

Deloitte.



British Embassy
Santiago



Assessing and improving the
utilisation rate of the Chile UK
Association Agreement

Recommendation Report

Table of Contents

Executive Summary	3
Glossary	4
Background	5
<i>Association Agreement between the United Kingdom of Great Britain and Northern Ireland and the Republic of Chile</i>	5
I. Quantitative Analysis	7
i. The Methodology	8
• Relevant products to ensure lean analysis	8
1. Filtering data to identify “critical products”	10
2. Identification of “critical importers”	11
3. Matching with respective Rules of Origin	11
ii. Data	13
1. Data Quality	13
a. Completeness	13
b. Consistency	13
c. Validity	14
2. Data context	16
3. Rule Assumptions	17
iii. Overview of the results	17
1. Identification of “critical products”	17
- HS 2 Code	18
- HS 4 Code	19
- HS 6 Code	22
- HS 8 Code	24
2. The “Critical importers”	26
- HS 2 Code	27
- HS 4 Code	29
- HS 6 Code	31
- HS 8 Code	33
• Focus on Pharmaceutical Products (Chapter 30)	38
• Focus on Capital Goods	40
3. Rules of Origin of critical products	42
II. Qualitative analysis	44
i. Methodology	45
ii. Overview of the results	49
1. Profile of interviewees	49
2. Findings	49
a. General Findings	49
b. Specific Findings	51
III. Conclusions and way forward	54
IV. Important Notice & Annexes	57

Executive Summary

This report analyses the extent to which imports from the UK use the Association Agreement between Chile and the United Kingdom. The analysis is divided in two sections, by the type of analysis performed, namely quantitative and qualitative. The first, through the identification of “critical products and importers”, presents data on the use of the Agreement, dissecting types of products and classifying importers. This allows for - from more general to sectorial conclusions to be drawn; this section also includes segments that make a further in-depth examination of particularly relevant products, namely for pharmaceutical and capital goods.

Finally, the rules of origin of the identified critical goods are reviewed in terms of their ease of compliance, which is an important element to consider when reviewing the use of Agreements.

The qualitative analysis identifies underlying reasons that explain the non-utilization of the Association Agreement between the Chile and the United Kingdom through interviews of relevant trade operators as well as a Workshop which allowed the gathering of views and experiences, including ways forward to face these challenges of non-utilization of the Agreement.

The results of the analysis can be summarised as follows:

- Specific “critical products” that have low use of the Association Agreement between Chile and the United Kingdom are identified: pharmaceutical products, miscellaneous chemical products and plastics and articles thereof, among others.

- Two tariff treatments that are relevant in the context of the Chile-UK bilateral trade (and are identified as “critical products”) are capital goods and exclusions from the Chile-UK Association Agreement. The first is particularly relevant and poses a specific set of challenges to increase their use of the Agreement.

- “Critical importers”, in terms of the overall use of the Association Agreement between Chile and the United Kingdom, are influential: these importers have a high concentration in total value but a low concentration in transactions, which would mean that each importer in the list could significantly impact the overall utilization of the Agreement.

- Lack of knowledge or awareness of the Association Agreement between Chile and the United Kingdom is a relevant factor for non-utilization.

- Swift and coordinated solutions to challenges that arise from the implementation of provisions of the Agreement will less likely impact trade operators.

- Keeping updated relevant trade rules, including trade facilitation measures and the reduction of administrative burden, will benefit trade operators and would likely increase the use of the Agreement.

Glossary

Chile-EU AA: Chile-EU Association Agreement

Chile-UK AA: Association Agreement between Chile and the United Kingdom

CIF: shipping incoterm meaning Cost, Insurance, and Freight agreement.

“Critical goods”: products/sectors with significant import value, to be analysed for their use of the Agreement.

“Critical importers”: importers with significant import value, repeated importation of products/goods, to be analysed for their use of the Agreement.

Deloitte GTI: Deloitte Global Trade & Investment

EU: European Union

FOB: shipping incoterm meaning “Free on Board”

HS Classification: The Harmonized Commodity Description and Coding System, also known as the Harmonized System of tariff nomenclature (see [Box 1: HS Classification](#))

HS 2: HS Chapter HS 4: HS Heading

HS 6: HS Subheading

HS 8: National Tariff

ITC: International Trade Centre

MFN: principle of most-favoured-nation treatment (see [Box 3: MFN and Chile Tariffs](#))

PUR: Preferential Utilisation Rate

RoO: Rules of Origin (see [Box 2: Preferential Rules of Origin \(RoO\)](#)) UK: United Kingdom

WCO: World Customs Organization

WTO: World Trade Organization

Background

In an increasingly contested and competitive trading world, trade policy and the network of international trading agreements are vital for promoting exports and imports for countries and allowing their economies to remain competitive. The process of promoting exports does not end however when the trade treaty comes into force. There is a vital piece of work in promoting each treaty to industry, so that they are aware of it, and ensuring that they are taking advantage of the preferential tariffs negotiated by the respective governments. To this end, the 'utilisation rate' of an international treaty is a vital piece of information to show what proportion of businesses are taking advantage of the treaty. Governments should also seek to understand if businesses aren't utilising a treaty, what the underlying reasons for this are.

In the context of the Foreign, Commonwealth and Development Office's International Programme Enabling Fund Project in Chile (Non-ODA funding), the British Embassy in Santiago has commissioned Deloitte to conduct this study into this question. The study is entitled "Assessing and improving utilisation rate of the Chile UK Association Agreement" and aims to "deliver a trade/economic analysis report that assesses sectors and businesses, their views on utilisation, possible solutions, while also seeking to promote our Agreement through overall engagement with the Chilean importers and the British private sector that may be interested in the market."

The objective of the project is to support improvement in the utilisation of the current Agreement with Chile as much as possible, for which the utilisation rate is a key area. Therefore, this project seeks to "(...) identify relevant and highest value companies in sectors with low usage, develop a strategy of engagement and data analysis" so as to learn the underlying reasons for low utilisation rates in certain sectors/ by certain companies, so as to develop a report containing recommendations and views for the benefit of trade policy in Chile and the UK. This would complement the regional strategy on these issues, as well as identify possible technical improvements in international trade.

Deloitte, Global Trade & Investment (GTI) has proposed a Quantitative analysis methodology, in line with other comparable studies performed for Preferential Utilisation Rates (PUR), as well as a Qualitative analysis following the parameters established in the project requirements as well as following feasibility and appropriateness. The report's scope for the Quantitative analysis is 2021 transaction-level import data.

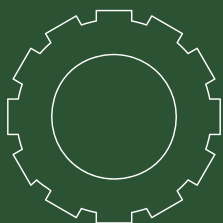
Introduction

Until December 2020, the trade relationship between Chile and the United Kingdom (UK) was governed by the Association Agreement between Chile and the European Union (EU), which was signed in 2002 and in force since 2003. In 2016 the UK voted to exit the European Union following a referendum, a process that was formally completed at the beginning of 2021. In order to maintain the economic relationship established in the Chile-EU Association Agreement (Chile-EU AA), the governments of the UK and Chile agreed to negotiate a continuity agreement to provide certainty and stability for business and trade relations as a whole.

Upon this basis, both countries agreed on a new Association Agreement which incorporated all provisions pertaining to the EU Agreement, except for those not applicable to their bilateral relationship. Thus, exporters and importers rely on the same legal framework with which they have conducted their operations since 2003. The Association Agreement between the Chile and UK (Chile-UK AA) was signed on January 30th, 2019, and entered into force on January 1st, 2021, and was the first among all UK trading partners to be signed as a transition agreement with the UK.

In terms of historic utilization rates of imports originating from the UK, Annex 1: Use of Chile-UK AA provides an overview of the last 10 years until 2021. We can see from this Annex that

the utilization of trade Agreements has had a downward trend since 2011, with a rebound in 2017 and 2018, but reaching its lowest percentage in 2021 with 53% of imports using Chile-UK AA.



I.

Quantitative Analysis

i. The Methodology

This section will explain the methodology behind the Quantitative Analysis to assess the utilisation of the Chile-UK AA. As for the methodology, to select the most suitable, a review of the scope, data and objectives of this report, as well as the relevant literature, resulted in the selection of the identification of low Preferential Utilisation Rate (PUR) as the basis of the quantitative analysis. For this purpose, two aspects were identified as essential for this analysis, as explained in the following paragraphs.

On one hand, knowing whether the sectors/products that are the most relevant (import value terms) are using or not the Agreement allows for a sectorial analysis that can help explain and improve utilization. For this purpose, the data is filtered for products/sectors with high import value and then analysed in terms of their use of the Agreement. These products/sectors are identified as “critical goods”, and more details are included in the corresponding section to explain further.

On the other hand, importers also are relevant to further understanding utilization, especially when they have high participation in terms of import value and have extensive imports of the same products/sectors. To this end, importers are identified considered their relevance in import value, concentration in sectors/products and analysed whether they use or not the agreement. These importers are named as “critical importers”; further details can be found in the relevant section.

In general terms, for a single year transactional data, the filtering of critical goods and identification of critical importers helps to later elaborate a sector/company specific strategy. It also allows for the Rules of Origin (see definition in [Box 2: Preferential Rules of Origin \(RoO\)](#) on page 6) to be analysed, as it is a relevant aspect to consider in analysing the use of the Agreement, as well as provides good information for the Qualitative analysis in terms of selection and representativeness of the interviewees.

- Relevant products to ensure lean analysis

In terms of the bilateral trade between Chile and the UK, there are two groups of products that are worth explaining in detail, to ensure proper analysis.

Special tariff treatments in Chile for capital goods

It is important to highlight the case of a special tariff treatment scheme provided in Chile for capital goods (which include machinery, equipment, etc), which largely explains the existence in the data of the combination of no use of the Agreement with no payment of duties (tax attribute). In the context of Chile- UK AA, the treatment of importations of capital goods is particularly relevant, and it can benefit from Tariff exemptions under Law Number 18.634 (1987)¹, whose list of goods is updated regularly.

¹ <http://www.bcn.cl/leychile/navegar?idNorma=30024&idVersion=&idLey=&tipoVersion=&cve=&i=>

Other similar special tariff treatments exist (product specific, like for example the Price Band for sugar and wheat products) but are not relevant in the context of Chile-UK bilateral trade.

In terms of the identification of capital goods, the dataset allows for the filtering of HS codes (see [Box 1: HS Classification](#)) that are contained in the list of capital goods established by the Law. Nevertheless, the list of capital goods has sometimes specifications by HS Code, which is not possible to filter out just with the HS codes.

[Annex 2: Special tariff treatments in Chile](#) shows two figures that display the relevant variables (Using and not using Chile-UK AA; with and without Tax) and the types of goods that would correspond to Capital goods by the number of acceptance numbers (import transactions) and value (US\$ CIF). Section “Focus on Capital Goods” provides for a detailed analysis on these products in terms of their utilization of the Agreement.

Chile’s exclusions in the Chile-UK AA

Although the Chile-UK AA is comprehensive in terms of coverage of products, there were some excluded products. In the case of Chile some products like dairy, wheat, sugar, and vegetal oils for human consumption were excluded from the Agreement. For the purposes of this analysis, products that are excluded from the Agreement, by principle, cannot opt for preferential treatment, so should not be part of the PUR analysis. Even so, they were kept in the analysis and displayed separately in the data, as they are relevant to the bilateral trade between Chile and UK.



Annex 3 Exclusions of Chile in Chile-UK AA shows import data of Chile originating from the UK by Chapter (HS 2), where highlighted Chapters are those containing National Tariff (HS 8, see Box 1: HS Classification for an explanation of product classification) level imports that have no transactions claiming tariff preference. After identifying those Chapters and reviewing Chile’s Tariff concessions in the Chile-UK AA, only one National Tariff (HS 8) of excluded products results relevant in trade terms, corresponding to HS 21069090 (Food preparations not elsewhere specified: Others: Others).

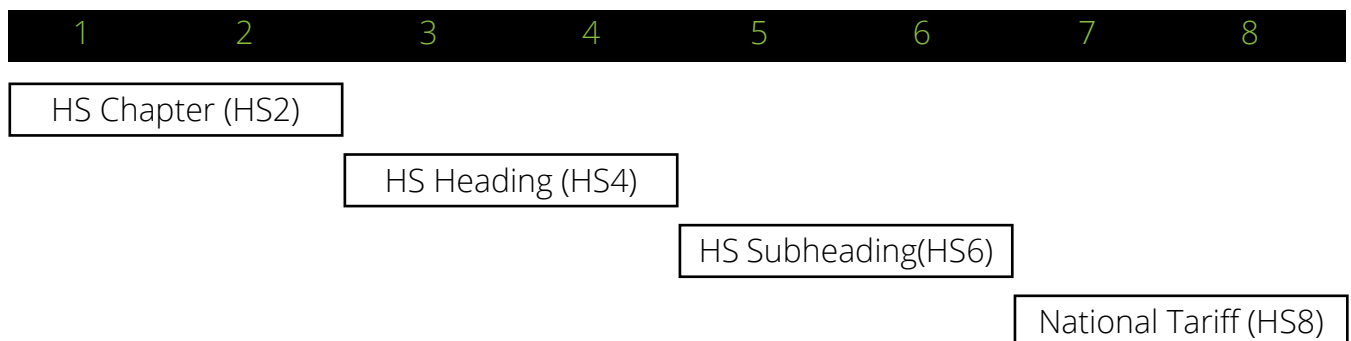
1. Filtering data to identify “critical products”

Products will be identified using the Harmonized System (HS) of tariff nomenclature (see Box 1: HS Classification for more information). To categorize products as “critical”, the database is filtered in terms of products with high import value and then a Percentage of Utilisation Rate (PUR) of the Agreement is calculated. Analysis will be carried out by product groups, from broader to more specific (from HS Chapter to National Tariff (8)). Then the “critical products” will be identified by according to their CIF amount percentage out of the total imports.

Box 1: HS Classification

The Harmonized Commodity Description and Coding System, also known as the Harmonized System (HS) of tariff nomenclature, is an internationally standardized system (used by more than 200 countries and economies) of names and numbers to classify traded products. The nomenclature has a wide variety of purposes and was developed by the World Customs Organization (WCO).

The structure of the classification of products is grouped by the number of digits, with the higher the number of digits, the more specific the product group. The following shows the groupings that are used in this Report:



2. Identification of “critical importers”

The second analysis consists of identifying relevant importers for which three metrics are considered: total amount of imports (CIF); concentration rate across HS 2, HS 4, HS 6 and HS 8; and PUR of the Agreement. Concentration rate is defined throughout the analysis as: Total CIF % of an importer within a specific HS classification.

The analysis for HS 2, HS 4, HS 6 and HS 8 will be done as follows:

- Scatter plotting concentration analysis against total CIF amount with dot size meaning the number of transactions. Next, HS categories with high concentration rate, high volume of imports and high level of transactions are identified.
- Filtering previously identified relevant HS categories and calculating PUR of the Agreement of the most relevant importers.

Those importers that fulfil the abovementioned criteria are considered as “Critical importers” and are analysed independently according to their overall 2021 results.

3. Matching with respective Rules of Origin

For imports to claim preferential treatment under the Chile-UK AA, they must comply with certain rules (See [Box 2: Preferential Rules of](#)

[Origin \(RoO\)](#)). Having identified which are the critical goods, a review of their respective Rules of Origin is done by comparing the RoO of the Chile-UK Agreement to the European Union and Colombia, Peru and Ecuador Agreement. This last Agreement was selected for comparison purposes since Colombia, Peru and Ecuador are comparable markets to Chile for the UK, as they are all Latin American countries, and the first two are part of the Pacific Alliance with Chile, among other similarities.

The comparison done in terms of RoO, was a focus on the level of strictness of the compliance for the critical product identified in the section “Critical Goods”. If a RoO had more than one option to comply with the requirements, then it is considered less strict. It is important to note that the level of the HS code is at National Tariff (HS 8), with trade agreements that have entered into force in different years, which means differences can exist in terms of product classification. To avoid comparing different products, descriptions of the products were matched as close as possible.

This exercise provides another indication concerning the ease of using the Agreement, which is a relevant input in the analysis of trade utilisation. Although strictly speaking the analysis of Rules of Origin is not Quantitative in nature, it is included as a supplement to the analysis of critical goods, and rather as a relevant element to consider as provided by the relevant literature and the importance Rules of Origin have in terms of use of the Agreement.

Box 2: Preferential Rules of Origin (RoO)

Internationally traded goods have an origin, that can be understood as the economic nationality of the good. Preferential origin is related to trade agreements, in which by complying with a set of criteria established in the Agreement, a preferential tariff can be accessed by the imported good. The set of criteria are product specific mostly, so each HS code product (unless it was excluded from the Agreement) has a RoO, and they can vary in terms of specificity (from HS2 to HS8 or even more specific). Each trade agreement has its own RoO; in the case of the Chile-UK AA, the Rules of Origin in the Chile-EU AA were replicated.

In broad terms there are two different types of RoO: Wholly obtained and Substantial transformation. The first is goods that are obtained entirely in the territory of the Parties to the Agreement, with no materials that are originating from third Parties. Examples of Wholly obtained goods are fruits, mineral products, among others.

As for the second type of RoO, the goods needed to be processed in a certain way to comply with the RoO, which allows for the use of materials from third Parties (a.k.a., non-originating materials). And there are three ways in which this transformation can be expressed:

1. Change in tariff classification: non-originating materials must undergo a change in HS Classification to the final good (with different level of specificity depending on the RoO) to obtain originating status.
2. Value-added calculations: a specific percentage of the total value of the final product must be added in the territory of the Parties, with two different calculations possible: a maximum of non-originating materials as inputs or a minimum requirement for local content.
3. Specific processing: a specific processing must be undertaken at a particular stage of the production process.

It is important to consider that a RoO may contain a combination of the abovementioned, with some flexibilities or conditions. Furthermore, there are general provisions related to rules of origin that cover additional flexibilities as well as administrative procedures relevant to its implementation.

Source: ITC

ii. Data

The data is assessed in this section to verify that the analysis and subsequent conclusions are valid. The assessment is done in three parts: data quality, data context and design rules. Finally, the assumptions for the analysis are identified. In terms of the origin of the dataset, the source used was Datasur², whose import information for Chile is based on the official records of the Chilean Customs Service. As shown below, the data fulfils the minimum requirements for analysis.

1. Data Quality

Data quality review serves the purpose of understanding and ensuring that data fits the specific needs it is intended to serve concerning the methodology and analysis.

For this study, Data Quality has been analysed according to three features: Completeness, Consistency, Validity.

a. Completeness

Data completeness is defined as the percentage of data populated vis a vis the possibility of complete fulfilment. In the data, two attributes are detected that potentially impact the final analysis results and conclusions by containing missing records, null attributes, or empty columns.

Firstly, the database contains data only pertaining to imports of goods. Secondly, regarding the empty column values analysis, because relevant columns are empty or are not part of the dataset, assumptions were made to be able to have a meaningful analysis.



²<https://www.datasur.com/>; sent to Deloitte by the Embassy of UK in Chile for the elaboration of this report.

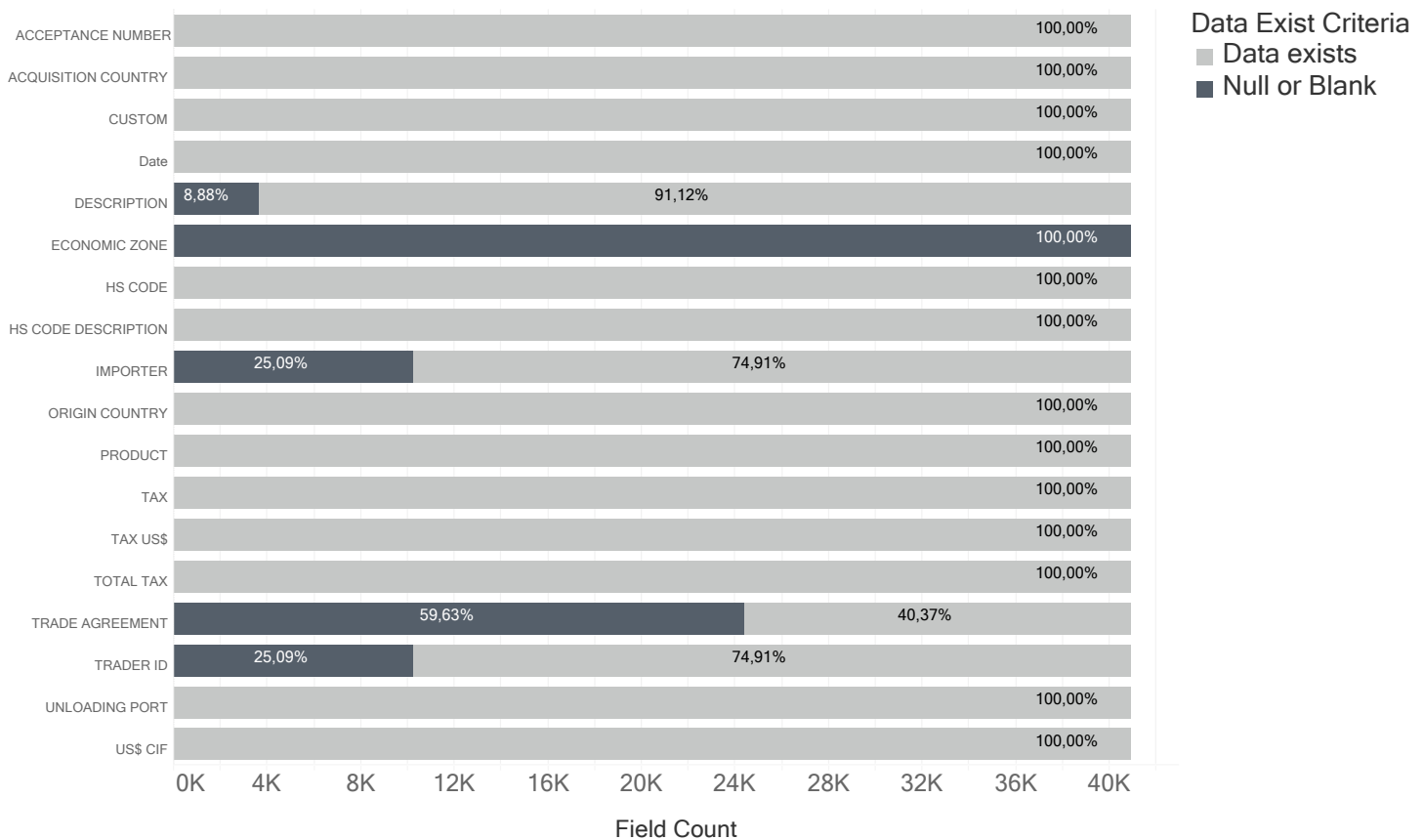


Figure 1: Data null analysis of relevant AA analysis attributes

From the relevant attribute list in Figure 1, several attributes show a high percentage of empty values, namely: “Trade Agreement”, “Description”, “Importer” and “Economic Zone”. From these, the ones that impact the Percentage of Utilisation Rate (PUR) analysis are “Trade Agreement” and “Importer”. Null or empty values of “Trade Agreement” mean that it is not possible to determine which Agreement was used for importation. While null or empty cells of “Importer” means it is not possible to distinguish company names for the “critical importers” analysis and potential candidates for interviews.

For the issues in “Trade Agreements”, the analysis will be made assuming that when the importation is made with a payment of 6% (tax rate attributed in the data), then the transaction is not using the UK-Chile AA (see [Box 3: MFN and Chile Tariffs](#) for more information).

Box 3: MFN and Chile Tariffs

Under the WTO rules, one of the main pillars is the non-discriminatory treatment of trade among WTO countries. In the case a WTO member grants a lower customs duty rate to a product from another country, then it must be available for all other WTO members. This is the principle of most-favoured-nation (MFN) treatment. Exceptions to MFN treatment are allowed, such as free trade agreements like the Chile-UK AA.

In the case of Chile, its tariff structure is practically homogeneous, with an MFN tariff rate of 6% applying to 99.6% of the tariff lines, and for the rest the rate applies a 0%, including machinery and certain means of transport.

b. Consistency

To validate the dataset used in the analysis, a comparison with Official records of the Chilean Customs Monthly 2021 Dataset (1)³ and the Central Bank of Chile Commercial Balance Monthly 2021 Dataset (2) was performed. The comparison of these public sources published by both institutions concluded that the dataset is within the expected variance (less than 5% every month on average) and follows the same time series pattern shown in public datasets.



Figure 2: Time series trend comparison of Customs, Central Bank and UK Embassy Dataset

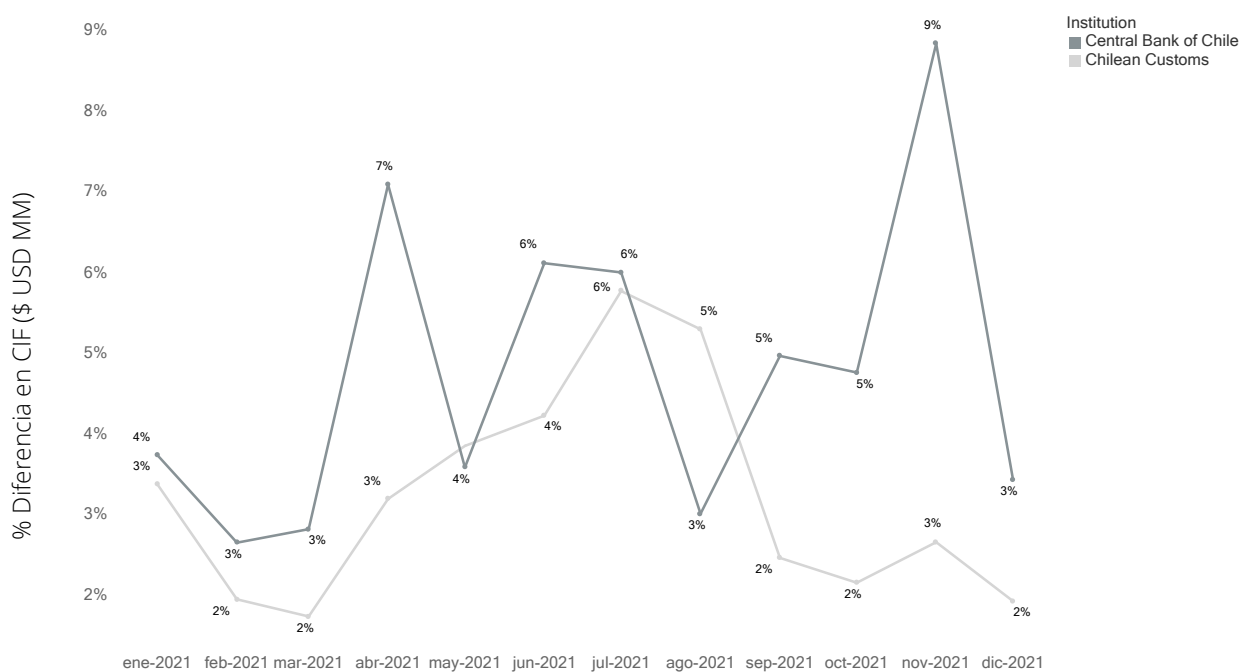


Figure 3: Time series % difference trend comparison of Customs and Central Bank in comparison to UK Embassy Dataset

³<https://www.aduana.cl/importaciones-por-continente-y-pais/aduana/2018-12-13/172431.html>

c. Validity

In terms of its proximity to expected values and calculations, the data fulfils the minimum requirements for analysis, although certain rules will have to be applied to differentiate transactions that used the Chile-UK AA with the ones that did not.

Criteria used for validity in the main dataset are:

- Expected measurements values are all numerical or null
- No records are duplicated
- Transactional CIF values are always greater than FOB values
- Dates are all within the 2021 range
- Tariff codes are all HS Codes to 8 digits
- Expected tax percentages per transaction (0,5⁴,6)

2. Data context

The dataset contains information on Chilean imports from the United Kingdom in 2021. In terms of the relevant occurrences that impact bilateral trade data particular to the year of analysis, it is important to highlight the Covid-19 pandemic that impacted in many aspects “normal” trade flows (See [Box 4: COVID-19 and World Trade](#)). Hence, the data would not represent a traditional international trade relationship between Chile and the United Kingdom, with possible impacts in PUR hard to identify with only a one-year analysis. Even so,

there are some general conclusions that are included throughout the report.

Box 4: COVID-19 and World Trade

The WTO has performed specific work on COVID-19 effects in World Trade, which shows the impact the pandemic has had. Firstly, trade has helped in dealing with the pandemic itself, to ensure the availability and affordability of vital medicines, medical products, and health care services. But the pandemic has caused some major disruptions in ports and transportation in general, with some having important impacts. Countries adopted various trade-related measures, some intended to facilitate trade (in the case of Chile, related to avoiding in-person documentation requirements) and others to restrict trade (some focusing on vaccines and other health essential goods).

Chile is a net importer of vaccines and other health essential goods, which could explain the surge in Chapter 30 (Pharmaceutical products) imports from the UK in 2021. For more details, see the section “Focus on Pharmaceutical Products (Chapter 30)” below.

Source: WTO

⁴ 5% tax transactions are negligible, as can be seen in Annex 3: Transactions per Tax payment.

3. Rule Assumptions

After the data quality analysis, and in line with the explanation in Section i. Completeness, assumptions needed to fulfil the PUR analysis are:

- Transactions covered by the Agreement are the ones with the column “tax” with a value equal to zero.
- Transactions with null “Trade Agreement” and “tax” value equal to six, will be considered as not utilizing the bilateral agreement.

explained earlier, Capital Goods have a Special tariff treatment in Chile, which is irrespective of the Agreement the imports use. As for Excluded products by Chile, they per se cannot opt for preferential treatment.

iii. Overview of the results

The methodology explained in the section I applied to the Dataset provides the following results.

Capital goods and Excluded products by Chile in the Chile-UK AA are included in this analysis and are identified as such.

1. Identification of “critical products”

Macro-level analysis of the total CIF amount reflects that around 63% of the total imports from the UK to Chile in 2021 use the Agreement (Figure 4), in terms of import value (US\$ CIF). In terms of the total import duties (Tax attribute in the dataset) paid, those importers that did not use the Agreement paid US\$ 8.444.673. For this general analysis, Capital Goods and excluded products from the Chile-UK AA by Chile were omitted to reflect a lean analysis of PUR. As

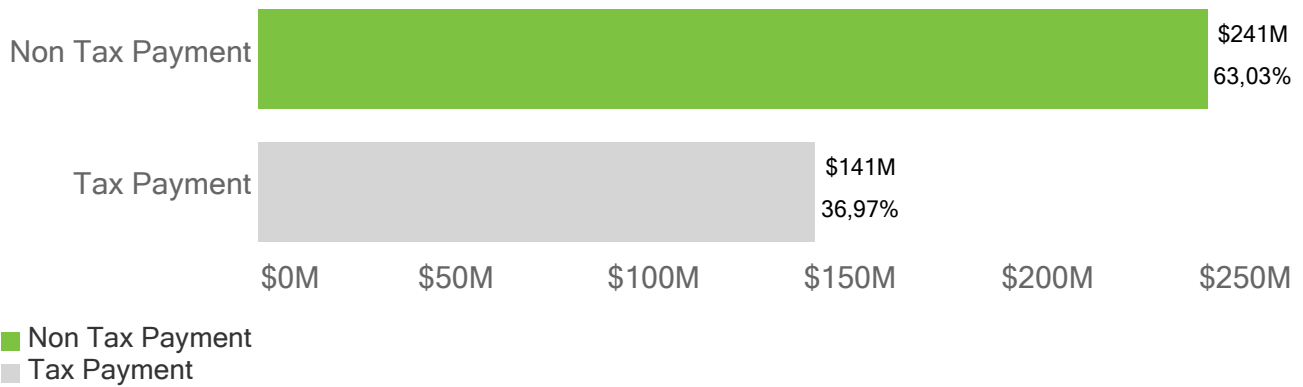


Figure 4: Macro-level utilisation

To further understand PUR patterns and behaviour among each product grouping (see [Box 1: HS Classification](#)), the top 10 HS codes are compared with the rest of the dataset in terms of Total CIF amount imports of 2021. The subsequent subsections follow each product's groupings corresponding to: chapter (HS 2), heading (HS 4), subheading (HS 6) and national tariff (HS 8).

• **HS 2**

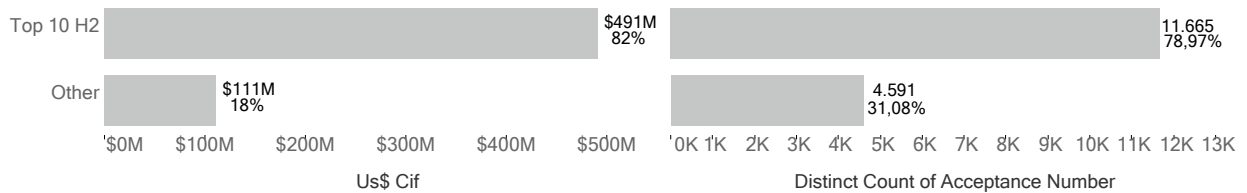


Figure 5: TOP 10 HS 2 relevance in terms of CIF and Acceptan. Numbers

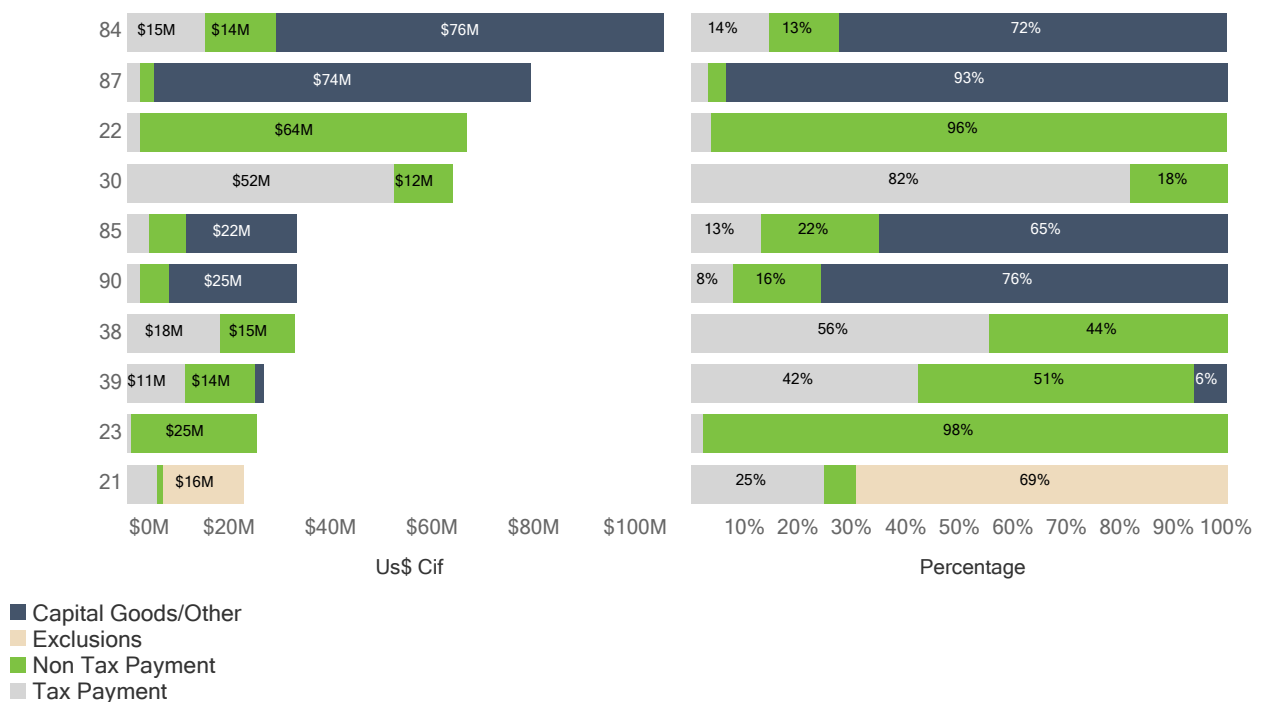


Figure 6: TOP 10 HS 2 Codes Total CIF Imports

The following Table provides a description of the relevant Chapters in Figure 6:

HS	Description
84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof ⁸⁷
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof
22	Beverages, spirits and vinegar
30	Pharmaceutical products
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof
38	Miscellaneous chemical products
39	Plastics and articles thereof
23	Residues and waste from the food industries; prepared animal fodder ²¹
21	Miscellaneous edible preparations

The top 10 HS 2 codes represent 82% of import value and 79% of transactions related to the importation of goods, as shown in Figure 5. At the chapter level, as Figure 6 details, capital goods are present in various Chapters, with high percentages in HS 84, 87, 85 and 90. In terms of the use of the Agreement, Chapters 22 and 23 have a high PUR, while 30 has a low PUR. Excluded products by Chile are also relevant, which are contained in Chapter 21.

• **HS 4**

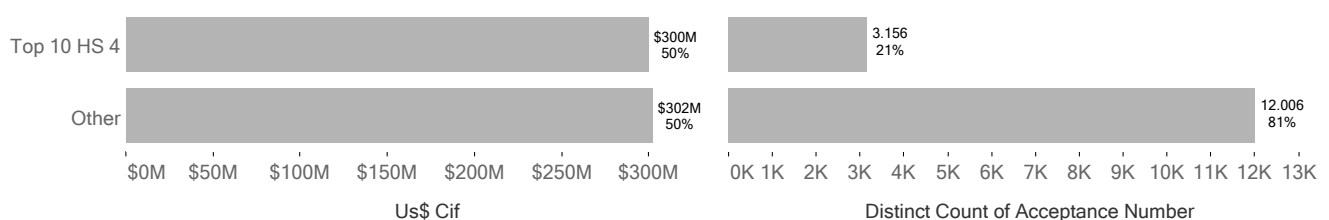


Figure 7: TOP 10 HS 4 relevance in terms of CIF and Acceptance Numbers

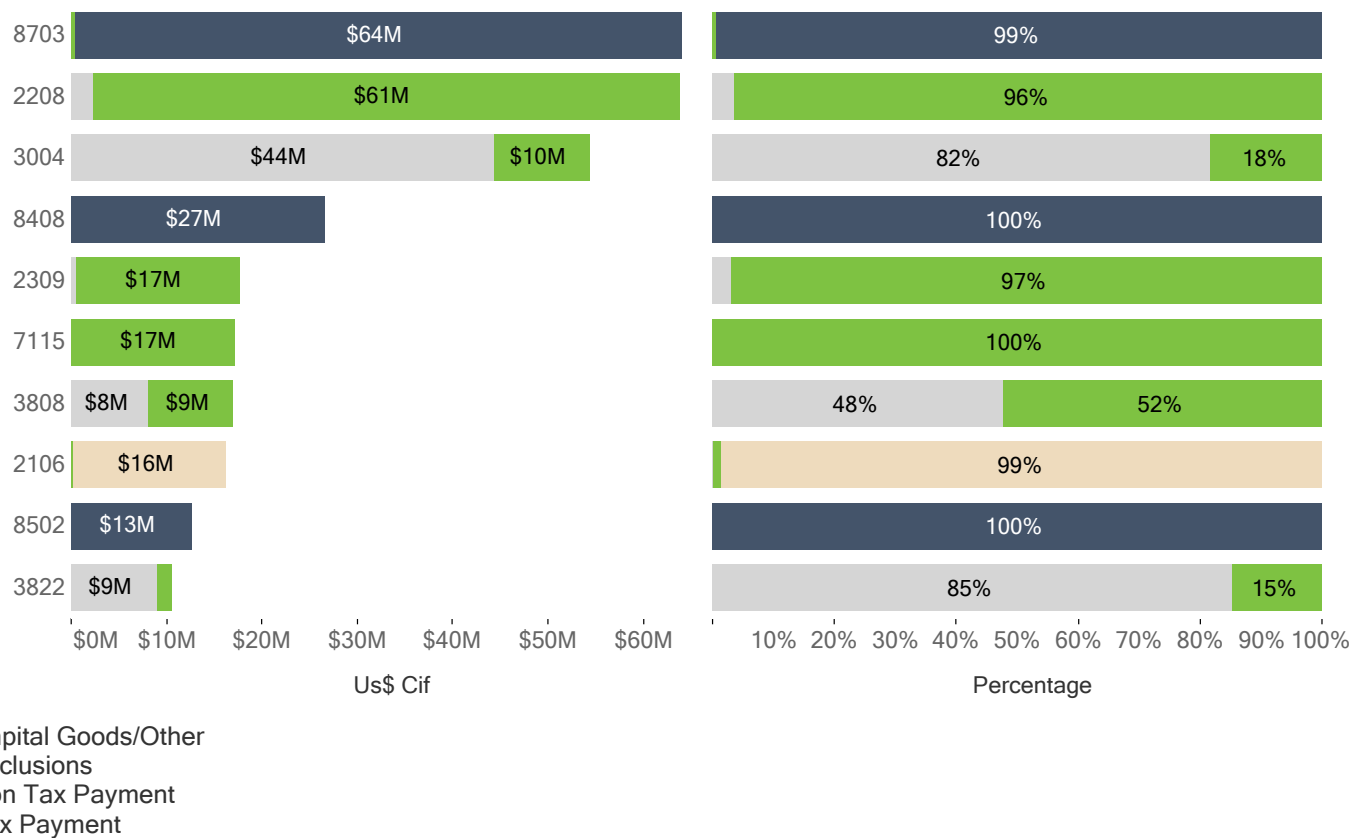


Figure 8: TOP 10 HS 4 Codes Total CIF Imports

The following Table provides a description of the relevant Heading in Figure 8:

HS	Description
8703	Motor cars and other motor vehicles principally designed for the transport of persons, incl. station wagons and racing cars (excluding motor vehicles of heading 8702)
2208	Undenatured ethyl alcohol of an alcoholic strength of < 80%; spirits, liqueurs and other spirituous beverages (excluding compound alcoholic preparations of a kind used for the manufacture of beverages)
3004	"Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses ""incl. those in the form of transdermal administration"" or in forms or packings for retail sale (excluding goods of heading 3002, 3005 or 3006)"
8405	Producer gas or water gas generators, with or without their purifiers; acetylene gas generators and similar water process gas generators, with or without their purifiers; parts there of (excluding coke ovens, electrolytic process gas generators and carbide lamps)
2309	Preparations of a kind used in animal feeding
7115	Articles of precious metal or of metal clad with precious metal, Not Elsewhere Specified (n.e.s.)
3808	Insecticides, rodenticides, fungicides, herbicides, anti-sprouting products and plant-growth regulators, disinfectants and similar products, put up for retail sale or as preparations or articles, e.g. sulphur-treated bands, wicks and candles, and fly-papers
2106	Food preparations, Not Elsewhere Specified (n.e.s.)
8502	Electric generating sets and rotary converters
3822	Diagnostic or laboratory reagents on a backing, prepared diagnostic or laboratory reagents whether or not on a backing, and certified reference materials (excluding compound diagnostic reagents designed to be administered to the patient, blood-grouping reagents, animal blood prepared for therapeutic, prophylactic or diagnostic uses and vaccines, toxins, cultures of micro-organisms and similar products)

In the case of headings (HS 4), the top 10 HS codes represent about half of import value and 21% of import transaction numbers, as shown in Figure 7. Capital goods are still very relevant at this tariff level, explaining roughly the whole HS codes 8703, 8408, 8502. High PUR HS codes shown by Figure 7 are 2208, 2309, and 7115, and low are 3004 and 3822. Excluded products by Chile are contained in heading 2106 and encompass roughly the whole heading.

• **HS 6**

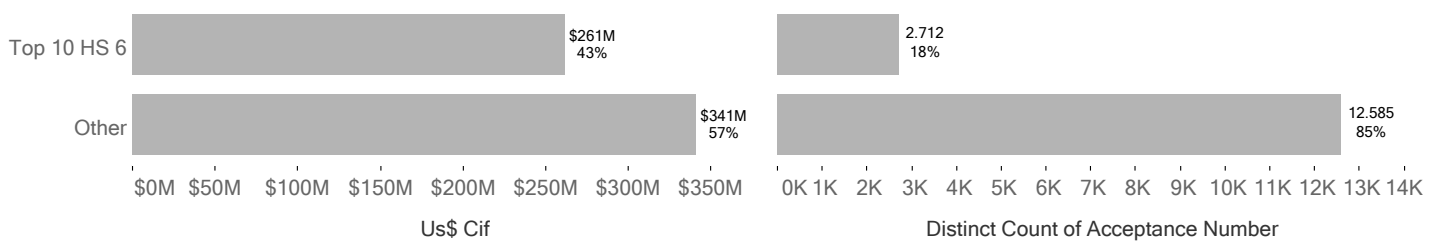
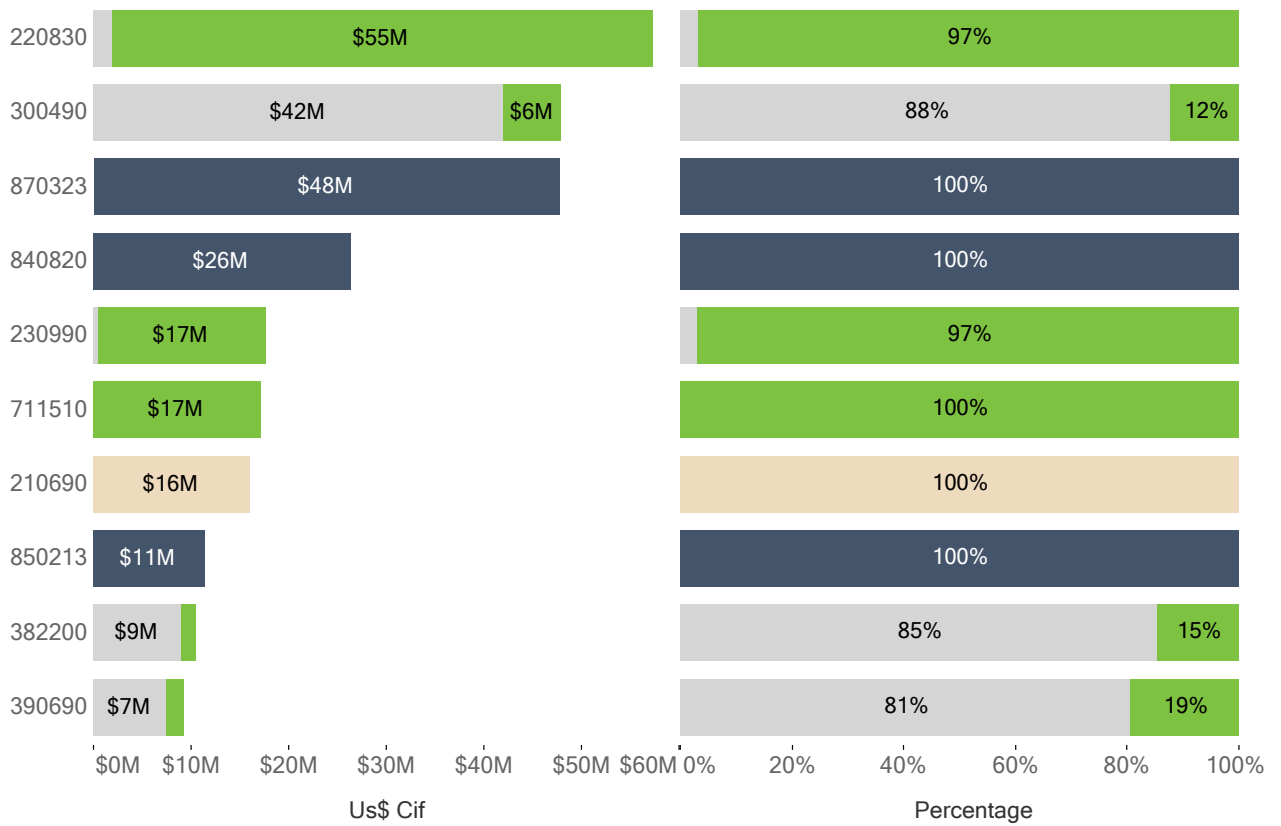


Figure 9: TOP 10 HS 6 relevance in terms of CIF and Acceptance Numbers



- Capital Goods/Other
- Exclusions
- Non Tax Payment
- Tax Payment

Figure 10: TOP 10 HS 6 Codes Total CIF Imports

The following Table provides a description of the relevant Subheading in Figure 10:

HS	Description
220830	Whiskies
300490	"Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, put up in measured doses ""incl. those in the form of transdermal administration"" or in forms or packings for retail sale (excluding medicaments containing antibiotics, medicaments containing hormones or steroids used as hormones, but not containing antibiotics, medicaments containing alkaloids or derivatives thereof but not containing hormones or antibiotics and medicaments containing provitamins, vitamins or derivatives thereof used as vitamins)"
870323	Motor cars and other motor vehicles principally designed for the transport of persons, incl. station wagons and racing cars, with spark-ignition internal combustion reciprocating piston engine of a cylinder capacity > 1.500 cm ³ but <= 3.000 cm ³ (excluding vehicles for the transport of persons on snow and other specially designed vehicles of subheading 8703.10)
840820	"Compression-ignition internal combustion piston engine ""diesel or semi-diesel engine"", for the propulsion of vehicles of chapter 87"
230990	Preparations of a kind used in animal feeding (excluding dog or cat food put up for retail sale)
711510	Catalysts in the form of wire cloth or grill, of platinum
210690	Food preparations, Not Elsewhere Specified (n.e.s.)
850213	Generating sets with compression-ignition internal combustion piston engine "diesel or semi-diesel engine" of an output > 375 kVA"
382200	Diagnostic or laboratory reagents on a backing, prepared diagnostic or laboratory reagents whether or not on a backing, and certified reference materials (excluding compound diagnostic reagents designed to be administered to the patient, blood-grouping reagents, animal blood prepared for therapeutic, prophylactic or diagnostic uses and vaccines, toxins, cultures of micro-organisms and similar products)
390690	"Acrylic polymers, in primary forms (excluding poly "methyl methacrylate")

Top 10 HS codes at Subheading level represent 43% of import value and 18% of transactions related to the importation of goods, as shown in Figure 9. At this tariff level, as Figure 10 shows, capital goods are also representative in 3 HS codes: 870323, 840820 and 850213. In terms of use of the Agreement, subheadings 220830, 230990 and 711510 have a high PUR, while 300490, 382200 and 390690 have a low PUR. Excluded products by Chile are still relevant, represented in HS 210690.

• **HS 8**

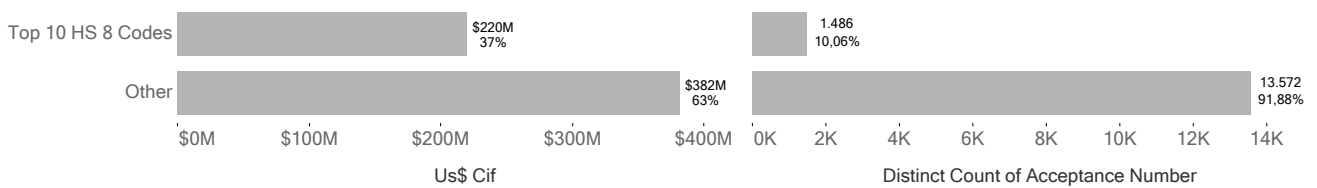


Figure 11: TOP 10 HS 8 relevance in terms of CIF and Acceptance Numbers

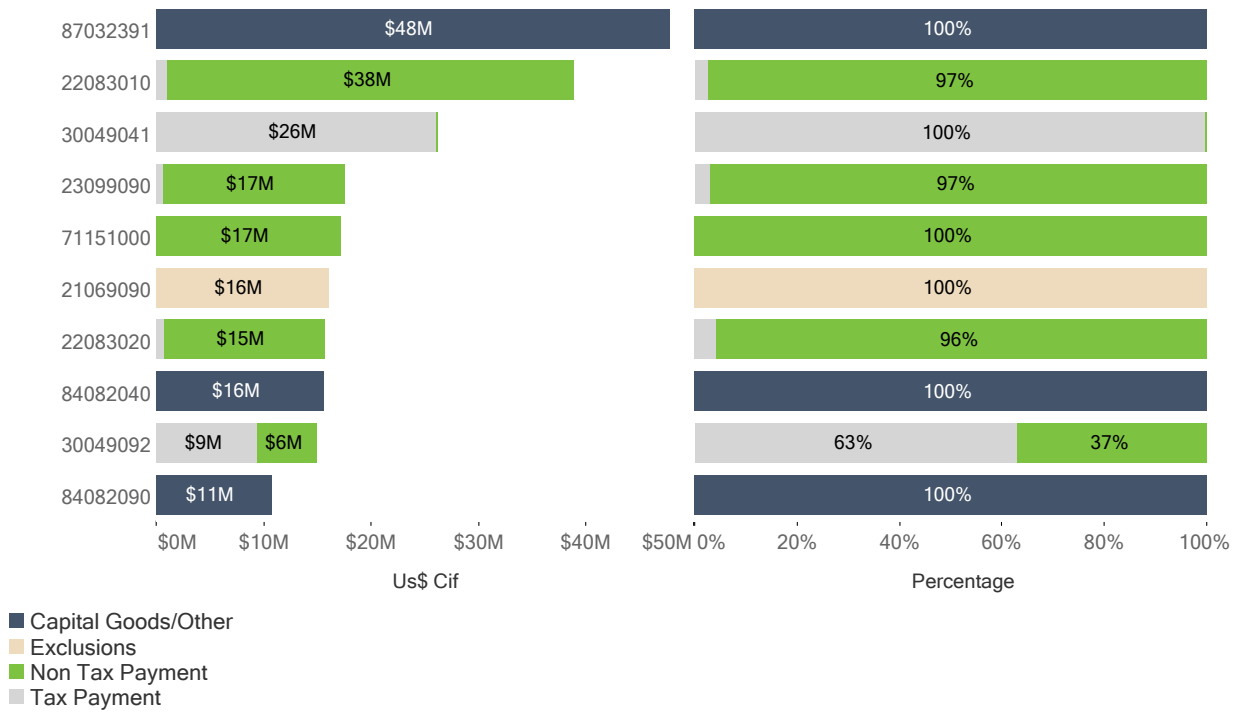


Figure 12: TOP 10 HS 8 Codes Total CIF Imports

The following Table provides a description of the relevant National Tariff Classification in Figure 12:

HS	Description
87032391	Motor cars and other motor vehicles principally designed for the transport of persons, incl. station wagons and racing cars, with spark-ignition internal combustion reciprocating piston engine of a cylinder capacity > 1.500 cm ³ but <= 3.000 cm ³ (excluding vehicles for the transport of persons on snow and other specially designed vehicles of subheading 8703.10); Others: Motor vehicles for Tourism
22083010	Undenatured ethyl alcohol of an alcoholic strength of < 80%; spirits, liqueurs and other spirituous beverages (excluding compound alcoholic preparations of a kind used for the manufacture of beverages); Whisky: aged less than or equal of six years
30049041	Medicaments (excluding goods of heading 3002, 3005 or 3006) consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses (including those in the form of transdermal administration systems) or in forms or packings for retail sale: Others: That contain antiretrovirals nonsteroidal anti-inflammatory drugs or other analgesics: That contain antiretrovirals
23099090	Preparations of a kind used in animal feeding (excluding dog or cat food put up for retail sale): Others: Others
71151000	Articles of precious metal or of metal clad with precious metal, Not Elsewhere Specified (n.e.s.): Catalysts in the form of wire cloth or grill, of platinum
21069090	Food preparations not elsewhere specified: Others: Others
22083020	Undenatured ethyl alcohol of an alcoholic strength of < 80%; spirits, liqueurs and other spirituous beverages (excluding compound alcoholic preparations of a kind used for the manufacture of beverages); Whisky: aged more than six years but not more or equal to twelve years.
84082040	"Compression-ignition internal combustion piston engine ""diesel or semi-diesel engine"", for the propulsion of vehicles of chapter 87": For vehicles classified in Heading 87.04
30049092	Medicaments (excluding goods of heading 3002, 3005 or 3006) consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses (including those in the form of transdermal administration systems) or in forms or packings for retail sale: Others: Others for human use
84082090	"Compression-ignition internal combustion piston engine ""diesel or semi-diesel engine"", for the propulsion of vehicles of chapter 87": Others

At the last HS grouping level, National Tariff, top 10 HS codes represent 37% of import value and 10% of transactions related to importation of goods, as shown in Figure 11. At this tariff level, as shown in Figure 11, capital goods are still representative in 3 HS codes, namely 87032391, 84082040, 84082090. In terms of use of the Agreement, subheadings 22083010, 23099090 and 71151000 have a high PUR, while 30049041 has low PUR. Excluded products by Chile are still relevant, represented in HS 21069090, being top 6 in terms of import value.

2. The “Critical importers”

Following the methodology, again the analysis is grouped by chapter (HS 2), heading (HS 4), subheading (HS 6) and national tariff (HS 8), displaying first the Scatter plot concentration analysis against the total CIF amount, and then identifying HS categories with high concentration rate, high volume of imports and high level of transactions. Then the critical importers are identified by filtering the relevant HS categories.



- **HS 2**

The analysis of the concentration rate of importers is shown by scatter plotting the concentration index of each importer (ignoring Null or Empty Importers) against their Total CIF by HS 2 Code.



Figure 13: Concentration Index against Total CIF Amount of TOP 20 HS 2 Total CIF Amount Importer ID's

From the scatter plot, the following details the corresponding description of the Chapters:

- 71: Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin)
- 87: Vehicles other than railway or tramway rolling stock, and parts and accessories thereof.
- 22: Beverages, spirits and vinegar
- 30: Pharmaceutical products

- 84: Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof (87) are highlighted due to the high volume of transactions (bubble size), high concentration percentage or high total CIF amount.

In these Chapters, the main importers are displayed in Figure 14.

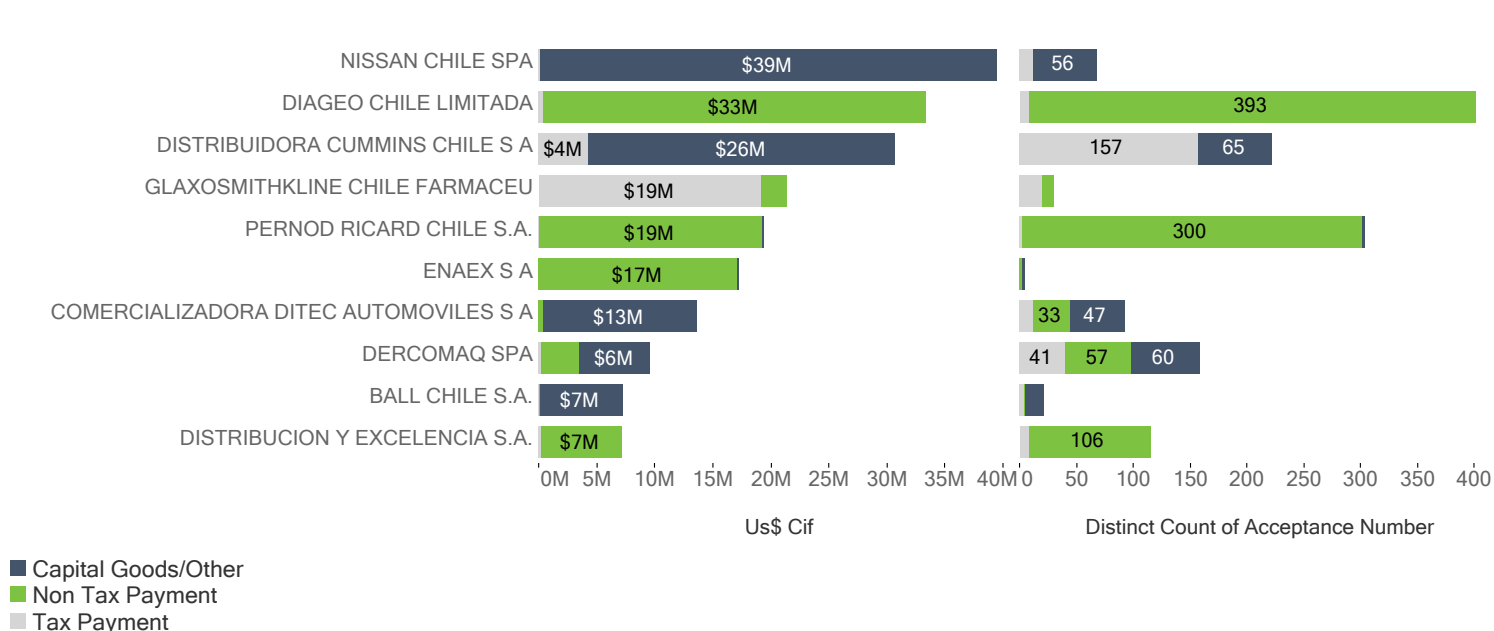


Figure 14: Top 10 Importers and PUR of Chapters 71, 87, 22, 30 and 84

Figure 14 shows that capital goods are significant at the HS 2 level, being the most relevant importers in terms of value: NISSAN CHILE SPA and DISTRIBUIDORA CUMMINS CHILE S A. In terms of use of the Agreement, DIAGEO CHILE LIMITADA, PENROD RICARD CHILE S.A., ENAEX S A and DISTRIBUCION Y EXCELENCIA S.A. are highlighted with high PUR, while GLAXOSMOTHKLINE CHILE FARMACEU with low PUR.

- **HS 4**

Replicating the same methodology for HS 4 codes, the scatter plot between the concentration index and total value of imports for all importers is the following:



Figure 15: Concentration Index against Total CIF Amount of TOP 20 HS 4 Total CIF Amount Importer ID's

From the scatter plot, the following details the corresponding description of the Headings:

- 2208: Undenatured ethyl alcohol of an alcoholic strength of < 80%; spirits, liqueurs and other spirituous beverages (excluding compound alcoholic preparations of a kind used for the manufacture of beverages))
- 3004: "Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses ""incl. those in the form of transdermal administration"" or in forms or packings for retail sale (excluding goods of heading 3002, 3005 or 3006)"
- 7115: Articles of precious metal or of metal clad with precious metal, Not Elsewhere Specified (n.e.s.)
- 8408: "Compression-ignition internal combustion piston engine ""diesel or semi-diesel engine"""
- 8703: Motor cars and other motor vehicles principally designed for the transport of persons, incl. station wagons and racing cars (excluding motor vehicles of heading 8702)

These are highlighted due to the high volume of transactions (bubble size), high concentration percentage or high total CIF amount. In those Headings, the main importers are:

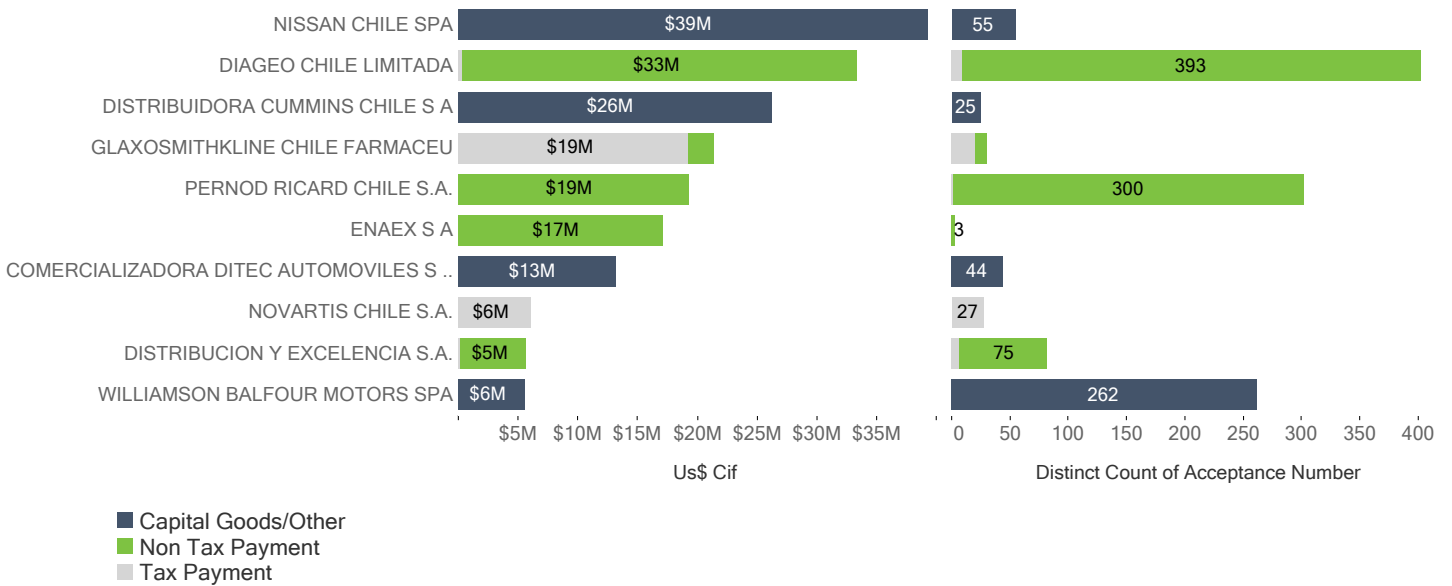


Figure 16: Top 10 Importers and PUR of HS 4 Codes 7115, 8408, 8703, 2208, 3004

Figure 18 shows that capital goods are important at the HS 4 level, being the most relevant importers in terms of value: NISSAN CHILE SPA, DISTRIBUIDORA CUMMINS CHILE S A, COMERCIALIZADORA DITEC AUTOMOVILES S A and WILLIAMSON BALFOUR MOTORS SPA. In terms of use of the Agreement, DIAGEO CHILE LIMITADA, PENROD RICARD CHILE S.A., ENAEX S A and DISTRIBUCION Y EXCELENCIA S.A. are again highlighted as with high PUR, while GLAXOSMITHKLINE CHILE FARMACEU and NOVARTIS CHILE S.A. as with low PUR.

• **HS 6**

Repeating the same analysis for HS 6 codes, scatter plotting between the concentration index and the total value of imports for all importers gives the following:

From the scatter plot, the following details the corresponding description of the Subheadings:

- 210112: Preparations with a basis of extracts, essences or concentrates of coffee or with a basis of coffee
- 711510: Catalysts in the form of wire cloth or grill, of platinum
- 840820: Compression-ignition internal combustion piston engine "diesel or semi-diesel engine", for the propulsion of vehicles of chapter 87"
- 210690: Food preparations, Not Elsewhere Specified (n.e.s.)
- 870323: Motor cars and other motor vehicles principally designed for the transport of persons, incl. station wagons and racing cars, with spark-ignition internal combustion reciprocating piston engine of a cylinder capacity > 1.500 cm³ but <= 3.000 cm³ (excluding vehicles for the transport of persons on snow and other specially designed vehicles of subheading 8703.10)
- 220830: Whiskies
- 300490: "Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, put up in measured doses "incl. those in the form of transdermal administration" or in forms or

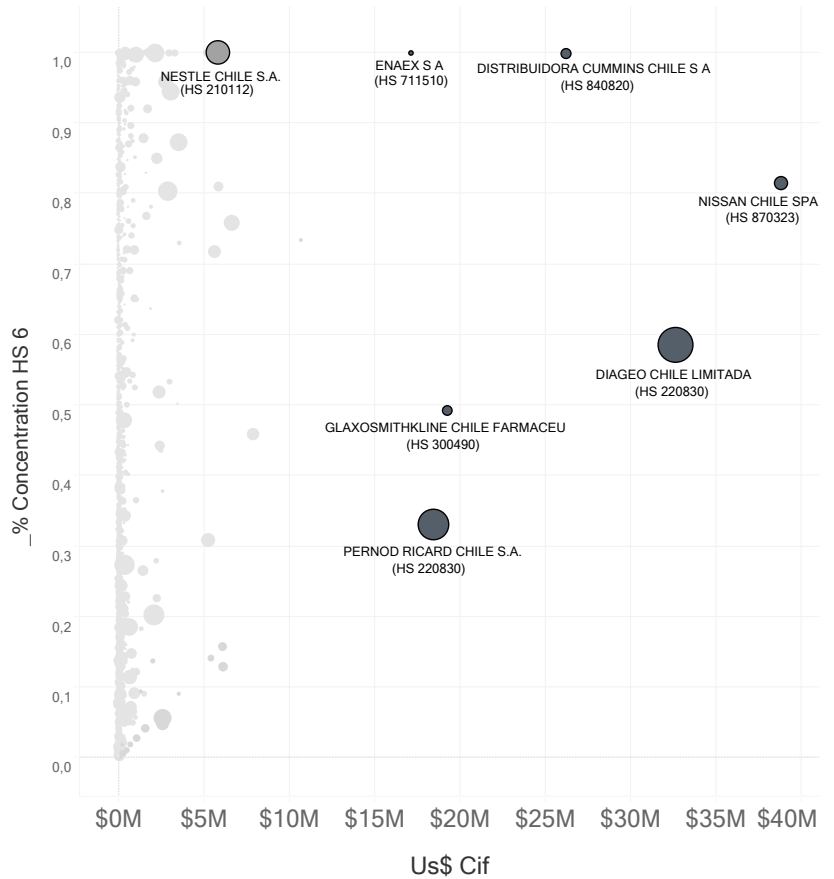


Figure 17: Concentration Index against Total CIF Amount of TOP 20 HS 6 Total CIF Amount Importer ID's

packings for retail sale (excluding medicaments containing antibiotics, medicaments containing hormones or steroids used as hormones, but not containing antibiotics, medicaments containing alkaloids or derivatives thereof but not containing hormones or antibiotics and medicaments containing provitamins, vitamins or derivatives thereof used as vitamins)")

These Subheadings are highlighted due to the high volume of transactions (bubble size), high concentration percentage or high total CIF amount. The main importers within these Subheadings are displayed in the following Figure:

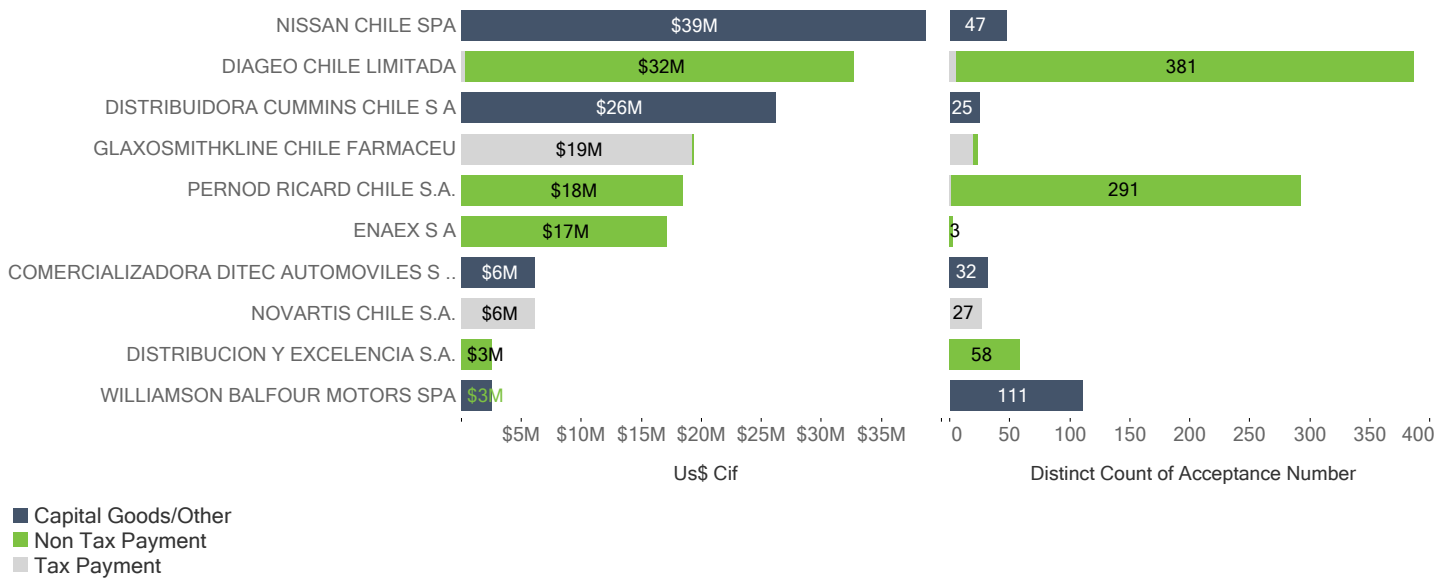


Figure 18: Top 10 Importers and PUR of HS 4 Codes 210112, 711510, 840820, 210690, 870323, 220830 and 300490

As shown in Figure 18, capital goods remain relevant at HS 6 level, being the most representative importers in terms of value: NISSAN CHILE SPA, DISTRIBUIDORA CUMMINS CHILE S A, COMERCIALIZADORA DITEC AUTOMOVILES S A and WILLIAMSON BALFOUR MOTORS SPA. In terms of use of the Agreement, DIAGEO CHILE LIMITADA, PENROD RICARD CHILE S.A., ENAEX S A and DISTRIBUCION Y EXCELENCIA S.A. remain with high PUR, while GLAXOSMOTHKLINE CHILE FARMACEU and NOVARTIS CHILE S.A. again show with low PUR.

- **HS 8**

Applying the same methodology for HS 8 codes, the scatter plot between the concentration index and the total value of imports for all importers is the following:

From the scatter plot, the following details the corresponding description of the National Tariff:

- 21011200: Extracts, essences and concentrates of coffee, tea or mate and preparations with a basis of these products or with a basis of coffee, tea or mate; roasted chicory & other roasted coffee substitutes, and extracts, essences and concentrates thereof: Extracts, essences and concentrates of coffee, and preparations with a basis of these products' extracts, essences and concentrates or with a basis of coffee)
- 21069090: Preparations with a basis of extracts, essences and concentrates or with a basis of coffee
- 22083010: Undenatured ethyl alcohol of an alcoholic strength of < 80%; spirits, liqueurs and other spirituous beverages (excluding compound alcoholic preparations of a kind used for the manufacture of beverages): Whisky: aged less than or equal of six years)
- 30049041: Medicaments (excluding goods of heading 3002, 3005 or 3006) consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses (including those in the form of transdermal administration systems) or in forms or packings for retail sale: Others: That contain antiretrovirals nonsteroidal anti-inflammatory drugs

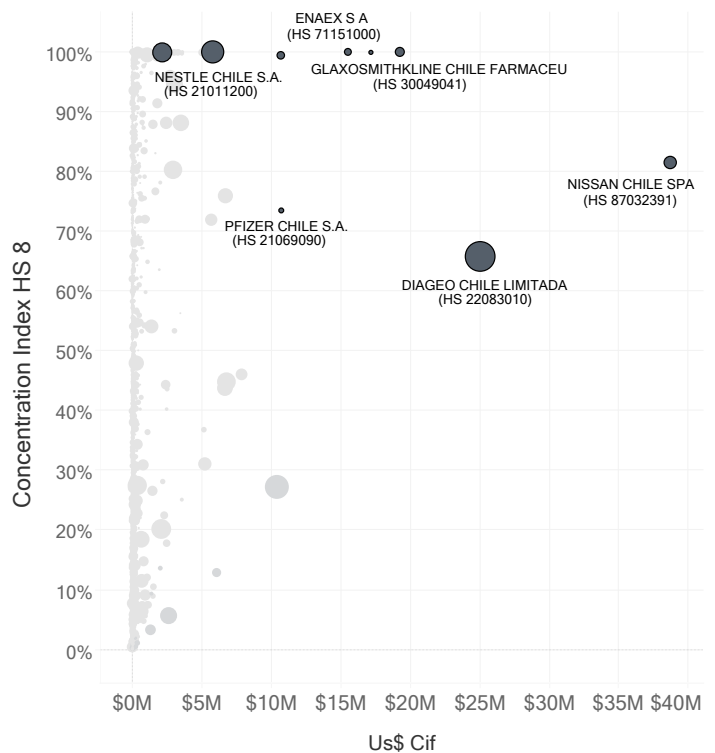


Figure 19: Concentration Index against Total CIF Amount of TOP 20 HS 8 Total CIF Amount Importer ID's

or other analgesics: That contain antiretrovirals

- 71151000: Articles of precious metal or of metal clad with precious metal, Not Elsewhere Specified (n.e.s.): Catalysts in the form of wire cloth or grill, of platinum), 84082040 ("Compression-ignition internal combustion piston engine ""diesel or semi-diesel engine"", for the propulsion of vehicles of chapter 87": For vehicles classified in Heading 87.04), 84082090 ("Compression-ignition internal combustion piston engine ""diesel or semi-diesel engine"", for the propulsion of vehicles of

chapter 87": Others

- 87032291: Motor cars and other motor vehicles principally designed for the transport of persons, incl. station wagons and racing cars, with spark-ignition internal combustion reciprocating piston engine of a cylinder capacity $> 1.000 \text{ cm}^3$ but $\leq 1.500 \text{ cm}^3$ (excluding vehicles for the transport of persons on snow and other specially designed vehicles of subheading 8703.10): Others: Tourism Vehicles.

- 87032391: Motor cars and other motor vehicles principally designed for the transport of persons, incl. station wagons and racing cars, with spark-ignition internal combustion reciprocating piston engine of a cylinder capacity $> 1.500 \text{ cm}^3$ but $\leq 3.000 \text{ cm}^3$ (excluding vehicles for the transport of persons on snow and other specially designed vehicles of subheading 8703.10): Others: Motor vehicles for Tourism) are highlighted due to the high volume of transactions (bubble size), high concentration percentage or high total CIF amount.



Out of those, the use of the Agreement of the main importers is:

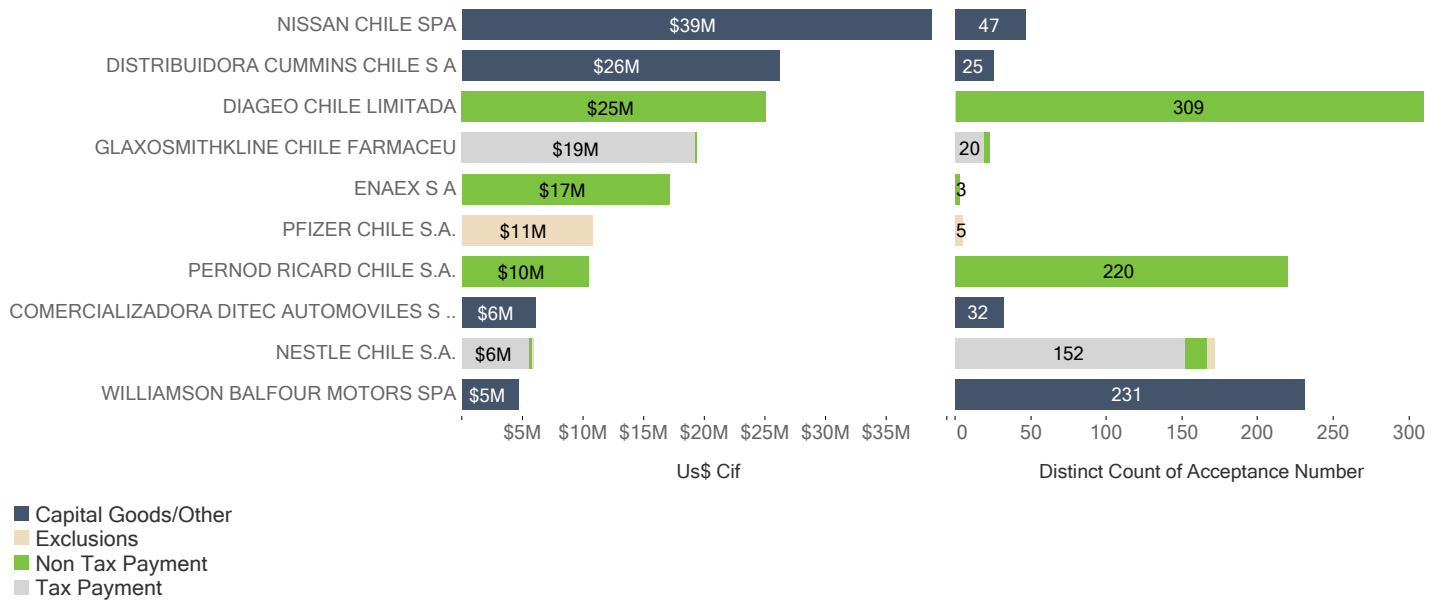


Figure 20: Top 10 Importers of HS 8 Codes 21011200, 21069090, 22083010, 30049041, 71151000, 84082040, 84082090, 87032291, 87032391

As shown in Figure 20, we see an excluded product appear at this HS level, with Pfizer Chile SA as the most relevant importer. Capital goods remain relevant at HS 8 level, being the most relevant importers in terms of value: NISSAN CHILE SPA, DISTRIBUIDORA CUMMINS CHILE S A, COMERCIALIZADORA DITEC AUTOMOVILES S A and WILLIAMSON BALFOUR MOTORS SPA. In terms of use of the Agreement, DIAGEO CHILE LIMITADA, PENROD RICARD CHILE S.A. and ENAEX S A show high PUR, while GLAXOSMOTHKLINE CHILE FARMACEU and Nestlé with low PUR (the second with some imports of excluded products).

Overall, the most relevant “critical importers”

Having analysed the data by Chapter, Heading, Subheading and National Tariff, and identified the “critical importers” by each category, the following chart summarizes the information by each “critical importers” (Importer Name):

Importer Name	HS 2	Chapter 30	HS 4	HS 6	HS 8
Ball Chile S.A.	x				
Comercializadora Ditec Automoviles S.A	x		x	x	x
Dercomaq SPA	x				
Diageo Chile Ltda	x		x	x	x
Distribuidora Cummins Chile S.A	x		x	x	x
Distribuidora y Excelencia S.A	x		x	x	
Enaex S.A	x		x	x	x
Glaxosmithkline Chile Farmaceu	x	x	x	x	x
Laboratorio Biopas S.A		x			
Manual Guzman Elab.com		x			
Nestle Chile SPA					x
Nissan Chile SPA	x		x	x	x
Novartis Chile S.A		x	x	x	
Penrod Ricard Chile S.A	x		x	x	x
Pfizer Chile S.A		x			x
Williamson Balfour Motors SPA			x	x	x

Figure 21: Consolidated Analysis Results of “Critical importers”

The chart includes a Column referring to Chapter 30, which corresponds to Pharmaceutical Products, as it was identified as a particularly relevant sector for 2021. Please refer to section the “Focus on Pharmaceutical Products (Chapter 30)” for a more in-depth analysis.

By a comparison of the “Critical importers” list with the rest of the dataset, we can conclude the following: “Critical importers” represent

43% of total CIF imports but only 16% of total transactions (Figure 17). This means that they have a high concentration in total value but a low concentration in transactions, which in turn allows us to conclude that each importer in the list could significantly impact the overall utilization of the trade agreement.

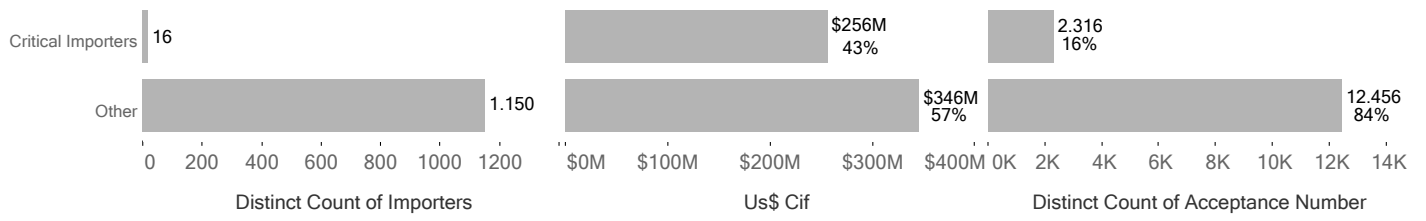


Figure 22: "Critical importers" Total CIF Amount and Transactions out of the total

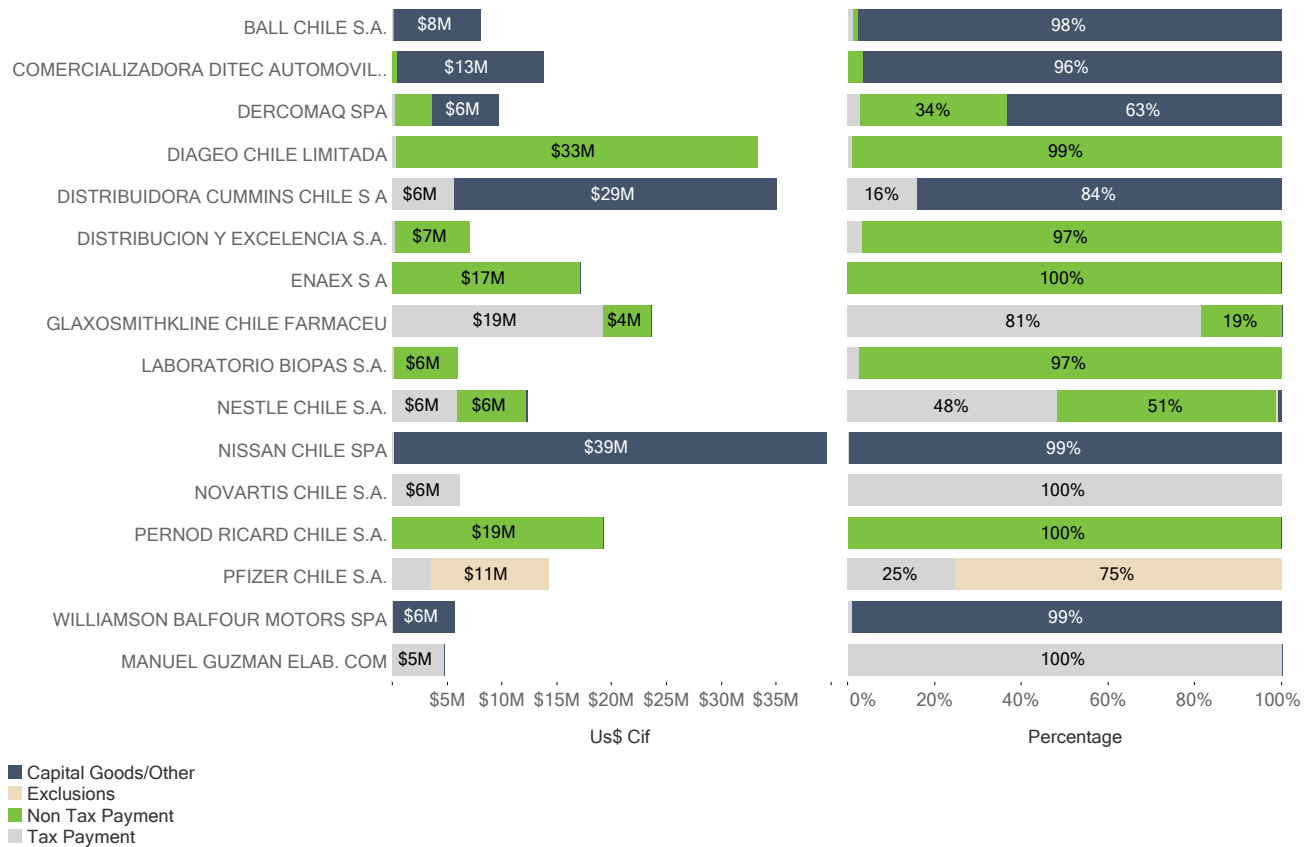


Figure 23: "Critical importers" candidates total CIF amount and amount to transactions

Out of the total list, the following importers stand out:

High CIF imported amount and low Chile-UK AA usage percentage:

- "Distribuidora Cummins Chile S.A."
- "Nissan Chile S.A."
- "Glaxosmithkline Chile Farmaceu"

High transaction amount and low Chile-UK AA usage percentage:

- "Distribuidora Cummins Chile S.A."
- "Nestle Chile S.A."

0% Chile-UK AA usage percentage:

- "Manuel Guzman Elab.com"
- "Novartis Chile S.A."
- "Pfizer Chile S.A."
- "Williamson Balfour Motors SPA"

Focus on Pharmaceutical Products (Chapter 30)

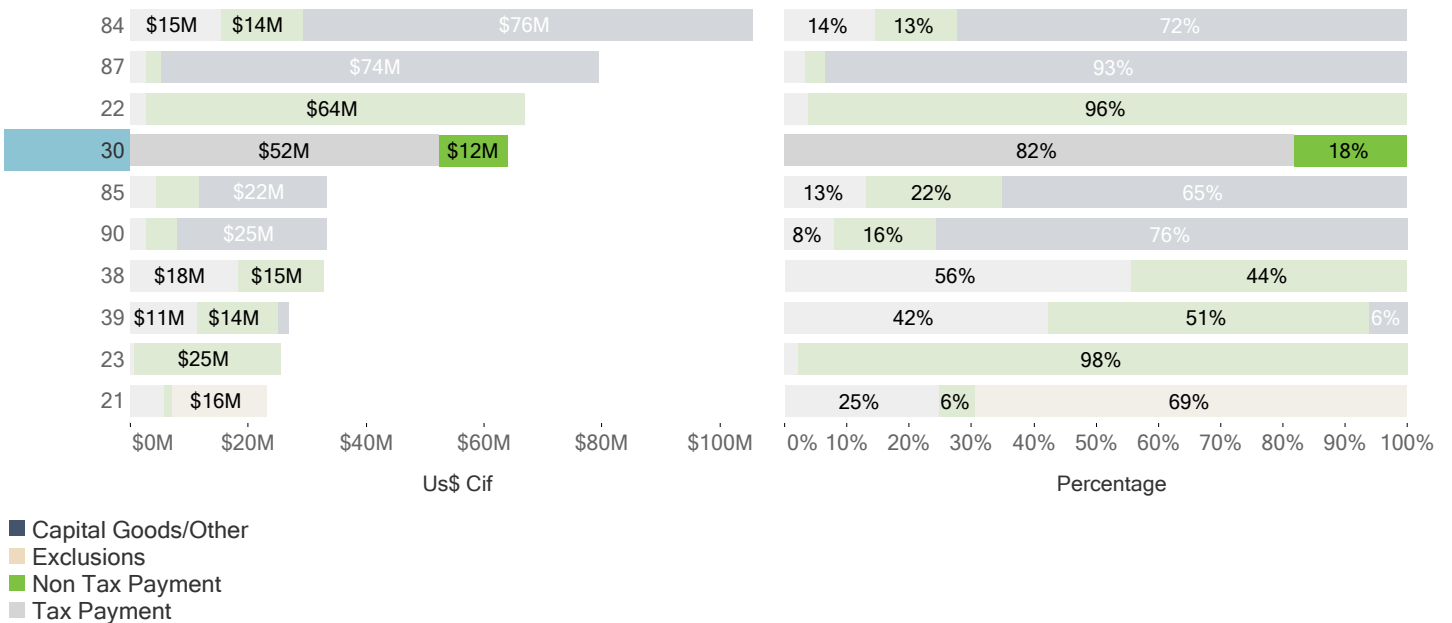


Figure 24: Top 10 HS 2 Code Chapter Comparison

Chapter 30⁵ has been highlighted due to the high participation in imports throughout 2021 along with a low Percentage of Utilisation Rate (PUR), as can be seen in Figure 25. It is also important to note that the Covid-19 pandemic may have impacted the numbers since HS 30 contain Pharmaceutical Products. Hence there is a chance importation of these products was in the context of urgent needs that did not prioritize Chile-UK AA -usage. It is important to note that duties paid can be reimbursed if the

relevant documentation is presented after the importation, in a maximum of 2 years from the acceptance date of the Customs Entry Declaration (Declaración de Ingreso - DIN) pertaining to the goods. Thus, in a case in which the imports need to be delivered promptly, duties may be reimbursed, and this would not be able to be taken into account by the data.

⁵ HS 2 Description: Pharmaceutical products; (not goods of heading no. 3002, 3005 or 3006) consisting of mixed or unmixed products for therapeutic or prophylactic use, put up in measured doses (incl. those in the form of transdermal admin. systems or packed for retail sale).

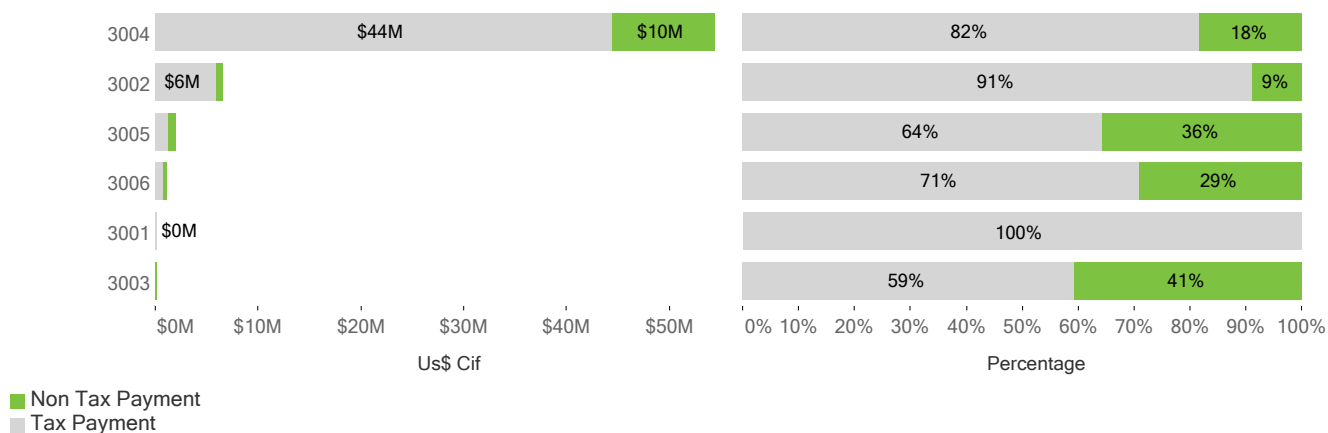


Figure 25: Chapter 30 Total CIF Imports and PUR

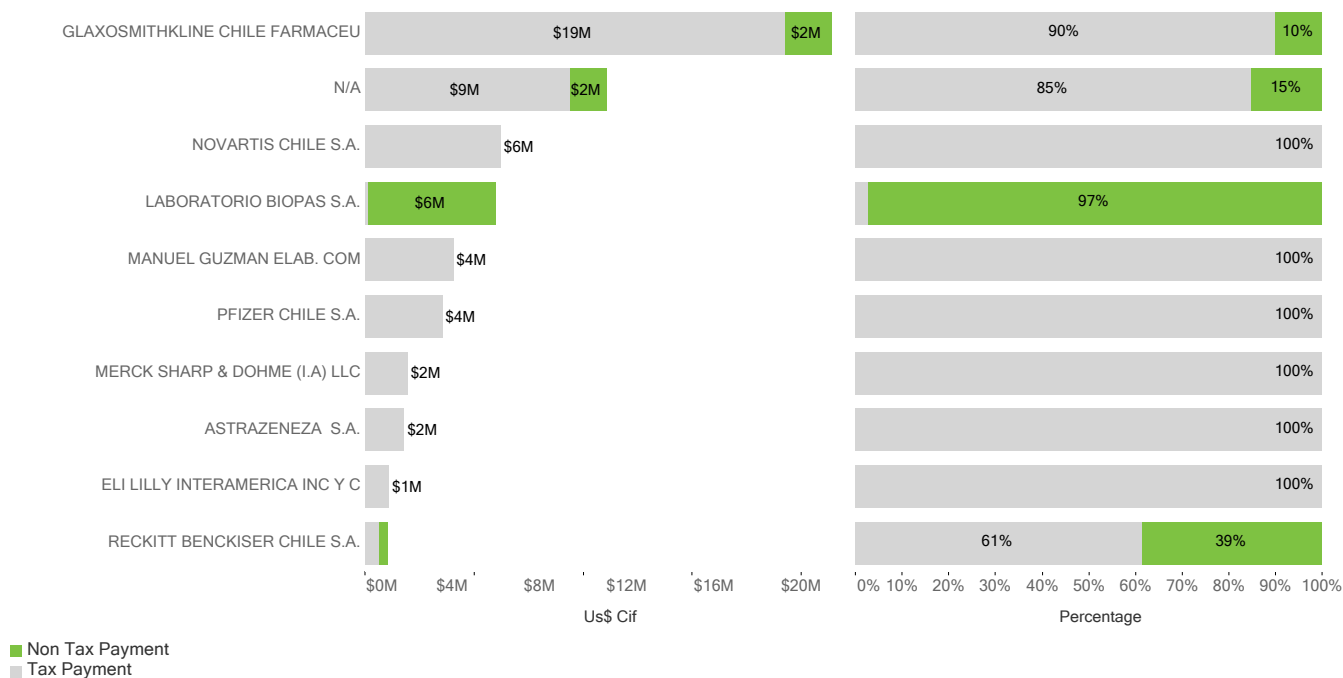


Figure 26: TOP 10 Importers Chapter 30 Total CIF and PUR

As shown by Figure 25, HS 3004⁶ has the highest import value, and there is no clear guidance of product group at this level that show clear use patterns of the Agreement (only 3001 has 100% use of the Agreement, but very low import value comparatively, along with 3003), as PUR is rather scattered in the various headings. In terms of importers, Lab Biopass is highlighted in Figure 26 with high PUR, and many importers show no use of the Agreement (Novartis, Manuel G., Pfizer, Merck, AstraZeneca, Eli Lilly).

⁶HS Description: "Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses ""incl. those in the form of transdermal administration"" or in forms or packings for retail sale (excluding goods of heading 3002, 3005 or 3006)".

Focus on Capital Goods

As explained in detail in the section “Relevant products to ensure lean analysis”, capital goods have a special tariff treatment irrespective of origin or use of the Agreement. As it has been shown throughout the precedent figures and conclusions, capital goods are important in the bilateral trade with the UK, amounting US\$203,45 M CIF in import value terms in 2011 and 4.619 import transactions, as shown in Figure 27.

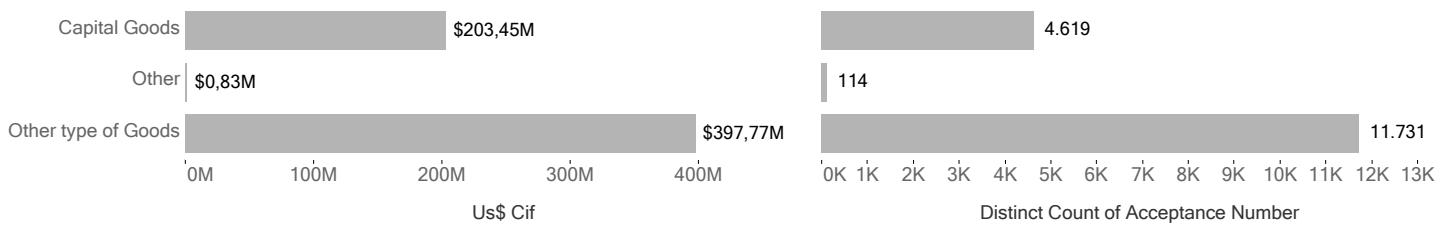


Figure 27: Capital Goods and Other Types Total CIF Amounts and Distinct Count of Acceptance Number

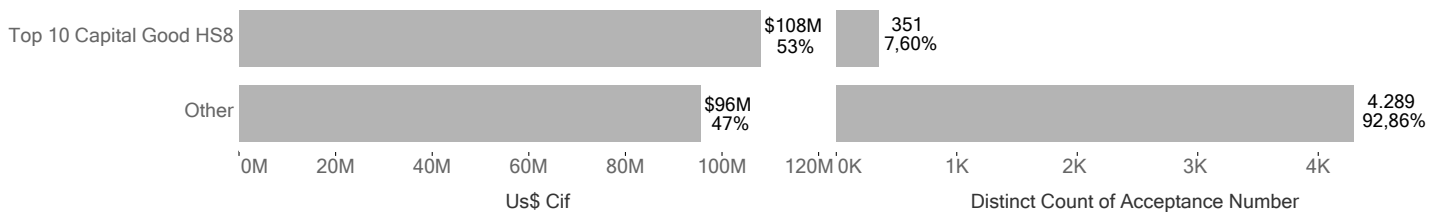


Figure 28 Top 10 Capital Goods compared to rest of total imports of 2021

To illustrate further their relevance, the Top 10 Capital Goods at National Tariff Level represent 53% of total imports in terms of value during 2021, as shown in Figure 28. In terms of products, the main imports are motor cars (contained in HS 8703), machinery (contained in HS 8474), trucks (contained in HS 8427), tractors (contained in HS 8701), and engines (contained in HS 8502 and 8408).

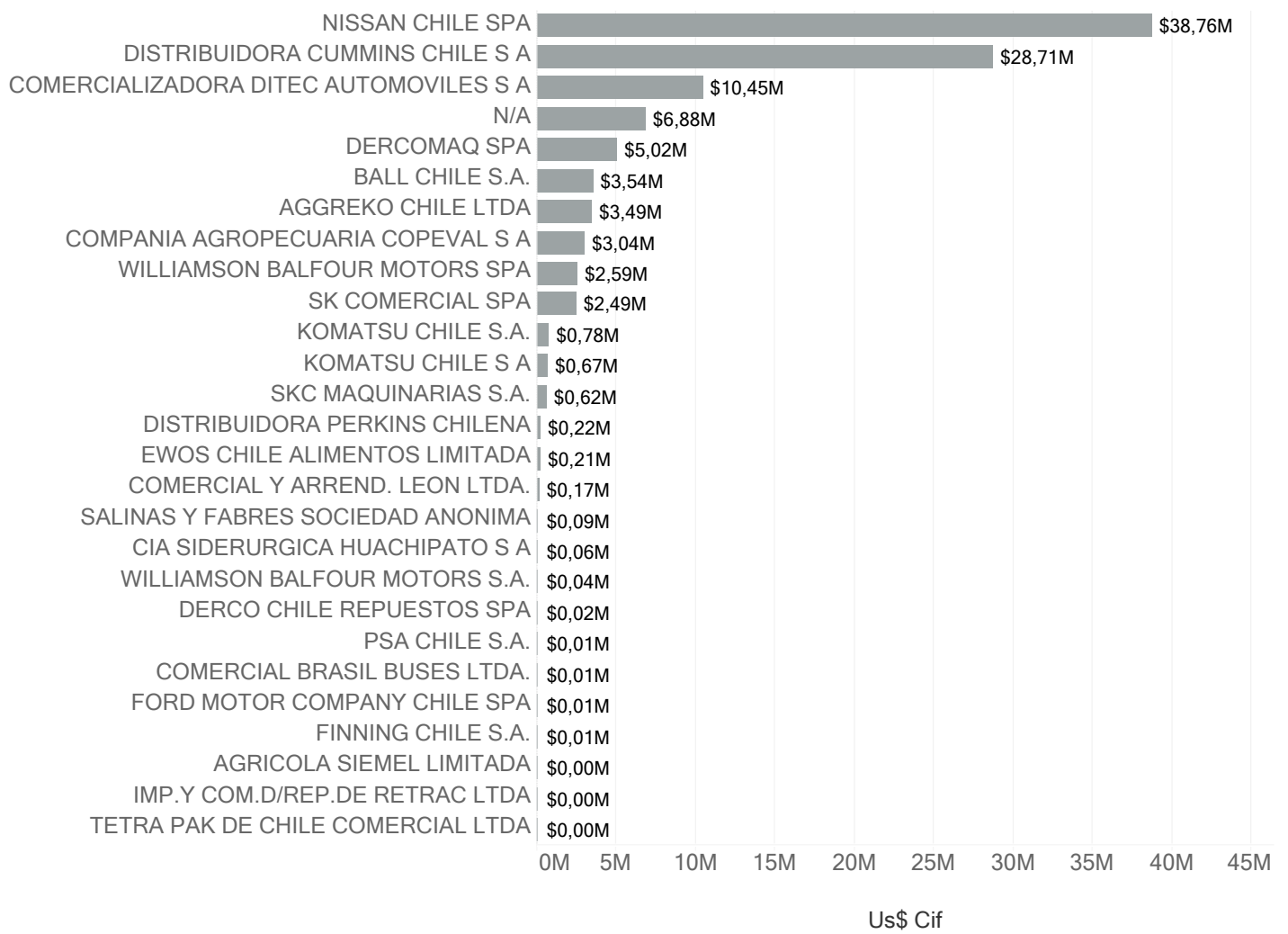


Figure 29 Importers of Top 10 HS 8 Codes of Capital Goods

The most relevant importers are ranked in Figure 30 by their import value; many are identified before as critical importers.

3. Rules of Origin of critical products

Annex 5: Rules of Origin Table provides a chart with all the relevant RoOs for the critical goods identified. The table identifies the critical goods with their respective HS Code, the description of the good, and includes the Main text of the RoO as displayed in the official texts and the classification done by the ITC (ITC Criterion) for both Chile-UK AA and the Trade Agreement between the European Union – Colombia, Peru and Ecuador. The ITC Criterion helps to better understand and classify RoO for comparability purposes.

The review exercise consists of reading the RoO pertaining to the critical goods identified in section “Critical Goods”⁷, from the Chile-UK AA and comparing it to the corresponding RoO of the equivalent good in the Trade Agreement between the European Union – Colombia, Peru and Ecuador. As explained in the methodology, to ensure the equivalence of goods between the two Agreements, HS codes and the Description of the relevant HS codes were matched as close as possible. In general terms, not many differences were found in this exercise.

The following table presents the results of the comparison among RoO of each Agreement, by each product being classified into three: “stricter” means that the RoO of the Chile-UK AA is more difficult to comply with than the RoO contained in the Trade Agreement between the European Union – Colombia, Peru and Ecuador; “more lenient” means the opposite of “stricter”; and “equal” means that the RoOs of the two Agreements are the same.



Company's Growth

It is a process to allow an organization to focus resources on the greatest opportunities to increase sales and achieve the company's target. Marketing strategy's goal is to increase sales and achieve the advantage over other competitors. It includes short term and long term activities of marketing that has to do with the analysis of a company's situation and contribute to its objectives. The objectives will be based on how you gain sales by acquiring and keeping customers.

A marketing strategy helps convey effective messages with the right twist of marketing approaches that will maximize your sales outcome and marketing activities.

Opportunities to increase sales and achieve the company's target.

Categories	2013	2014	2015	2016	%Growth
Computers & Devices	107,812	98,017	8,714	39,912	-11%
Electronics	109,928	47,029	89,918	108,287	+37%
Clothes & Fashion	39,912	119,283	123,939	91,938	+42%
Home Living	98,017	182,912	125,819	278,161	+78%
Products	67,173	81,120	10,283	11,827	+18%
Special	8,714	9,018	189,128	278,161	
ers	89,918	98,017	11,827	107,812	
Place					
Department Store	109,928	119,283	107,812	108,287	
Super Center	39,912	47,029	89,918	91,938	
Shopping Center	98,017	182,912	123,939	125,819	
E-commerce	67,173	81,120	189,128	278,161	
Specialty Store	8,714	9,018	10,283	11,827	

*According to sales from 2013 - 2016

Government Measurement

Departments	Jan	Feb	Mar	Apr	May	June
Marketing	24,766	45,556	12,357	20,775	24,766	45,556
Production	354	1,876	534	3,541	354	1,876
Production	133	190	543	764	133	190
Production	346	334	496	246	346	134
Production	25,599	47,756	13,880	25,326	25,599	47,756

Subtotal	4500.45
Tax Rate	6.78%
Tax	740.67
Other	
TOTAL Due	5241.12

⁷Except for goods excluded by Chile (HS 21069090). As this product was excluded by Chile from the Chile-UK AA, then no RoO corresponding to that product exist in this Agreement.

HS	Classification with explanation if necessary
87032391	Stricter: RoO has higher threshold of Regional Content to comply with.
22083010	More lenient: RoO has a specific flexibility in wholly obtained grapes obligation
30049041	Equal
23099090	More lenient: RoO does not have requirement related to Regional quantity content on parts (hence, can be used more freely).
71151000	More lenient: RoO does not have Allowance to change in tariff classification (hence, can be used more freely).
22083020	More lenient: RoO does not have requirement related to Regional quantity content on parts (hence, can be used more freely).
84082040	Stricter: RoO has higher threshold of Regional Content to comply with.
30049092	Equal
84082090	Stricter: RoO has higher threshold of Regional Content to comply with.

Having analysed the table with the information of the previous sections, some relevant findings that are worth highlighting are:

- The three products with stricter RoO correspond to capital goods.
- The four products with more lenient RoO have a high percentage of use of the Agreement.
- The two products with equal RoO correspond to medicaments and have low and less than 50% of imports using the Agreement, accordingly.

II.

Qualitative analysis



i. Methodology

This section will explain the Qualitative Analysis methodology to assess the utilisation of the Chile-UK AA. To acquire the most amount of insight in terms of difficulties and challenges faced by trade operators when trying to use the Agreement, the Quantitative Analysis started with the Interviews phase, which is explained in detail in the relevant section below. The chosen format facilitated the sharing of the interviewee's insight, which provided the interviewers with information that was later processed and classified for the next phase of the Qualitative Analysis which was the Workshop.

In this phase, the categories of "culprits for non-utilization" of the Agreement were presented to the participants for them to later exchange ideas on how to resolve them. The selected format again encouraged a fruitful discussion to take place, which allowed us to review these difficulties and challenges faced by trade operators, but also ways forward to tackle them.

1. Interviews

The Interview phase of the qualitative analysis took the form of semi-structured interviews, which is a method of data collection in which questions are asked within a particular framework ordered by topics, without a specific order or phrasing. This method was used as it provides the advantage of having a set of parameters to follow an orderly conversation, and at the same time it does not prompt a predetermined reply from the interviewee,

which in turn encourages details and richness. The interview parameters set for the interviews are shown in [Box 5: Interview parameters](#). To encourage answers for the data collection, the different stakeholders were interviewed with a confidentiality caveat, in which the replies received, and the identity of the interviewee would be treated as confidential. For this reason, the results of the interviews will be presented so as for the reader to understand the relevant conclusions.

Box 5: Interview parameters

Characteristics of the interviewee

- Exporter/importer/trade association/ Customs agent
- Size of company (SMEs tend to have a lower PUR)
- Role of this person in the company
- Trade data of the company

Chile-UK AA/trade knowledge

- Evaluation of knowledge of Trade Agreements in general
- Specifically, knowledge of rules applying to the sector (RoO and tariffs)
- Supply Chain relevant to the company's trade operations

Information on low PUR

- Open discussion on any input that can be provided
- How can the authorities help to improve the utilisation of Trade Agreements

Exporters / importers interviewed were selected based on their relevant participation in bilateral trade and therefore important for the analysis carried out. In this sense, the criteria used to choose companies to be interviewed was the high volume or value of bilateral trade between Chile-UK and the low PUR (in terms of volume and value). The coverage of relevant sectors was prioritized.

Other relevant actors in international trade are customs brokers, which in Chile are mandatory when transactions are over a certain threshold (2.000 USD in the case of exports and 1.000 USD for imports). For this reason, customs brokers whose clients imported from the UK to Chile were interviewed to have their views incorporated into the analysis. Lastly, in terms of other organizations, the British Chamber of Commerce was interviewed for a more general view of bilateral trade.



In terms of coverage and number of interviews, the following table provides relevant details:

Interviewee	Sector	Relevance
Director of Chamber	General Trade	Overall, Knowledge
Chief of Importations of Customs Broker	General Trade	Overall, Knowledge
Trade Advisor of Customs Broker	General Trade	Overall, Knowledge
CEO Customs Broker	Vehicles, and parts thereof [Chapters 84 and 87]	High imports/ Low usage
Company representative	Vehicles, and parts thereof [Chapters 84 and 87]	High imports/ Low usage
Company representative	Pharmaceutical [Chapter 30]	High imports/ Low usage
Representative of Customs Broker	[Food preparations Chapter 21]	High imports/ Low usage
Representative of Customs Broker	Pharmaceutical [Chapter 30] Vehicles [Chapters 84 and 87]	High imports/ Low usage
Company representative	Miscellaneous chemical products [Chapter 38]	Low usage
Company representative	Chemicals [Chapter 71]	High imports
Company representative	Pharmaceutical [Chapter 30]	High imports/ Low usage

2. Workshop

The second phase of the Qualitative analysis, which was the Workshop, took place on February 2, 2023, in the Deloitte Greenhouse® which is located on the 16th Floor of Deloitte's Santiago offices. The Workshop was in hybrid form, and the chosen facilities, the Deloitte Greenhouse®, were selected as it is specifically designed to encourage breakthroughs and motivate participation. With the use of behavioural methods, analytics, technology, and experienced facilitation, participants not only listened to the presentation of the results but they were also called upon to engage. The agenda of the Workshop can be found in [Box 6: Agenda of Deloitte Greenhouse® Workshop](#).

Box 6: Agenda of Deloitte Greenhouse® Workshop

- **Introduction and welcome:** Welcome to the event, explanation of the objectives of the session and, English tea with the team.
- **Results of the study:** Summary of the economic and trade results from the Quantitative Analysis, together with the main reasons for non-use of the Agreement (from the Interview Phase).
- **Ideation (Divergence):** Session to raise ideas on how to close the 5 main gaps of non-use of the Agreement.
- **Ideation (Convergence):** Second part of the ideation process, which aimed to prioritize ideas according to their level of impact and technical feasibility, to later develop - those with bigger potential - in detail.
- **Closing:** Presentation of the selected best ideas and closing words of the team.

In terms of coverage and number of attendees, the total of identifiable participants is 21 (including virtual and in-person, and not including participants from Deloitte nor the Client), which represented companies from various sectors or institutions relevant to the Bilateral trade between Chile and the UK. Annex 6: Workshop Sector Coverage shows the distribution of the attendants in terms of sectors.

ii. Overview of the results

1. Profile of interviewees

To get valuable information, interviewees were assessed previously and during the interview to have a fruitful outcome of the interviews. Particularly, in the case of exporters/importers, the person interviewed is responsible for international trade operations, consequently with knowledge of Trade Agreements utilisation, specific Rules of Origin and tariffs applied to the relevant products. As for customs brokers, because of their legal functions, they have high knowledge about the use of Trade Agreements, in general. For them, interviewees were with high-level staff or professionals from importation departments, all of whom had dealt with importations from the UK.

2. Findings

The outcome of the Interviews phase has been grouped within different categories of findings, which are supplemented with information obtained in the Workshop Phase. It is important to take into consideration that the findings represent the views of the interviewees/ participant.

a. General Findings

Implementation of the new Agreement (transition from EU to UK)

The fact that traders had to migrate from one Agreement (EU) to another bilateral Agreement (UK) brought up some issues. All highlighted as

positive that the disciplines were replicated so that the new Agreement did not require learning a new set of rules. Even so, at the beginning some errors existed in terms of documentation for importation (in which Trade Agreement preference is claimed) that continued mistakenly using the Chile-EU AA at the beginning of 2021.

Transit in EU and losing Origin in Chile-UK AA

An aspect that was mentioned repeatedly throughout most interviews, is the new burden of transit in the EU. This was especially relevant for those products whose supply chain included EU trading partners, in sectors like pharmaceutical. As the Agreement changed from a multi-country scheme to a bilateral one, being now the only Parties Chile and the UK, the EU is now considered as a third party. Hence, if a UK product whose final destination is Chile, is shipped and consolidated in an EU port, then at arrival to Chile for the import to obtain preferential treatment provided for in the Chile- UK agreement, supporting documentation of the transit in the EU must be obtained (not required before) as the Chilean Customs would allegedly be asking for it. Arguably this situation should not take place as explained in detail in Box 6, below.

Box 6: Rules Governing transit in the Chile-UK Agreement

The Agreement establishes in Section 7, entitled “Amendments to Annex III of the Association Agreement between Chile and the European Union”, in Title III “Territorial Requirements”, that in Article 12.1 (Direct transport), in the first sentence, after “and Chile”, insert “or through the territory of the European Union”. With this addition, transiting in the EU is not equivalent to transiting in other third parties, meaning it would not require showing the same documentation or complying with other formalities that a transit in other third parties does require.

Problems related to the issuance of Certificates of origin- non-sector specific

In addition, an interviewee from a customs broker indicated issues associated with differences in the Certification of Origin emitted in the UK with the official format that has had caused problems with the Chilean Customs. The customs broker indicated that the Certification of Origin issued by the UK authorities was not admitted by the Chilean National Customs as it allegedly did not follow the official format established in the Chile-UK AA.

The lack of prompt reply from the UK relevant authorities would have caused difficulties in rightful tariff preference claims.

Trade Facilitation measures that would increase the use of the Agreement specific to origin-related formalities (incl. Certification of Origin)

Customs brokers and some company representatives mentioned advances in Electronic Certification of Origin (e-CO) and Self-certification (3 mentioned each) as ways forward

to improve the utilisation of trade agreements in general. The first corresponds to the digitized version of the Certification of Origin, with different levels of digitalization possible (from a scanned PDF to machine-readable QR). Many countries are undergoing efforts to digitalize the Certification of Origin, Chile being one of them. No negative aspects were mentioned related to this process. As for Self-certification, this regime allows different trade operators (exporters, producers or importers, depending on the case) to self-certify the origin of their goods, instead of a separate entity that certifies (the latter case is the current rule in Chile-UK AA).

Some companies interviewed, for ex. from the Miscellaneous chemical products sector, did not prefer self- certification, indicating that it has some negative aspects, like possible complex verification and audit procedures ex-post importation.

Overall promotion of knowledge of Trade Agreements and their simplification

All customs brokers and company

representatives mentioned promoting the benefits of Agreements more widely to boost utilisation. While in theory big companies have the resources to have good Trade Agreements knowledge, the rules are complex, and companies not necessarily have the in-depth expertise considering the comprehensiveness of the covered rules. A company representative mentioned also that enhancement of web-tools to facilitate the understanding, for example of compliance with rules of origin⁸, as a specific way forward. During the Workshop, lack of knowledge or awareness of Trade Agreements, as described above, was by far the most important factor affecting utilization of the Chile-UK AA.

Operational pressures/ Urgency of imports

Independently of the sector (although arguable in some sectors it is more likely the case), operational pressure or the urgency the imports are needed plays a role in the decision of using or not the Chile-UK AA. In this sense, when there is high pressure/urgency for imports to reach the final consumer in Chile in the least amount of time, it is less likely that the Agreement is used. This issue was brought up by a company dealing with trade in Pharmaceutical products and trade association representatives in interviews as well as during the Workshop. The Agreement provides the possibility of reimbursement of duties ex-post importation. Unfortunately, there is no data to review this issue. Crucially, in terms of the experience of interviewees, reimbursement would not be prioritised such a high priority for companies.

b. Specific Findings

Size of company matters as SMEs are less likely to know about Trade Agreements

Despite the fact that direct contact with SMEs was not possible, interviews with the rest of the trade operators provided insights behind trade utilisation. In terms of the SMEs exporting to Chile, interviews indicated that the market targeted by these UK exporters is niche markets, with high value goods. In these context, their priority is to have a sound business opportunity and would not allocate efforts to using the Trade Agreement. Examples of sectors mentioned are the Food and Drinks sector.

Furthermore, SMEs are less likely to have Trade Agreements knowledge to claim Preferential treatment. The gains from claiming Preferential treatment in terms of imports to Chile is a 6% ad valorem tariff (as was explained in [Box 3: MFN and Chile Tariffs](#)), which would not be an incentive for niche/ high value goods (and it would be in markets with high price sensitivity). It is important to consider that smaller companies have smaller organizational structures, which means it is less likely that they can take up the administrative burden of complying with the relevant Rules of Origin.

Excluded products by Chile – Food Products Sector

Particularly mentioned by an interviewee from the Food preparations sector, the exclusion of some products by Chile from Tariff Preferences means that duties have had to be paid (see

⁸ Example of this is the Rules of Origin Self-Assessment (ROSA) tool developed by the EU; more information in: <https://trade.ec.europa.eu/access-to-markets/en/content/presenting-rosa>

Exclusions of Chile in Chile-UK AA part in Relevant Filters to ensure lean analysis section). For this reason, as a way forward, the sector interviewee mentioned that this product should be liberalized in a new modernization of trade agreement or a separate trade agreement among both countries.

Trade Facilitation measures that would increase the use of the Agreement specific to origin-related formalities (incl. Certification of Origin)

Pharmaceutical sector Interviewees (a customs broker and a company representative) mentioned trade facilitation measures that would improve the use of Trade Agreements, particularly mentioning blanket certification of origin⁹ (NAFTA-type measure). This type of certification of origin reduces the administrative burden related to claiming Trade Agreement Preferential treatment, as it reduces the number of certificates required to be submitted to the relevant Authorities per importation.

A couple of customs brokers interviewed mentioned excessive requirements related to the submission of original (not copies) of certification of origin, that would hinder the use of the Agreement. Others mentioned as a way forward the expansion of mutual recognition (between Chile and the UK) of Authorised Economic Operator (AEO)¹⁰ status, which would expand the benefits of being recognised as an AEO.

Difficulties in complying with rules of origin

In terms of complying with the rules of origin, there is a spectrum related to the difficulties that companies encounter, specific to sectors and their manufacturing practices. As for the reasons of not complying with the rules of origin, for the case of the Vehicles and Parts thereof sector, the company interviewed indicated that they assemble the product and not manufacture wholly; in the Pharmaceutical sector, many companies indicate that their manufacture is elsewhere, and their business would encompass distribution of the product (one indicated that their UK plant was terminated, and for that reason products were now not manufactured in the UK), Miscellaneous chemical products sector indicated that due to rises in costs of their raw materials (non-originating), they did not comply with the required Regional Value Content Rule.

Excessive requirements for trade of specific products treatment

From a general perspective, beyond trade-related, a representative of a company pertaining to Chemical products Sector indicated that authorities would often impose excessive requirements for specific products (arguable because of lack of knowledge), mentioning as an example precious metal, that would hinder their ease of trade. As for excessive requirements, in particular, the representative mentioned bureaucratic authorisations and lack of policy coordination among authorities that are usually imposed by national legislation.

⁹ "A Certificate of Origin may cover a single importation of goods or multiple importations of identical goods. Certificates that cover multiple shipments are called blanket certificates and may apply to goods imported within any twelve-month period specified on the Certificate." (Chapter 6 - Certificate of Origin | U.S. Customs and Border Protection (cbp.gov))

¹⁰ An Authorised Economic Operator (AEO) program is a trade facilitation measure that provides a party involved in the international movement of goods with a certification (if the requirements are met) that confers benefits that each country's AEO program established. For more information: <https://www.wcoesarpsg.org/projects/aeo/#introduction>

3. Prioritised ideas to solve problems/challenges for non-utilization with detailed proposed (Workshop)

During the Workshop (see [Box 6: Agenda of Deloitte Greenhouse® Workshop](#)), after having a brainstorm of ideas for each category of problems/challenges, participants prioritized the ideas and provided proposals to solve them. The proposals were detailed enough to have cleared out three elements, namely People, Process and Technology. In the following paragraphs, these proposals are transcribed (with editing from authors to ease understanding) by each category of problems/challenges.

• How might we make people more aware of the Agreement?

Providing a Customs Declaration tool that identifies the country of origin and applicable preferential agreement which can be claimed.

- People: IT Department in charge of creating and maintaining tool; Customer-facing support team to help fill out/use tool; Commercial / Marketing team to explain, direct and disseminate; relevant leadership (ex. Project owners on both sides).
- Process: Project setup (co-creation, testing, snagging, implementing, evaluating, etc); A way that the declaration can speak to each other – bilateral integration of declarations (British/Chilean); Importation rules – documentation needs to be compatible / mirroring the British version for the admissibility of all authorities involved.
- Technology: Website/Tool/Platform needs to be created.

• How might we facilitate compliance of the origin requirements (RoO)?

Review of current origin requirements, as they were negotiated to be implemented for the EU as a group. With the UK by itself, reshaping the Origin Chapter is desirable; for that reason, the Modernization of the RoO Chapter is needed.

- People: Political decision of renegotiate rules and procedures involving RoO of the Agreement from the Government.
- Process: Modernization process of the Agreement.
- Technology: Digital.

• How might we improve the transition from the old Agreement to the new one?

Tracking implementation of the Agreement would help to identify the main clashed/ burden with EU (i.e. transit).

- People: Customs and Trade Authorities (Chile and UK).
- Process: Coordination.
- Technology: An APP, system or service that identifies errors.

• How might we deal with excessive formalities associated with use of Agreement?

Within a future modernization process of the Agreement, it would be desirable the inclusion of trade facilitation provisions and keeping up to date them with the latest technologies, and to enhance digitalization of processes (like Electronic Certification of Origin (e-CO), for example).



III.

Conclusions

and way forward

This report addresses the utilization of the Chile-UK AA, containing two categories Analysis: Quantitative (data available for 2021) and Qualitative. In the following paragraphs, we draw upon the main findings of both analysis and possible ways forward for improving the use of the Chile-UK AA.

Specific “critical products” that have low use of the Chile-UK Agreement

In terms of bilateral trade, data shows that some products are important in terms of value of imports and at the same time do not use the Agreement. This is the case of pharmaceutical products, which has a particular section that analyses in detail; others are miscellaneous chemical products and plastics and articles thereof.

Two tariff treatments that repeatedly appeared within critical products, which are identified in the data: Capital goods and Exclusions. Capital goods are particularly relevant in terms of coverage in import value and they are particularly difficult to “nudge” their use of the Agreement given the Tariff preference treatment provided irrespective of origin. In any case, showcasing more of the rest of the benefits (non-tariff) and easing requirements for (such as rules of origin that show to be more stringent in the comparison made) use of the Agreement can be a way forward particular to these types of products. In terms of Exclusions, the only way forward is to include them in a future modernization of the Agreement.

Importance of “critical importers” in terms of overall use of the Chile-UK Agreement

As for “critical importers”, they have a high concentration in total value but a low concentration in transactions, which in turn allows us to conclude that each importer in the list could significantly impact the overall utilization of the Agreement.

Lack of knowledge or awareness of Chile-UK AA is a relevant factor for non-utilization

There are different levels of knowledge, from the very basic existence of the Agreement to the more complex provisions to make use of or benefit from the Agreement. Efforts that tend to communicate to relevant trade operators of the Trade Agreements in force, or further develop tools that make easier their understanding, would likely increase in the use of the Agreement.

Swift and coordinated solutions of challenges that arise from implementation of provisions

Issues like differences in interpretation of the provisions, misinformation or others necessarily will happen when implementing Agreements. In order for them to be less likely to affect trade operators, improving coordination between Chile and UK authorities could improve the swift solutions to these kind of issues that arise. This would be especially relevant in the context of the implementation of a new Agreement, like the Chile-UK AA.

Keeping updated relevant trade rules, including trade facilitation measures and the reduction of administrative burden

Although it is clear modernization processes take time to finalize, trade operators benefit from using provisions that are updated and more customized to the context of Chile-UK trade. Furthermore, provisions and efforts that seek to reduce the administrative burden for the use of the Agreement, which includes simplified rules of origin and related procedures, or in general trade facilitation measures, would likely help to increase the use of the Agreement. Rules of Origin analysis of critical products would support this finding, as the comparison of RoO of critical products show that when they are more lenient, they are more used.





IV.

Important

notice & annexes

This Report has been prepared in accordance with the contract between the Client and Deloitte Chile, and is subject to the terms and conditions included therein. It is intended solely for the addressee client's use and benefit and is not intended to nor may it be relied upon by any other party ("Third Party").

Should any Third Party obtain access to and read this report contrary to the above provision, by reading this report such Third Party accepts and agrees to the following terms:

1. That the work performed by Deloitte was performed in accordance with instructions provided by its addressee client and was performed exclusively for its addressee client's sole benefit and use.
2. That this report was prepared at the direction of our addressee client and may not include all procedures deemed necessary for the purposes of such Third Party.
3. That Deloitte, its directors, employees and agents neither owe nor accept any

duty or responsibility to such Third Party, whether in contract or in tort (including without limitation, negligence and breach of statutory duty), and shall not be liable in respect of any loss, damage or expense of whatsoever nature which is caused by any use such Third Party may choose to make of this report, or which is otherwise consequent upon the gaining of access to the report by such Third Party. In no event shall Deloitte, or any Deloitte entity, or its respective personnel be liable for consequential, special, indirect or incidental damages, costs, expenses or losses, including, but not limited to, moral damages or loss of profits.

Further, such Third Party agrees that this report is not to be referred to or quoted, in whole or in part, in any prospectus, registration statement, offering circular, public filing, loan, other agreement or document and not to distribute the report without Deloitte's prior written consent.

Annex 1: Use of Chile-UK AA

Country of Origin	Import Regime	Share of Import Regime (in percentage)										
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
UK	General Regime	10%	20%	12%	22%	33%	30%	28%	27%	33%	42%	47%
	Agreement	Chile-UK AA	-	-	-	-	-	-	-	-	-	53%
		Chile-EU AA	89%	80%	87%	77%	65%	67%	71%	72%	63%	56%
	Total Agreement	89%	80%	87%	77%	65%	67%	71%	72%	63%	56%	53%
	Other Preferences	0%	0%	0%	0%	0%	0%	1%	0%	0%	1%	2%
Total UK		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: Chilean National Customs Service, translated by authors.

Annex 2: Special tariff treatments in Chile

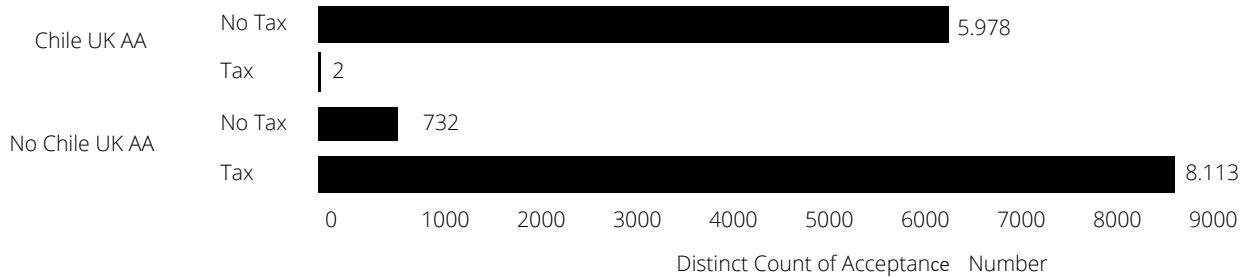


Figure 1 of Annex 2: Transactions, CL and Tax payment relationship in the dataset

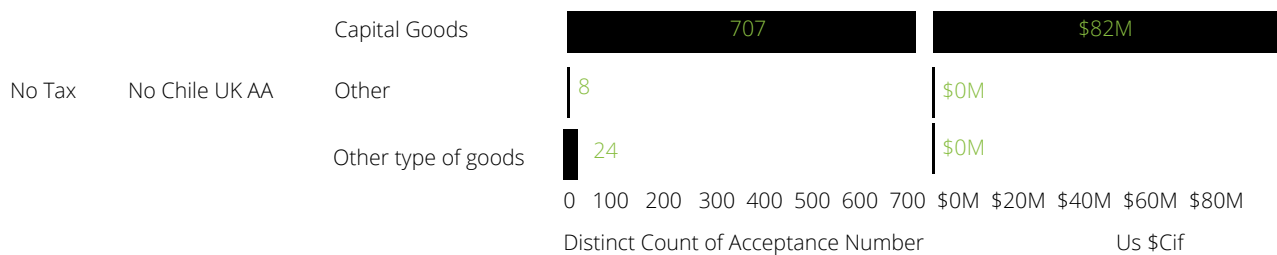


Figure 2 of Annex 2: Type of Goods of Transactions with No Chile-UK AA (AA) and Tax Payment

Annex 3: Exclusions of Chile in Chile-UK AA

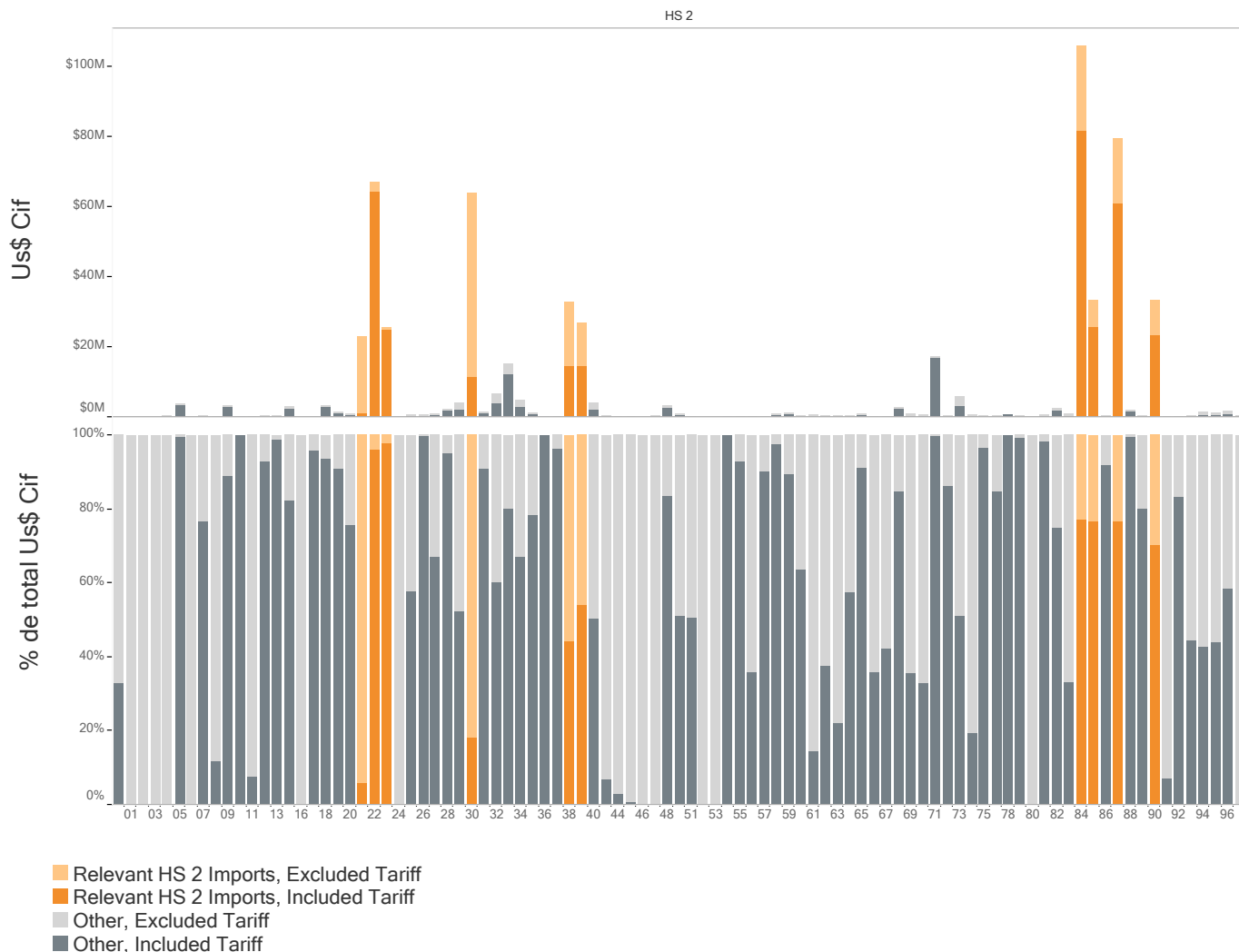


Figure 1 of Annex 3: percentage of Tariff Codes with 100% no tax payment within Chapter

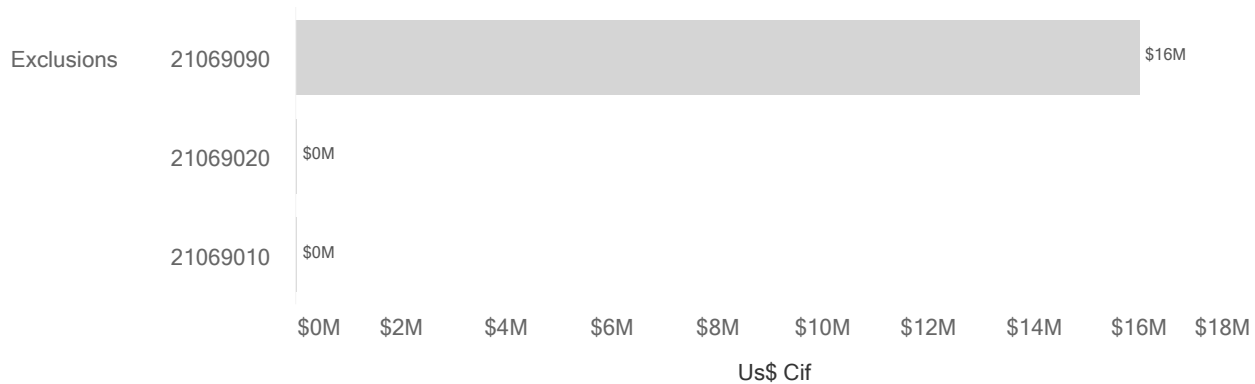


Figure 2 of Annex 3: Total CIF Amount of HS 8 Exclusions of relevant Chapters Analysis

Annex 4: Transactions per Tax payment

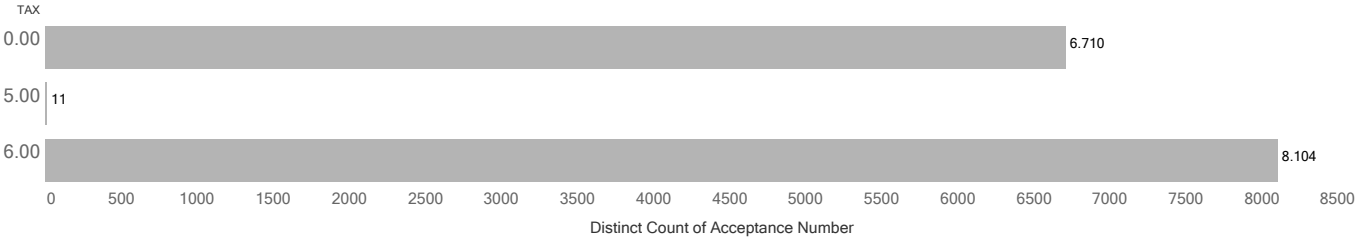


Figure 1 of Annex 4: Total amount of transactions of tax payment amounts

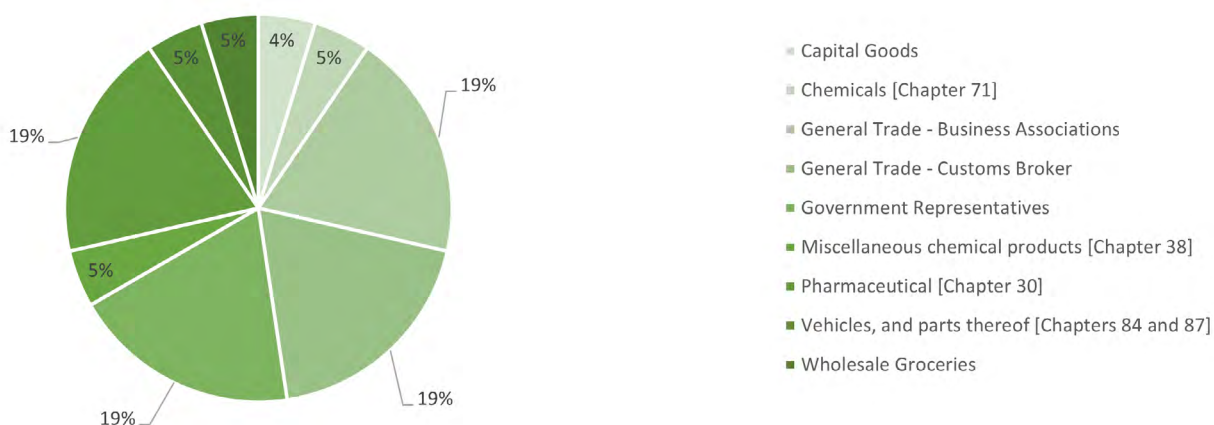
Annex 5: Rules of Origin Table

HS Code	Description	Rule of Origin CL – UK		EU – PE – CO – EC comparison	
		Full Text	ITC Criterion	Full Text	ITC Criterion
87032391	Motor cars and other motor vehicles principally designed for the transport of persons, incl. station wagons and racing cars, with spark-ignition internal combustion reciprocating piston engine of a cylinder capacity > 1.500 cm ³ but ≤ 3.000 cm ³ (excluding vehicles for the transport of persons on snow and other specially designed vehicles of subheading 8703.10): Others: Motor vehicles for Tourism	Manufacture in which the value of all the materials used does not exceed 40 % of the ex-works price of the product	Regional value content 60%	Manufacture in which the value of all the materials used does not exceed 50 per cent of the ex-works price of the product	Regional value content 50%
22083010	Undenatured ethyl alcohol of an alcoholic strength of < 80%; spirits, liqueurs and other spirituous beverages (excluding compound alcoholic preparations of a kind used for the manufacture of beverages): Whisky: aged less than or equal of six years	Manufacture from materials of any heading, except heading 2207 or 2208, and in which all the grapes or materials derived from grapes used are wholly obtained or, if all the other materials used are already originating, arrack may be used up to a limit of 5 % by volume	Change in heading + Exception to change in tariff classification + Wholly obtained	Manufacture: - from materials of any heading, except those of heading 2207 or 2208, and - in which all the grapes or materials derived from grapes used are wholly obtained	Change in heading + Exception to change in tariff classification + Wholly obtained
30049041	Medicaments (excluding goods of heading 3002, 3005 or 3006) consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses (including those in the form of transdermal administration systems) or in forms or packings for retail sale: Others: That contain antiretrovirals nonsteroidal anti-inflammatory drugs or other analgesics: That contain antiretrovirals	Manufacture from materials of any heading, except that of the product. However, materials of headings 3003 or 3004 may be used, provided that their total value does not exceed 20 % of the ex-works price of the product	Change in heading + Allowance to change in tariff classification 20%	Manufacture from materials of any heading, except that of the product. However, materials of headings 3003 and 3004 may be used, provided that their total value does not exceed 20 per cent of the ex-works price of the product	Change in heading + Allowance to change in tariff classification 20%
23099090	Preparations of a kind used in animal feeding (excluding dog or cat food put up for retail sale): Others: Others	Manufacture in which all the cereals, sugar or molasses, meat or milk used are originating, and all the materials of Chapter 3 used are wholly obtained	Wholly obtained	Manufacture in which; - the weight of all the materials from heading 1006, Chapter 11 and headings 2302 and 2303 used does not exceed 20 per cent of the total weight of the product, - all the sugar, molasses or milk used are originating, and - all the materials of Chapter 3 used are wholly obtained	Wholly obtained and Regional quantity content on parts 80%
71151000	Articles of precious metal or of metal clad with precious metal, Not Elsewhere Specified (n.e.s.): Catalysts in the form of wire cloth or grill, of platinum	Manufacture from materials of any heading, except that of the product	Change in heading	Manufacture from materials of any heading, except that of the product. However, materials of the same heading as the product may be used, provided that their total value does not exceed 20 per cent of the ex-works price of the product	Change in heading + Allowance to change in tariff classification 20%

22083020	Undenatured ethyl alcohol of an alcoholic strength of < 80%; spirits, liqueurs and other spirituous beverages (excluding compound alcoholic preparations of a kind used for the manufacture of beverages); Whisky: aged more than six years but not more or equal to twelve years.	Manufacture from materials of any heading, except heading 2207 or 2208, and in which all the grapes or materials derived from grapes used are wholly obtained or, if all the other materials used are already originating, arrack may be used up to a limit of 5 % by volume	Change in heading + Exception to change in tariff classification + Wholly obtained	Manufacture: - from materials of any heading, except those of heading 2207 or 2208, and - in which all the grapes or materials derived from grapes used are wholly obtained	Change in heading + Exception to change in tariff classification + Wholly obtained
84082040	"Compression-ignition internal combustion piston engine ""diesel or semi-diesel engine"", for the propulsion of vehicles of chapter 87": For vehicles classified in Heading 87.04	Manufacture in which the value of all the materials used does not exceed 40 % of the ex-works price of the product	Regional value content 60%	Manufacture from materials of any heading, except that of the product or Manufacture in which the value of all the materials used does not exceed 60 per cent of the ex-works price of the product	Change in heading or Regional value content 40%
30049092	Medicaments (excluding goods of heading 3002, 3005 or 3006) consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses (including those in the form of transdermal administration systems) or in forms or packings for retail sale: Others: Others for human use	Manufacture from materials of any heading, except that of the product. However, materials of headings 3003 or 3004 may be used, provided that their total value does not exceed 20 % of the ex-works price of the product	Change in heading + Allowance to change in tariff classification 20%	Manufacture from materials of any heading, except that of the product. However, materials of headings 3003 and 3004 may be used, provided that their total value does not exceed 20 per cent of the ex-works price of the product	Change in heading + Allowance to change in tariff classification 20%
84082090	"Compression-ignition internal combustion piston engine ""diesel or semi-diesel engine"", for the propulsion of vehicles of chapter 87": Others	Manufacture in which the value of all the materials used does not exceed 40 % of the ex-works price of the product	Regional value content 60%	Manufacture in which the value of all the materials used does not exceed 50 per cent of the ex-works price of the product	Regional value content 50%

Source: ITC, with some minor corrections.

Annex 6: Workshop Sector Coverage



References

"What drives the utilization of trade preferences?" (2021). WTO. Available at: https://www.wto.org/english/tratop_e/roi_e/preference_utilization_190521_e.htm.

Biblioteca del Congreso Nacional: Ley Chile, www.bcn.cl/leychile. Available at: <https://www.bcn.cl/leychile/navegar?idNorma=30024&idVersion=&idLey=&tipoVersion=&cve=&i=>.

Crivelli, Pramila and Inama, Stefano and Kasteng, Jonas, Using Utilization Rates to Identify Rules of Origin Reforms: The Case of EU Free Trade Area Agreements (March 2021). Robert Schuman Centre for Advanced Studies Research Paper No. RSCAS 2021/21, Available at SSRN: <https://ssrn.com/abstract=3821597> or <http://dx.doi.org/10.2139/ssrn.3821597>

Datasur. Available at: <https://www.datasur.com/>.

DG TRADE (2022) FAQ on preference utilisation rates (PUR), duty savings and tariff rate quotas (TRQ).

ITC Market Access Map. Available at: <https://www.macmap.org/>.

ITC. Available at: <https://intracen.org/>.

Kasteng, J. and Inama, S. (2018) The use of the EU's Free Trade Agreements - Third Edition Kommerskollegium. National Board of Trade Sweden. Available at: <https://www.kommerskollegium.se/globalassets/publikationer/rapporter/2018/publ-the-use-of-the-eus-ftas.pdf>.

Lars Nilsson and Nicolas Preillon, (2018), https://econpapers.repec.org/paper/risdgtcen/2018_5f002.htm, No 2018-2, DG TRADE Chief Economist Notes, Directorate General for Trade, European Commission

Preillon, N. and Nilsson, L. (2018) EU EXPORTS, PREFERENCES UTILISATION AND DUTY SAVINGS BY MEMBER STATE, SECTOR AND PARTNER COUNTRY, EconPapers. Chief Economist Note. Available at: https://econpapers.repec.org/scripts/showcites.pf?h=repec%3Aris%3Adgtcen%3A2018_002.

Presenting Rosa, Presenting ROSA | Access2Markets. Available at: <https://trade.ec.europa.eu/access-to-markets/en/content/presenting-rosa>.

Servicio Nacional de Aduanas Acuerdos Comerciales Y Advalorem Efectivo, Servicio Nacional de Aduanas. Available at: <https://www.aduana.gov.cl/acuerdos-comerciales-y-advalorem-efectivo/aduana/2022-06-28/110649.html>.

UNSD - classification detail. United Nations. Available at: <https://unstats.un.org/unsd/classifications/Econ/Structure>.

U.S. Customs and Border Protection. Available at: <https://www.cbp.gov/>.

World Customs Organization. Available at: <https://www.wcoomd.org/>.

WCO (2021) AEO, World Customs Organization. Available at: <https://www.wcoesarpsg.org/projects/aeo/#introduction>.

World Trade Organization. Available at: <https://www.wto.org/>.

Deloitte.

www.deloitte.com

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our global network of member firms and related entities in more than 150 countries and territories (collectively, the “Deloitte organization”) serves four out of five Fortune Global 500® companies. Learn how Deloitte’s approximately 345,000 people make an impact that matters at www.deloitte.com.

This communication contains general information only, and none of DTTL, its global network of member firms or their related entities (collectively, the “Deloitte organization”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

© 2023. For information, contact Deloitte Global.