
Second U.S. - Chile Trade Commission
Washington DC
December 5, 2005

SUMMARY OF THE MEETING

The second meeting of the U.S. – Chile Trade Commission, convened on December 5, 2005 in Washington DC. Deputy United States Trade Representative Susan Schwab represented the United States and Director General of International Economic Relations, Carlos Furche, represented the Republic of Chile.

Trade Effects

Regarding the effects of the U.S. – Chile FTA, the Commission noted with satisfaction that bilateral trade has grown overall almost 80% during the two years that the FTA has been in effect, benefiting both countries much beyond the initial expectations. Both Parties will continue to monitor trade and investment trends with a view towards presenting an analysis of the trade effects at the next meeting of the Trade Commission in 2006.

The Commission noted with satisfaction that implementation of the Agreement is proceeding well. Technical meetings and cooperation projects have been taking place, and others are planned for the remainder of 2005 and 2006, to ensure that the benefits of the U.S.-Chile FTA will be available to both Parties. Deputy USTR Schwab and Director General Furche discharged responsibilities outlined in Chapter 21 (Administration of the Agreement) as follows:

Institutional Framework, Committee and Council Meetings

The Commission noted that the Committee on Trade in Goods held its first meeting by videoconference in April 2005 and worked on the Common Guidelines referenced in article 4.17, as well as discussing a schedule for tariff acceleration consistent with the process outlined in Chapter 3 of the agreement.

The Committee on Technical Barriers to Trade (TBT) held its second meeting in September 2005, and agreed to continue exchanging information on issues concerning technical barriers to trade, mutual recognition agreements and others.

The Working Group on Agriculture convened for the first time in September 2005 to address issues of concern to the Parties, such as regulatory changes which might affect agricultural exports.

A meeting of the Labor Affairs Council was held in Santiago in December of 2004. This meeting formally launched the Labor Cooperation Mechanism (LCM) of the FTA, and reviewed the ongoing labor cooperation projects. A public meeting was held and representatives of civil society attended.

Two meetings of the Environmental Affairs Council and the Joint Committee for Environmental Cooperation were held since the last Commission meeting. The first meeting convened in

Santiago in July 2004, and the second in Washington DC in October 2005. The Environmental Affairs Council agreed on procedures to implement the Environment Chapter and discussed progress made on the eight cooperative projects outlined in the FTA. The Joint Committee for Environmental Cooperation reviewed its work program to further cooperative efforts between the Parties. Representatives of both Parties' civil society attended the public meetings of the Council.

Implementation Issues

The United States informed Chile that recent actions taken by its Health Ministry with respect to granting marketing approval for some generic products are of serious concern. The U.S. took note of Chile's presentation on the legal and regulatory changes regarding Intellectual Property Rights which is intended to facilitate implementation of Chapter 17 commitments. The Commission agreed to give these issues priority and that a more in-depth discussion and review of these regulations would take place between the parties not later than January 2006.

The Commission acknowledged with satisfaction that progress in the rule-making process on sanitary and phytosanitary issues in both countries will allow for market access for meat. Both parties committed to accelerate, as much as possible, the rule-making process on other pending issues, such as poultry, different fruits and vegetables, and other products of interest to both Parties.

The Commission took note of Chile's concerns regarding the Maryland legislature's new law relating to government procurement. The United States explained that the legislation does not change Maryland State procurement policies and does not affect the ability of Chilean firms to compete for Maryland state procurement contracts. The United States requested information about the establishment of an impartial authority to receive and review supplier complaints relating to procurement covered by the FTA.

Future negotiations

The Commission asked the Committee on Trade in Goods to launch negotiations to accelerate the elimination of tariffs under the Agreement, consistent with the process outlined in Chapter 3 of the Agreement.

The Commission agreed to initiate consultations with Canada and Mexico to harmonize the rules of origin in the NAFTA with those in the free trade agreements between Chile and the other NAFTA partners. This exercise will lower transaction costs and ease the burden on customs officials in all four countries. It will also lay the groundwork for further economic integration in the hemisphere.

Decisions by the Commission

In accordance with article 21.1 of the FTA, the Commission decided to approve and adopt the Rules of Procedure referenced in article 22.10 which are attached to this statement, as well as to approve the modifications of the Rules of Origin established in Annex 4.1 (Specific Rules of Origin), in order to update these rules to the Harmonized System 2002.

Future Council and Committee Meetings

The Commission noted that the Committee on Trade in Goods will meet during the first quarter of 2006 to determine an appropriate schedule for tariff acceleration consistent with the process outlined in Chapter 3 of the agreement, and discuss procedures for the harmonization of rules of origin.

The Commission also agreed to convene a meeting of the Committee on Sanitary and Phytosanitary Issues during the first quarter of 2006.

Legal Issues. The Commission recognized that both Parties are near to completing the Common Guidelines and are moving forward to construct the dispute settlement roster.

Other Bilateral Issues

The United States took note of Chile's concerns regarding the proposed modification of Marketing Order 925 for table grapes, which were referenced in detail in the presentation the Government of Chile submitted to the Agricultural Marketing Service (AMS) on November 28, 2005. The United States noted that rule making is on hold while legal issues are addressed.

Trade Negotiations with other Partners

Both Parties exchanged information about their respective bilateral negotiations, and agreed to work toward a successful outcome of the Doha Development Round and shared perspectives on how to promote broader hemispheric integration, including the FTAA.