

# Free Trade with Chile: Significant New U.S. Access to South America's Most Dynamic Economy

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## Highlights of the U.S.-Chile Free Trade Agreement

**New Opportunities for U.S. Workers and Manufacturers:** More than 85% of two-way 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. Luxury tax on U.S. automobiles phased out.

**Expanded Markets for U.S. Farmers and Ranchers:** More than three-quarters of U.S. farm goods will enter Chile tariff-free within 4 years, with all tariffs phased out within 12 years. Key U.S. farm products will benefit from improved market access, including pork, beef, soybeans, durum wheat, feed grains, potatoes, and processed food products such as french fries, pasta, distilled spirits and breakfast cereals. Tariffs on U.S. and Chilean wine equalized at low U.S. levels, then eliminated. The agreement also continues the bilateral process that has successfully addressed some non-tariff barriers, such as meat and dairy inspection issues, and meat grading.

*"Chile is a remarkable country. It's a country that is a strong democracy that has shown people in this hemisphere the importance of rule of law. It's in our nation's best trade agreement] with interest to [conclude a free Chile." -- President George W. Bush*

**Access to A Fast-Growing Chilean Services Market:** 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. Ground-breaking transparency rules to ensure that service regulators operate fairly.

**A Trade Agreement For The Digital Age:** State-of-the-art protections for digital products such as U.S. software, music, text, and videos. Protection for U.S. patents and trade secrets exceeds past trade agreements.

**Strong Protections for U.S. Investors:** The agreement will establish a secure, predictable legal framework for U.S. investors operating in Chile.

**Open and Fair Government Procurement:** Ground-breaking anti-corruption rules in government contracting, setting a new standard for trade agreements. U.S. firms are guaranteed fully transparent procurement procedures to sell goods and services to a wide range of Chilean government entities, including airports and seaports.

**Strong Protections for Labor and the Environment:** Both parties commit to effectively enforce their domestic labor and environmental laws. An innovative enforcement mechanism includes monetary penalties to enforce commercial, labor and environmental obligations of the trade agreement. Cooperative projects will include efforts to protect wildlife and improve resource management, reduce the use of dangerous chemicals such as methyl bromide, reduce environmental hazards from mining, and promote internationally recognized labor principles.

## **Some Key Benefits of the U.S.-Chile Free Trade Agreement**

### **Levels the Playing Field for U.S. Products and Farm Goods**

- o U.S. companies currently operate at a significant competitive disadvantage in Chile, because competitors such as Canada, Mexico and the European Union all have freetrade agreements with Chile.
- o For example, a U.S.-made Caterpillar 140 Horsepower Motor Grader sold in Chile pays \$13,090 in tariffs. But the same tractor made in Canada pays ZERO tariffs.
- o The National Association of Manufacturers (NAM) estimates that the current lack of a U.S. FTA with Chile costs U.S. exporters \$800 million per year in sales, affecting 10,000 U.S. jobs.
- o NAM estimates that the largest losses of U.S. market share in recent years were in wheat, corn, soybeans, paper, plastics, paints & dyes, fertilizers, heating equipment, and construction equipment.
- o The U.S.-Chile FTA will remedy these competitive disadvantages.

### **Economic Growth and Increased Opportunities, Especially for the Poor**

- o A study by the University of Michigan and Tufts University estimates that a U.S.-Chile FTA will expand U.S. GDP by \$4.2 billion, and Chilean GDP by \$700 million.
- o Poverty in Chile was cut in half between 1987 and 2000 as a direct result of Chile's economic reforms and trade liberalization. Persons living in extreme poverty declined from 17.4% in 1987 to 5.7% in 2000. An FTA will contribute to continued economic growth and poverty reduction in Chile

**A State-of-the-Art Trade Agreement:** The U.S. FTA with Chile contains ground-breaking provisions new to any free trade agreement:

- o New anti-corruption rules in government contracting, and commitments to make end-user piracy of copyrighted works a criminal offense.
- o New customs procedures will increase transparency, efficiency and timeliness of customs clearance procedures, while maintaining strong border security.
- o New regulatory transparency commitments will govern the interaction of service regulators with private parties, increasing public access to rulemaking procedures.
- o Unprecedented transparency in the dispute settlement process, including public panel hearings, access to legal submissions, and the right of third parties to submit views.

*The U.S.-Chile FTA contains more than 800 pages of text and annexes. Talks began in December 2000, and 14 negotiating rounds have been held. In the final round, 230 negotiators from the U.S. and Chile worked nine straight days to reach agreement.*