

The Office of the United States Trade Representative

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U.S. and Chile Conclude Historic Free Trade Agreement

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WASHINGTON - The United States and Chile reached agreement today on an historic and comprehensive Free Trade Agreement (FTA) designed to strip away barriers and facilitate trade and investment between both countries. U.S. Trade Representative Robert B. Zoellick and Chilean Foreign Minister Soledad Alvear said they expect to sign the Agreement and submit it to their Congresses for approval next year.

The U.S. - Chile FTA will be the first comprehensive trade agreement between the United States and a South American country. Both ministers expect 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.

"This is an excellent agreement that cuts tariffs and opens markets for American workers, farmers, investors and consumers. It's a win-win state of the art FTA for the modern economy - it not only slashes tariffs, it reduces barriers for services, protects leading-edge intellectual property, keeps pace with new technologies, ensures regulatory transparency and provides effective labor and environmental enforcement," said Zoellick. "The U.S.-Chile FTA really is a partnership for growth, a partnership in creating economic opportunity for the people of both countries. Chile is an ideal free trade partner for the United States because of its sound macroeconomic policies and commitment to free trade. The U.S.-Chile free trade partnership extends beyond this agreement - we are both working hard together to advance global trade negotiations and the Free Trade Area of the Americas."

"I want to thank my Chilean counterparts, Foreign Minister Soledad Alvear, and Finance Minister Nicolas Eyzaguirre for their leadership and persistent pursuit of opening markets with this agreement. I also want to thank our lead negotiators, Regina Vargo for the United States and Osvaldo Rosales for Chile, and the hardworking negotiating teams of both countries for their perseverance and success, and Chilean Ambassador Andres Bianchi who helped in the closing days," said Zoellick. "In the final round, over 90 Chilean and 140 U.S. negotiators representing 19 U.S. agencies worked for nine straight days to reach agreement."

American workers, consumers, investors and farmers will enjoy preferential access to one of the world's fastest growing economies, enabling products and services to flow back and forth from the United States and Chile with no tariffs and under streamlined customs procedures.

Under the Trade Act of 2002, the Administration must notify Congress at least 90 days before signing the agreement. The Administration will continue to consult with the Congress on the agreement during the waiting period and expects early next year to notify Congress of its intent to sign the FTA.

Two-way trade in goods and services (exports plus imports) between the United States and Chile totaled \$8.8 billion in 2001. Trade in services amounted to \$2.2 billion, with the United States in surplus by \$472 million in services trade with Chile. Trade in goods totaled \$6.6 billion, with the United States in deficit by \$424 million in goods trade with Chile. In the seven years to 2001, U.S. goods trade with Chile expanded by 44% and services trade by 37%.

Background:

The United States and Chile began bilateral negotiations on an FTA in December 2000, holding a series of 14 negotiating rounds with teams of specialists, alternating between Santiago, Chile and cities in the United States, including Miami, Atlanta and Washington, DC.

Free Trade Agreements with the United States are comprehensive and provide unparalleled market access for the countries involved. The United States has only four FTA partners: Canada and Mexico (within the North American Free Trade Agreement, or NAFTA), Israel and Jordan. In November, Ambassador Zoellick announced conclusion of the substance of an FTA with Singapore. The Administration has notified Congress of its intent to launch negotiations with Australia, five Central American countries, Morocco and the South African Customs Union (SACU- South Africa, Namibia, Lesotho, Swaziland and Botswana).

The United States views the U.S. -Chile FTA as a key way to increase U.S. market access for goods and services and provide strong protections for U.S. investors in Chile.

Some of the key provisions the FTA would provide follow:

New Opportunities for U.S. Workers and Manufacturers: More than 85% of bilateral trade in consumer and industrial products becomes tariff -free immediately, with most remaining tariffs eliminated within four years. Key U.S. export sectors benefit, such as agricultural and construction equipment, autos and auto parts, computers and other information technology products, medical equipment, and paper products.

Expanded markets for U.S. Farmers and Ranchers: About three-quarters of both U.S. and Chilean farm goods will be tariff-free within four years, with all tariffs and quotas phased out within 12 years. American agriculture wants to expand and compete into new markets, and Chile represents one of the fastest growing economies. U.S. farmers' access to Chilean markets will be as good or better than the European Union or Canada, both of which already have FTAs with Chile. Without this agreement U.S. farmers face higher tariffs than farmers from Canada or the EU. Farmers will gain duty-free treatment within four years for important U.S. products such as pork and pork products, beef and beef products, soybeans and soybean meal, durum wheat, feed grains, potatoes, and processed food products such as french fries, pasta, distilled spirits and breakfast cereals. This FTA will promote U.S. efforts to create markets for U.S. farmers and global competition for liberalization in the World Trade Organization (WTO), FTAA and bilaterally.

Access to a Fast-Growing Chilean Services Market: The agreement offers new access for U.S. banks, insurance companies, telecommunications companies, securities firms, express delivery companies, and professionals. U.S. firms may offer financial services to participants in Chile's highly successful privatized pension system.

A Trade Agreement for the Digital Age: State-of-the-art protections and non-discriminatory treatment are provided for digital products such as U.S. software, music, text, and videos. Protections for U.S. patents, trademarks and trade secrets exceeds past trade agreements.

Strong Protections for U.S. Investors: The Agreement establishes a secure, predictable legal framework for U.S. investors in Chile.

Open and Fair Government Procurement: Ground-breaking anti-corruption measures in government contracting. U.S. firms are guaranteed a fair and transparent process to sell goods and services to a wide range of Chilean government entities, including airports and seaports.

Strong Protections for Labor and Environment: Both parties commit to effectively enforce their domestic labor and environmental laws. An innovative enforcement mechanism includes monetary assessments to enforce commercial and labor and environmental obligations. Cooperative projects will help protect wildlife, reduce environmental hazards and promote internationally recognized labor rights.

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