



**Frequently Asked Questions About
Opportunities for Small Businesses to
Export Under the United States-Chile
Free Trade Agreement**



What is the United States-Chile Free Trade Agreement (FTA)?

The United States-Chile Free Trade Agreement (FTA) entered into force on January 1, 2004.

The United States-Chile FTA benefits small exporters by eliminating tariffs, reducing barriers to trade in services, providing protection for intellectual property, increasing regulatory transparency, and improving customs clearance procedures to get products more quickly to market. Bilateral trade has more than doubled since the FTA entered into force in 2004, with two-way goods and services trade with Chile totaling \$18.6 billion in 2009 (latest data available).

In 2011, more firms of all sizes have been able to take advantage of market openings as the FTA phased out tariffs on an additional 134 products, further promoting trade between our two countries. Small companies which export can grow faster, diversify and expand their customer base, and support good jobs in local communities. The FTA provides excellent opportunities for small business to find new customers and sales in the U.S. and Chilean markets.

How does the Agreement benefit small exporters of goods?

The Agreement allows goods suppliers to be more price-competitive due to the reduction and elimination of duties charged at the border. A small exporter with goods that qualify under the Agreement may provide considerable cost savings to its customers, and may enjoy a cost advantage over competitors from third countries that do not have the tariff benefits of the FTA.

A product must qualify as an “originating good” with sufficient U.S. or Chilean content or processing to meet the rule of origin in the Agreement. These rules of origin ensure that the preferential tariff rates and other benefits of the Agreement accrue to firms that produce or manufacture goods in the U.S. and Chile. The Rules of Origin chapter, including product specific rules of origin, may be viewed here: http://www.ustr.gov/sites/default/files/uploads/agreements/fta/chile/asset_upload_file502_3997.pdf.

Most consumer and industrial products are already duty-free under the Agreement. Key manufactured products of interest to small business that benefit from duty-free treatment include information technology products, auto parts, medical and scientific equipment, machinery, and paper and forest products. U.S. and Chilean small exporters can find out the tariff treatment for specific industrial products under the Agreement with a new easy-to-use and free online search tool at <http://export.gov/fta/ftatarifftool/TariffSearch.aspx>. This tool can help small companies with planning for entry into the market.

The increased transparency, efficiency and timeliness of customs clearance procedures under the FTA also reduce costly delays for small business and speed the delivery of products to market.

What are the benefits of the Agreement for farmers and ranchers?

The Agreement creates new opportunities for farmers, ranchers and processors, including smaller producers seeking to sell to FTA customers. The reduction, and in many cases elimination, of import duties under the FTA has created new and expanding market opportunities across a wide range of agricultural products, including most notably in the area of consumer oriented products. Key growth categories in recent years include beef, pork, fresh fruit, processed fruits and vegetables, snack foods, and planting seeds.

Can small companies that provide services also benefit from the Agreement?

Yes. The Agreement provides for the elimination of obstacles and improved regulatory transparency in key areas of interest to smaller companies such as information and computer services, telecommunications services, financial services, management consulting, tourism, advertising, and professional services such as engineering, accounting, architecture, education, environmental services, and others. For example, under the FTA, in most cases a company may supply services to customers of the other country without being required to maintain a foreign office—a key provision that benefits firms of all sizes but especially small companies that may not have the resources to open foreign offices.

Can textile producers benefit under the Agreement?

Textiles and apparel are duty-free if they meet the Agreement's rule of origin, promoting new opportunities for U.S. and Chilean fiber, yarn, fabric and apparel manufacturing. Through duty elimination, the U.S.-Chile FTA allows U.S. and Chilean textile and apparel exporters to be more competitive with suppliers that do not have duty benefits. The rules for textile and apparel products are generally referred to as "yarn forward," which requires that the yarn production and all operations forward occur in either the United States or Chile. Product-specific rules of origin for textiles may be viewed here: http://www.ustr.gov/sites/default/files/uploads/agreements/fta/chile/asset_upload_file944_3998.pdf.

Can my company take advantage of government procurement opportunities under the Agreement?

Yes. Small firms and suppliers of all sizes benefit from the government procurement provisions of the Agreement, which opens up significant government procurement opportunities and ensures that firms can sell goods and services to a wide range of central and sub-central government entities on the same basis as domestic firms. The Agreement requires fair and transparent procurement procedures, such as advance public notice of purchases and provision of information to all interested suppliers regarding

covered procurement opportunities. The Government Procurement Chapter and Annex of covered government entities may be viewed here: http://www.ustr.gov/sites/default/files/uploads/agreements/fta/chile/asset_upload_file926_4003.pdf.

Where can I find out about programs for government export assistance and financing for small businesses?

Both the United States and Chile have agencies or offices which can assist small businesses with their plans to export goods and services to international customers. Please see the links below for more information.

For more information:

UNITED STATES

For trade policy information: The Office of the U.S. Trade Representative
www.ustr.gov

For information about export assistance: The U.S. Department of Commerce
www.export.gov

For information on U.S. tariffs: The U.S. International Trade Commission
www.usitc.gov

CHILE

For trade policy information: General Directorate for International Economic Relations
www.direcon.cl

For information on Chilean tariffs: General Directorate for International Economic Relations
www.direcon.cl

For information about export assistance: Export Promotion Bureau- ProChile
www.prochile.cl

For information related to support for small- and medium-sized businesses:

- Ministry of Economy, Development and Tourism www.economia.cl
- CORFO (Chilean Economic Development Agency) www.corfo.cl