



## 2016 Top Markets Report **Building Products and Sustainable Construction** Country Case Study

### Chile

**U.S. building products enjoy duty-free market access in general under the U.S.-Chile Free Trade Agreement. Chile has 61 trade agreements in place with other countries that also offer market access benefits. The Chilean market is small, competitive, and price sensitive. Chile offers a stable economic and political environment and low reported corruption, and business is conducted in similar ways as it is in the United States. Chile’s construction market favors products that can advance energy efficiency, reduce labor requirements and be environmentally friendly. Resilience also is a long-standing goal in Chile’s building sector.**

<b>Overall Rank</b>	<b>HVACR</b>	<b>Lighting</b>	<b>Plumbing Products</b>
<b>27</b>	<b>22</b>	<b>23</b>	<b>14</b>
<b>Wood Products</b>	<b>Insulation</b>	<b>Windows &amp; Doors</b>	<b>Glass</b>
<b>28</b>	<b>21</b>	<b>40</b>	<b>68</b>

Chile has achieved a solid recovery from the global financial downturn and a devastating earthquake in 2010, but economic growth has fallen since 2014 and was 2 percent in 2015. Falling commodities prices, particularly copper, have contributed to decreased growth, although Chile’s economic fundamentals remain strong. Economic forecasts for Chile remain positive.

#### Chile’s Construction Market

Chile’s construction market offers prospects for U.S. building product exporters. Healthy foreign direct investment backing reconstruction and modernization work helped fuel construction industry growth at a rate of 7.8 percent annually during 2009 to 2014. Chile’s construction industry is

expected to maintain growth through 2018, albeit at a more modest rate, as the government aims to improve the nation’s infrastructure, increase investment in industries ranging from retail to mining, and boost residential construction.<sup>1</sup> Chile will need to expand and upgrade its port, road and rail infrastructure to serve growing export industries, particularly in anticipation of the Trans-Pacific Partnership Agreement entering into force. Other than private luxury properties, diminished prospects are expected for the residential segment in the wake of recently implemented tax policies.

#### Energy Efficient Buildings

Chile has developed energy efficiency standards for the building sector and enjoys broad-based public and private sector support for energy efficiency.<sup>2</sup>

Increasing the energy efficiency of buildings is a key pillar of its Chile Energy Efficiency Strategy 2020. The country has established its own green building certification system, and Chile also ranks third in Latin America in terms of certifications under the U.S. Green Building Councils' Leadership in Energy and Environmental Design (LEED) building rating system.

Opportunities in Chile for U.S. building product exporters through 2018 are most likely in the following building categories:

- Retail facilities, including shopping malls
- Public and private health facilities
- Educational facilities
- Private buildings, including commercial offices, hotels, other tourism facilities, private homes
- Industrial buildings
- Mining, energy and general industry construction
- Public works and infrastructure (highways, airports, ports, hospitals, prisons)

### **Challenges & Barriers to Sector Exports**

U.S. building products enjoy strong brand recognition and a reputation for high quality in Chile. The challenges noted below affect U.S. exporters across the seven subsectors included in this sector. Engagement to increase U.S. companies' understanding of the Chilean commercial environment and a focus on subsector-specific trade promotion and partner matchmaking are productive approaches to market development.

#### Highly competitive market environment

While the U.S.- Chile FTA provides duty-free status to U.S. exports in general, Chile also has trade agreements in place with key U.S. trade competitors, including China, European countries and dozens of other nations. Chile has access to global suppliers of the highest-quality building products as well as lower-cost competitors. U.S. suppliers still must overcome transport costs from the United States and deliver on product performance and post-sales service requirements to compete in Chile. An effective way to enter the Chilean market is through a local partner/representative/distributor that can offer after-sales support capability. The local buyer typically will want to purchase products from locally established firms that they can go back to, if a problem arises. Large construction companies,

however, may import directly for individual projects. It is very important that the U.S. exporter is aware that the country presents a small and highly competitive and price-oriented market.

#### Business customs

A capable in-country partner may be needed to help U.S. companies navigate the local markets to understand sales channels, the competitive state of play, applicable regulations and standards, as well as other aspects of the Chilean commercial landscape. One market feature of which U.S. exporters should be aware is the fact that large segments of Chile's economy are controlled by a small number of Chilean economic groups and families. It is a small and tight-knit business community.

#### Regulatory environment

Detailed knowledge of the product standard and conformity assessment process for construction products is important to building product exporters, and having access to relevant information is essential in this market of high quality construction with a particular focus on seismic-related conditions. Chile is a member of the World Trade Organization (WTO), and its guidelines follow those of the WTO Technical Barriers to Trade decision. The country's Chamber of Construction, Cámara Chilena de la Construcción, CCHC ([www.cchc.cl](http://www.cchc.cl)), and the National Norms Institute, Instituto Nacional de Normalización, INN ([www.inn.cl](http://www.inn.cl)), are active in the regulation of construction standards. INN norms can be purchased online at: [http://ecommerce.inn.cl/Resultado\\_Busqueda/](http://ecommerce.inn.cl/Resultado_Busqueda/).

#### **Know Your Buyer**

For building product exports, the importance of specific sales channels and buyer categories varies depending on the target export market. Overall, ITA's experience supporting U.S. building products exporters in Chile indicates the following assignment of priority among relevant sales channels:

**Figure 1:**

Sales Channels	Priority		
	Low	Medium	High
Government entities		X	
Architects			X
Design and build companies		X	
Trade contractors			X
Building facility managers		X	
Distributors			X
Showroom dealers			X
Retailers			X

**Figure 2: Chile's Import Market**

Sector	Imports (2014, USD)	U.S. Rank as Import Source	U.S. Import Market Share
HVACR	\$62 million	1	50.0%
Lighting	\$245 mil.	2	7.5%
Plumbing	\$147 mil.	5	4.6%
Wood products	\$245 mil.	3	9.5%
Insulation	\$29 million	2	18.9%
Windows & Doors	\$23 million	2	24.7%
Glass	\$28 million	2	16.4%

### Opportunities for U.S. Companies

Chile imported \$1.3 billion in HVACR, lighting, plumbing, wood products, insulation, windows and doors and glass from the world in 2014. This reflects an 11 percent compound annual growth rate of building product imports during 2009 through 2014. For the sector as a whole, the United States is the second largest source of Chile's imports after China with a 13 percent import market share.

Transportation infrastructure may provide an area of opportunity for U.S. building products, particularly in ports, roads and rails. Chile will need to expand and upgrade its infrastructure to serve its growing export industries in anticipation of the Trans-Pacific Partnership entering into effect. The Trans-Pacific Partnership may soon expand duty-free access to products produced across its 12 member countries, opening up new supply chain opportunities in the sector as well.

Addressing the types of challenges described above may help U.S. exporters improve their share of Chile's market. This section provides a review of the current state of play and competitive landscape, suggesting where there may be the greatest room for growth.

#### HVACR

Chile's imports of HVACR products grew at a compound annual growth rate of 10 percent from 2009 to 2014. Imports of HVACR products from the U.S. grew at a staggering rate of 74 percent annually over the same timeframe, during which the import market share of U.S. products grew from 6 percent to the 2014 level of 59 percent. A local chapter of ASHRAE recently opened in Chile.

#### Top 5 Import Sources and Market Share:

1. United States (59%)
2. Peru (8.1%)
3. Argentina (7.6%)
4. Mexico (4.9%)
5. Bolivia (3.8%)

#### Lighting

Chile's imports of lighting nearly doubled during the 2009 to 2014 period, with imports of products from the U.S. growing at a compound annual growth rate of 7.4 percent during the same period. U.S.-sourced lighting products now have an import market share of 7.5 percent, well behind those of China, which dominate with more than 67 percent import market share. LED lighting slowly but steadily has gained share in the Chilean lighting market and is expected to continue to grow due to its energy conservation benefits.

#### Top 5 Import Sources and Market Share:

1. China (67.6%)
2. United States (7.5%)
3. Germany (3.9%)
4. Korea (3%)
5. Spain (2.3%)

#### Plumbing Products

Plumbing products sourced in the U.S. hold a 4.6 percent share of Chile's import market, making it the fifth largest source of imports. The Chilean plumbing product import market grew at a healthy 22 percent compound annual growth rate during the 2009 to 2014 period. The same period saw imports from the U.S. growing at 14 percent, which is behind China and other competitors.

#### Top 5 Import Sources and Market Share:

1. China (42.8%)
2. Mexico (14%)
3. Korea (12.6%)
4. Colombia (4.9%)
5. United States (4.6%)

#### Wood Products

The United States is the third largest source of wood products in Chile's import market, behind China and Germany. The country's imports of wood products grew at a 19 percent compound annual growth rate during 2009 to 2014, with imports from the U.S. increasing at a rate of 17 percent during the same period. U.S. product market share has decreased slightly from 10.3 percent to 9.5 percent during that timeframe.

#### Top 5 Import Sources and Market Share:

1. China (31.8%)
2. Germany (15.6%)
3. United States (9.5%)
4. Brazil (8.1%)
5. Spain (7.4%)

#### Insulation

Chile's imports of insulation have seen very modest growth at a rate of only 1.5 percent during 2009 to 2014, and imports from the United States have

decreased at a rate of nearly 17 percent annually during this timeframe. U.S. product import market share is down to 18.9 percent from its 51 percent level in 2009. Imports of products from China have grown dramatically during the same period. Insulation is seen as a strong import prospect in Chile due to its ability to reduce building energy use.

#### Top 5 Import Sources and Market Share:

1. China (21.9%)
2. United States (18.9%)
3. Argentina (13.3%)
4. Brazil (10.3%)
5. Germany (7.8%)

#### Windows and Doors

Chile's imports of windows and doors grew at a healthy 17.5 percent compound annual growth rate during 2009 to 2014, and imports of products from the U.S. grew at an even more robust rate of 29 percent annually during the same period. U.S.-sourced products now hold the second largest share of Chile's window and door import market at 24.7 percent.

#### Top 5 Import Sources and Market Share:

1. China (25.6%)
2. United States (24.7%)
3. Spain (11%)
4. Denmark (5.7%)
5. Bolivia (5.6%)

#### Glass

Chile's imports of glass from the U.S. grew at a rate of 10.4 percent annually during the 2009 to 2014 period, exceeding the rate of growth of the country's overall glass imports at 8.6 percent. U.S.-sourced glass imports hold the second largest import market share position in Chile, behind China.

#### Top 5 Import Sources and Market Share

1. China (30%)
2. United States (16.4%)
3. Belgium (13.4%)
4. Mexico (10%)
5. Spain (9.7%)

## Resources for U.S. Exporters

Please visit [www.export.gov/chile](http://www.export.gov/chile) for information from U.S. Commercial Service (CS) Chile, including

- Market research
- Trade events
- Trade leads
- Services available to U.S. companies
- Contact information for the CS office and staff in Chile
- Info on subscribing to regular updates or connecting on social media
- Other information to assist U.S. exporters with Chile export market development

## Non-U.S. Government Resources

- Cámara Chilena de la Construcción, CCHC, (Chilean Construction Chamber), [www.cchc.cl](http://www.cchc.cl)
- Instituto Nacional de Estadísticas, INN, (National Statistics Institute), [www.inn.cl](http://www.inn.cl)
- Ministerio de Obras Públicas (Ministry of Public Works), MOP, [www.mop.cl](http://www.mop.cl)
- Corporación de Desarrollo Tecnológico, CDT, (Technology Development Corporation), [www.cdt.cl](http://www.cdt.cl). This entity is part of CCHC, which handles building materials.

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<sup>1</sup> Construction in Chile, Key Trends and Opportunities to 2018, Reportlinker.com (June 2014)

<sup>2</sup> APEC Building Codes, Regulations and Standards, APEC Subcommittee on Standards and Conformance (2013)