

Brussels, 26 April 2002

## **Statement of Commissioner Lamy announcing successful end to negotiations on EU-Chile Association Agreement**

Following weeks of intense negotiations between our respective teams and between ourselves, Foreign Minister Soledad Alvear and I met today in the hope of finalising a deal.

On behalf of the European Commission - my colleague Chris Patten is not able to be with us and I speak for him too, I am delighted to be able to report to you that we have reached agreement at our political level on a very ambitious Association Agreement between the EU and Chile. The Agreement incorporates a Free Trade Area, a political dialogue and extensive co-operation aspects. It will constitute the ideal framework for our bilateral relations for years to come.

With today's agreement, the way is now open for our respective Presidents to announce Agreement at their level on the Association Agreement at the EU-Latin America summit in Madrid in mid-May.

In this last round we have concentrated on finalising the trade pillar which has proved complex and time-consuming due to the high level of ambition we have set ourselves.

As you know, the Commission negotiates on behalf of its 15 Member States in the Council of Ministers. And although the Member states have been very closely involved in this negotiation, we must of course formally present them with the detailed results once the relevant legal and procedural steps have been completed and the results of the negotiation are initialled.

We must secure the formal Agreement of the Member states and the European Parliament before the Association Agreement can be signed and enter into force. I know the Chilean side Minister Soledad Alvear will also have similar procedures to go through.

Consequently, we hope you will understand that we need to inform them first of the details of the deal that has been reached today and this will condition the level of detail that we can make public at this stage. I want to recall the considerable support that the Member states have lent to this process throughout the negotiation. They have been at the Commission's side throughout and we trust that they will deem the results achieved to be acceptable.

We believe it is a good deal for both sides and I am grateful to Minister Alvear and her team for the very constructive spirit in which these talks have been held. And I also wish to underline the important rôle played by President Lagos who has been a consistent supporter of closer EU-Chile relations for so many years. I had the opportunity to confirm this only last February in Santiago and indeed our meeting contributed to helping us overcome the outstanding obstacles in this negotiation.

Our negotiation has delivered the most ambitious and innovative results ever for a bilateral agreement by the EU. This is a « fourth generation plus » agreement. The agreement covers all the areas of our trade relation going well beyond our respective WTO commitments :

- a **Free Trade Agreement in goods** covering all sectors, notably industrial, fisheries and agricultural goods, ; this reflects both a very high degree of liberalisation and our respective levels of development ;
- Linked to the FTA in goods :
  - a **Wines and Spirits Agreement** that will grant a high level of mutual protection to Geographical Indications and Traditional Expressions and increase market access on both sides, in particular for quality wines.
  - a **Sanitary and Phytosanitary Agreement**, which will facilitate trade in animal and animal products, plants, while safeguarding public, animal and plant health.
  - And, an ambitious **trade facilitation agenda** in the area of customs and related matters
- For the first time we have concluded a fully-fledged **free trade agreement in services**.
- For the first time we also have included an **investment agreement** that will ensure to encourage FDI flows in both directions
- An ambitious agreement on a very wide opening up of **public procurement** markets.
- Rules on **competition** and **intellectual property**, and an effective **dispute settlement system**

We are confident that through this Agreement considerable economic and commercial benefits will be derived by both the EU and Chile. We already enjoy a healthy trading relationship – the EU is Chile's principal trading partner and foreign investor. This relationship is now set to gain significant momentum from the extensive deal we have agreed.

The EU expects its position as first investor to be consolidated, in particular as Chile's main services provider. On its side, Chile will have access to the biggest consumer market in the world.

When this negotiation was launched in April 2000, it was a tall order to think that we could complete it within such a short period. But the political will injected by both sides, the target of the II EU-Latin America summit and the gentle encouragement of the Spanish Presidency have all contributed making an announcement of this deal possible in Madrid in a few weeks.

And above all it is the clearest possible signal we can send that Europe's relations with Chile and with Latin America as a whole are very much our priority.

It gives an important signal to all our partners that we mean business and deliver on our commitments.

# EUROPEAN UNION – CHILE ASSOCIATION AGREEMENT

## TRADE AND INVESTMENT BACKGROUND INFORMATION

### I. Description of key aspects of current trade relations

Source: Bilateral Trade Relations – Chile, September 2001  
<http://europa.eu.int/comm/trade/bilateral/chl.htm>

Total EU-Chile trade equalled **6,140 billion € in 1999 and 8,573 billion € in 2000** (increase of 2,433 billion € in 2000). EC imports of goods from Chile totalled **5,113 billion € in 2000**. The main components were manufactured goods, raw materials agricultural products and beverages and tobacco. EU exports of goods totalled **3,460 billion €**. The main components were machinery and transport equipment, chemical products, and manufactured goods

Regarding investments, Chile has a very open investment environment with no significant barriers. With a **total stock of 10,412 Billion-€ (1999)** invested in Chile, the EU is the second most important investor in Chile, behind the US. Chile offers foreign investors comparative advantages in areas such as mining, agriculture and energy. **EU firms have notably invested in the sectors of financial services, construction and electricity.**

No significant market access barriers exist for EU exports and Chile and the EU have a good record in solving disputes amicably.

### II. EU TRADE AND FDI RELATIONS WITH CHILE – DETAILED (\*)

#### II.1 EU TRADE WITH CHILE (1980-2000) (Million ECU/Euro and %)

Rank	1980	1990	2000	Rank	1980	1990	2000
<b>38</b> Imports	1.487	2.725	5.113	43 Exports	739	1.374	3.460
Share of EU Total (%)	<b>0,5</b>	<b>0,6</b>	<b>0,5</b>	Share of EU Total (%)	<b>0,4</b>	<b>0,3</b>	<b>0,4</b>
<b>Trade balance</b>	<b>-748</b>	<b>-1.336</b>	<b>-1.653</b>		-	-	-

#### II.2 MAIN PRODUCTS (2000) (Million Euro and %)

EU Imports			EU Exports			
Products	Value	Chile share by products	Products	Value	Chile share by products	Balance
Agricultural Products	1.152	<b>1,5</b>	- Agricultural products	113	<b>0,2</b>	-1.039
Energy	2	<b>0,0</b>	- Energy	27	<b>0,1</b>	24,9
Machinery	58	<b>0,0</b>	- Machinery	1.061	<b>0,4</b>	1.003
Transport. Material	3	<b>0,0</b>	- Transport. Material	776	<b>0,5</b>	773
Chemical Products	271	<b>0,4</b>	- Chemical Products	498	<b>0,4</b>	226
Textiles & Clothing	4	<b>0,0</b>	- Textiles and Clothing	132	<b>0,3</b>	128

**II.3 EU FOREIGN DIRECT INVESTMENT WITH CHILE (1997-1999)**  
(Million ECU)

	1997	1998	1999	-		1997	1998	1999
<i>Inflows</i>	-39	-9	-148	-	<i>Outflows</i>	1940	1683	5142
Share of EU Total	<i>na</i>	<i>na</i>	<i>na</i>	-	Share of EU Total	1,8	0,8	1,9
<i>Inward Stocks</i>	33	42	-106	-	<i>Outward Stocks</i>	4.73	5.29	10.4
Chilean share on total EU inward stocks	0,0	0,0	<i>na</i>	-	Chilean share on total EU inward stocks	9	3	35
						0,7	0,6	1,0

(\*) Sources: EUROSTAT (COMEXT, CRONOS), FMI (DOTS), WEFA (WMM)

**FOREIGN DIRECT INVESTMENT (D.L. 600)**  
**FDI Authorized and Materialized by Country of Origin: 1974 - October 2001**  
(in nominal US\$ million)

- Country	-Authorized Investment		Materialized Investment	
	Value	Share	Value	Share
1 United States	27,407	33.3%	14,930	31.4%
<b>2 Spain</b>	<b>11,363</b>	<b>13.8%</b>	<b>9,331</b>	<b>19.6%</b>
3 Canada	11,932	14.5%	6,432	13.5%
<b>4 United Kingdom</b>	<b>5,317</b>	<b>6.5%</b>	<b>2,466</b>	<b>5.2%</b>
5 Australia	6,009	7.3%	1,545	3.2%
6 Japan	2,937	3.6%	1,495	3.1%
<b>7 Italy</b>	<b>1,757</b>	<b>2.1%</b>	<b>1,466</b>	<b>3.1%</b>
8 South Africa	2,738	3.3%	1,398	2.9%
<b>9 The Netherlands</b>	<b>1,502</b>	<b>1.8%</b>	<b>1,305</b>	<b>2.7%</b>
<b>10 France</b>	<b>1,427</b>	<b>1.7%</b>	<b>1,192</b>	<b>2.5%</b>
11 Cayman Islands	1,310	1.6%	672	1.4%
12 Argentina	922	1.1%	611	1.3%
<b>13 Finland</b>	<b>884</b>	<b>1.1%</b>	<b>521</b>	<b>1.1%</b>
14 Switzerland	1,116	1.4%	493	1.0%
15 Bermuda	605	0.7%	473	1.0%
<b>16 Germany</b>	<b>691</b>	<b>0.8%</b>	<b>429</b>	<b>0.9%</b>
<b>17 Belgium</b>	<b>438</b>	<b>0.5%</b>	<b>347</b>	<b>0.7%</b>
18 Brazil	371	0.5%	278	0.6%
19 Norway	347	0.4%	243	0.5%
20 International Organizations	419	0.5%	231	0.5%
21 Bahamas	482	0.6%	200	0.4%
22 Panama	303	0.4%	199	0.4%
<b>23 Luxembourg</b>	<b>317</b>	<b>0.4%</b>	<b>193</b>	<b>0.4%</b>
24 New Zealand	240	0.3%	159	0.3%
<b>25 Sweden</b>	<b>184</b>	<b>0.2%</b>	<b>136</b>	<b>0.3%</b>
-Others	1,389	1.7%	810	1.7%
-TOTAL	82,407	100.0%	47,555	100.0%

\* Source: **Delegation of the European Commission in Chile**  
Foreign Investment Committee, provisional figures as of October 31, 2001

### III. EUROPEAN MULTINATIONALS OPERATING IN DIFFERENT SECTORS OF THE CHILEAN ECONOMY

Source: Delegation of the European Commission in Chile, 2001

(\*) Non EU countries

Sector	Multinationals
Agribusiness	Nestlé (Switzerland)* Unilever (Great Britain/the Netherlands) Parmalat (Italy) Baron Philippe de Rothschild, Marnier Lapostolle (France) Miguel Torres, Ebro Puleva (Spain) Danisco A/S (Denmark) Cilpac, Blue Fish (Luxembourg)
Fish and Aquaculture	Anchor Holding, Statkorn Aqua, Fjord Seafood (Norway) * Ergofinn Oy (Finland) Stolt Seafarm (Netherlands) Pescanova (Spain)
Industry	Shell Petroleum Co., BPB Gypsum (Great Britain) L'Oreal (France) AGA AB (Sweden) Dyno Industries (Norway)* Hoescht, Siemens, BASF (Germany) Philips, James Hardie (Netherlands) F.I.L.A Fabbrica Italiana Lapis ed Affini (Italy)
Information Technology	Telefónica de Espana, Endesa (Spain) Telecom Italia (Italy) National Grid (Great Britain) Ericsson (Sweden) Alcatel (France)
Infrastructure	OHL, Sacyr, Dragados, Ferrovial (Spain) Groupe Vinci, Vivendi (France) Impreglio (Italia) Skanska (Sweden)
Electricity, Gas, Water	Endesa, Aguas Barcelona, Iberdola (Spain) Suez Lyonnaise des Faux, TotalFinaElf (France) Anglian Water, Thames Water, Biwater (Great Britain) Tractebel (Belgium) Repsol-YPF (Spain-Argentina)
Financial Services	ABN Amro, ING (Netherlands) BSCH, BBVA, Mapfre (Spain) Crédit Lyonnais, Caisse Nationale, UAP (Francia) Istituto San Paolo-IMI, Sudameris (Italia) Zûrich (Suitzerland)* Deutsche Bank (Germany)
Other services	ABB (Switzerland, Sweden) Carrefour, Sodexho, Alliance (France) Disco Ahold (Netherlands)
Mining	Outokumpu (Finland) Boliden (Sweden) Rio Tinto, Anglo American (Great Britain)