

U.S. – Chile Free Trade Agreement

Key Market Access Results and Benefits

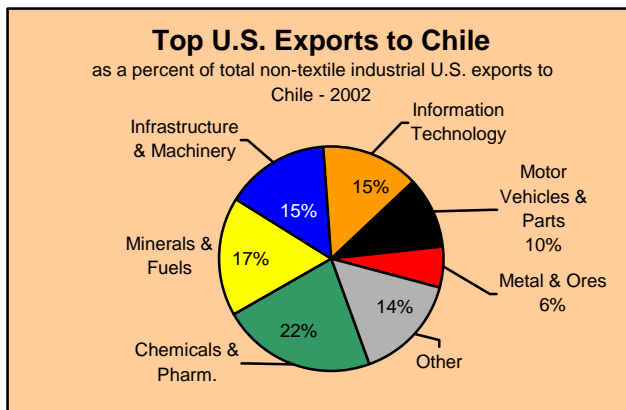
The United States and Chile signed a comprehensive free trade agreement (FTA) on June 6, 2003. This Agreement eliminates bilateral tariffs, lowers trade barriers, promotes economic integration, and expands opportunities for the people of both countries.

The U.S. – Chile FTA is the first free trade agreement between the United States and a South American country. This Agreement will increase U.S. market access for goods and services and provide strong protections for U.S. investors in Chile. Two-way trade in goods (exports plus imports) between the two countries totaled \$6.4 billion in 2002. Two-way trade in services in 2001 amounted to \$2.2 billion. The U.S. – Chile FTA enables American workers, consumers, businesses, and farmers to enjoy preferential access to one of the world's fastest growing economies, allowing products and services to flow back and forth from the United States and Chile with no tariffs and under streamlined customs procedures. Both U.S. Trade Representative Robert B. Zoellick and Chilean Foreign Minister Soledad Alvear expect that this Agreement will encourage progress on negotiations of the Free Trade Area of the Americas (FTAA), to meet its goal of completion by 2005, as well as the ongoing global trade negotiations.

U.S. exports of manufactured goods to Chile increased by 19.5 percent during January to March 2004, from \$570.9 million to \$682.3 million.

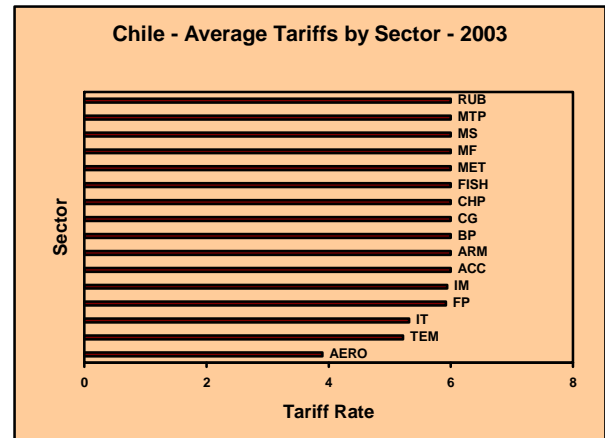
Manufactured Goods

- More than 85% of bilateral trade in consumer and industrial products became duty-free immediately upon entry into force of the Agreement, with most remaining tariffs to be eliminated within four years.



- Key U.S. export sectors gained immediate duty-free access to Chile, such as agricultural and construction equipment, autos and auto parts, computers and other information technology products, medical equipment, and paper products.

- Chile's "luxury tax" on automobiles will be phased out over 4 years. In the meantime, the number of vehicles to which this tax applies was sharply reduced when the Agreement took effect.



ARM = Arms & Ammunition	FP = Forest Products
CG = Consumer Goods	IT = Information Technology
FISH = Fish	MS = Medical & Scientific Equip.
ACC = Accessories	CHP = Chemicals & Pharm.
MTP = Motor Vehicles & Parts	AERO = Aerospace
BP = Building Products	MF = Minerals & Fuels
RUB = Rubber	TEM = Transport Equipment
MET = Metals & Ores	IM = Infrastructure & Machinery

Textiles and Apparel

In 2000, the United States exported to Chile textiles and apparel worth approximately \$82 million, which was approximately 0.4 percent of total U.S. textile and apparel exports for that year. In 2003, Chile's tariffs on textiles and apparel goods were 6 percent, except for used goods, which had a 50 percent surcharge off the base duty rate.

U.S. ad valorem tariffs on textiles and apparel goods range from 0 to 32.3 percent.

- Immediately upon implementation of the U.S.–Chile FTA, tariffs were eliminated on originating textile and apparel goods on a reciprocal basis. The FTA allows non-originating cotton and man-made fiber fabrics, wholly formed in the territory of a Party, to receive this preferential tariff treatment, up to 1 million square meter equivalents annually, on a reciprocal basis.
- Non-originating cotton and man-made fiber apparel, cut (or knit-to-shape) and sewn or otherwise assembled in the territory of a Party, receive this preferential tariff treatment, up to 2 million square meter equivalents annually, on a reciprocal basis, for the first 10 years after implementation of the FTA. Thereafter, the annual quantity is 1 million square meter equivalents.

Services

- The commitments in services cover both cross-border supply of services (such as services supplied through electronic means, or through the travel of nations) and the right to invest and establish a local services presence.
- Traditional market access to services is supplemented by strong and detailed disciplines on regulatory transparency.
- Market access commitments apply across a range of sectors, including but not limited to: computer and related services; telecommunications services; audiovisual services; construction and engineering; tourism; advertising; express delivery; professional services; distribution services, such as wholesaling, retailing and franchising; adult education & training services; and environmental services.
- *Financial Services.* This chapter includes core obligations of non-discrimination, most-favored nation treatment, and additional market access obligations. U.S. insurance firms have full rights to establish subsidiaries or joint ventures for all insurance sectors with limited exceptions. U.S. banks and securities firms may establish branches and subsidiaries and may invest in local firms without restriction, except in limited circumstances.
- *E-Commerce.* Chile and the U.S. committed to non-discriminatory treatment of digital products; agreed not to impose customs duties on such products; and to cooperate in numerous policy areas related to e-commerce. For digital products delivered on hard media (such as a DVD or CD), customs duties will be based on the value of the media (e.g., the disc), not on the value of the movie, music or software contained on the disc.

Government Procurement

- The Agreement provides a rules-based procurement system that provides transparent, effective and predictable market access and obligates Chile to guarantee national and non-discriminatory treatment to the goods and services produced by the United States.
- The Agreement covers the purchases of most Chilean central government agencies, 13 regional governments, 11 ports and airports, and more than 350 municipalities in Chile.
- It is the first government procurement agreement to recognize Build-operate-transfer contracts as government procurement.
- The U.S. – Chile FTA includes the first government procurement agreement to require that bribery in procurement be a criminal offense under domestic law.

Best Prospects

While the benefits of the Chile FTA will be felt broadly throughout U.S. industry, certain sectors are particularly well positioned to capitalize on the results of this Agreement. There are a host of services sectors including financial and electronic banking, insurance, telecommunication, database development and architectural and engineering.

New government procurement opportunities for professional and construction services are also a benefit of this FTA, as well as those concerning environmental technology products such as solid waste and wastewater treatment products and services.

A range of industrial products including medical and dental instruments, agriculture and construction equipment; paper products, residual chemical products such as soaps, insecticides, and polymers will also greatly benefit from the FTA; as well as paper products including paper and paperboard, printed materials, and office paper.