regulation shall remain in force. Nevertheless, if it is needed it can be updated in under any circumstances. The Regulation can be accessed through our website www.bkpm.go.id. However due to the ongoing update, this Presidential Regulation is inaccessible for the time being.

48. Does Indonesia have Bilateral Investment Agreements? With which countries?

Yes, Indonesia has signed Investment Agreements with 65 countries, such as ASEAN, Japan, Australia, USA, etc.

IV.5. Trade Defense Measures

49. The Indonesia Report refers only to the WTO trade defense measures, but does not indicate how these norms are incorporated into the domestic law. It doesn´t mention: domestic norms concerning trade defense, a brief explanation of the investigative process, which is the Investigative Authority, measures in force (safeguards, anti-dumping, countervailing duties)

Indonesia legal basis and rules related trade defense measure, such as:

- *Law No. 17of 2006 concerning the Amendment of Law No. 10 of 1995 concerning Customs;*
- *The Government Regulation No. 34 of 1996 on Anti Dumping Import Duty and Countervailing Duties;*
- *Decree of the Minister of Industry and Trade No. 136/MPP/Kep/6/1996 regarding the Anti-Dumping Committee;*
- *Decree of the Minister of Industry and Trade No. 172/MPP/KEP/7/1996 regarding the Organization and the Working Procedure of the Anti Dumping Taskforce.*

IV.7 Transparency

50. What is Indonesia's mechanism to ensure an adequate level of transparency regarding laws and regulations related to trade?

Indonesia has its own mechanism of transparency regarding laws and regulations in all aspects not only in particular such as trade. Indonesia has its degree of transparency such as consent for press release or information or intellectual property subject to the project agreements, etc. Sometimes we put in clauses for the reciprocity of both Parties. Usually Indonesia or counterparts brought up the issue of transparency to protect IPR, stock prices, and other losses with regard the information itself.

51. Are transparency rules included in trade agreements signed by Indonesia? If so, could you please specify its scope.

Yes, Indonesia Japan Economic Partnership Agreement (IJEPA) Indonesia-Japan (FTA), in specific article mentioned that "Indonesia and Japan has to publicly open its laws and regulations" the aim is to obey and honor both parties prevailing laws and regulations as well as the commitments between them. There are other agreements that limit the scope of transparency usually on Scientific, Technology and other IPR because it has its commercial values. Usually they put in clause such as "the other party has to notify, or to give written consent prior the publication (usually press statements/press release).

52. After the conclusion of FTA negotiations, what are the necessary domestic legal procedures required in Indonesia <u>before</u> the actual signing of an FTA (any need to seek approval from Parliament, enactment of local legislation)?

The focal points e.g. Ministry of Trade need to have prior inter - department meetings because FTA needs cross-sectors negotiation contents (customs, tax, finance, foreign affairs, etc.). After all the necessities in filtering all aspects of each stakeholders agreed, then it can be signed and ratified to State Secretary. Not all FTAs need parliament approval but always require to be signed by the President.