



News Release

November 14, 1996 No. 209

CANADA AND CHILE REACH FREE TRADE AGREEMENT

The Honourable Art Eggleton, Minister for International Trade, announced today that Canada and Chile have reached a free trade agreement that significantly increases Canadian access to Chilean markets. The agreement includes two parallel agreements on environmental and labour co-operation, modelled on the North American Free Trade Agreement (NAFTA) side agreements.

"This is a solid deal for both nations, and will boost Canadian exports and create jobs in both countries," said Mr. Eggleton. "This agreement demonstrates our commitment to economic growth through expanded trade and is an important first step in further trade liberalization throughout the hemisphere and beyond."

On December 11, 1994, the Prime Minister of Canada and the presidents of the United States, Mexico and Chile announced their intention to pursue Chile's accession to the NAFTA. In January 1995, Prime Minister Jean Chrétien led a trade delegation to Chile, the first such mission to Chile by a Canadian leader. He was accompanied by more than 250 business people.

On December 29, 1995, Canada and Chile committed to negotiate an interim free trade agreement as a bridge to Chile's accession to the NAFTA. The first round of negotiations took place in January 1996 in Santiago. Since then, nine further negotiating rounds, generally alternating between Canada and Chile, have taken place.

The agreement's key features are:

Immediate duty-free access for most industrial goods, which account for 80 per cent of Canadian exports, and the elimination of Chile's 11 per cent import duty on almost all remaining industrial and resource-based goods over five years. Better access for a range of agricultural goods, including durum wheat,

barley, lentils, seed potatoes, pork, canola products and beef. Canadian exporters' overall access to Chilean markets will now be better than that of their competitors in the United States, the European Union, Argentina and Brazil.

Significant new protection for Canadian investments in Chile, including an agreement to automatically grant Canadian investors the benefits of any further liberalization that may occur in the future.

Important new guarantees for Canadian exporters of services.

The creation of a Free Trade Commission and secretariat to ensure the timely and effective resolution of disputes.

Side agreements on environment and labour that reflect both countries' emphasis on increased co-operation and effective enforcement of domestic laws in these areas. These are the first agreements of this nature ever signed by the Government of Chile.

The mutual elimination of anti-dumping duties within a maximum of six years. This will further guarantee barrier-free access for Canadian exports to Chile and contribute to making further progress in reforming anti-dumping law internationally.

The agreement also exempts cultural industries, the Auto Pact, and supply-managed products, and fully protects social and health services. The agreement will be approved during the November 17-19 visit to Canada of Chilean President Eduardo Frei, and should be implemented on June 2, 1997.

- 30 -

Highlights of the agreement are attached.

For further information, media representatives may contact:

Nicole Bourget

Director of Communications

Office of the Minister for International Trade

996-6271

Media Relations Office

Department of Foreign Affairs and International Trade

(613) 995-1874

This document is also available on the Department's Internet site:
<http://www.dfait-maeci.gc.ca>

HIGHLIGHTS OF THE CANADA-CHILE FREE TRADE AGREEMENT

Barrier-Free Access to Chile

Immediate elimination of the 11 per cent Chilean duty for the vast majority of Canadian industrial and resource-based exports, providing significantly improved access to the Chilean market. Tariffs on the remainder of these goods will be reduced immediately to at least 8 per cent and be phased-out over a maximum period of five years.

Canadian exporters gain important advantage over their principal competitors in the Chilean market, including the U.S., European and Asian suppliers, as well as Chile's regional trading partners.

Immediate duty-free access for exports of Canadian durum wheat (from April to November), barley, lentils, canary seed, seed potatoes, malt, beer, raspberries, maple syrup, mustard products, flavoured waters and various fruit juices. Immediate duty-free access for important quantities of beef, pork and canola oil.

Rules of Origin

Familiar rules of origin modelled on those found in the North American Free Trade Agreement (NAFTA) with a transitionally reduced value content level for certain sectors, which provides Canadian manufacturers with preferential access without requiring major changes to their current sourcing of materials and parts.

Investment

Additional benefits and guarantees, unprecedented outside the NAFTA context, for Canadian investors in Chile.

National treatment and most-favoured-nation clauses, ensuring non-discriminatory treatment for Canadian investors and guaranteeing the automatic extension of the benefits of any future liberalization to Canada.

Limitations on the conditions for expropriation and guarantees of fair and adequate compensation if an expropriation were ever to occur.

Access to investor-state dispute settlement provisions that offer access to expedient international arbitration procedures.

No screening mechanisms which could block entry or otherwise impede Canadian commercial interests.

Services

Locks in Chile's open regulatory regime to ensure that Canadian services providers will continue to benefit from a transparent, largely barrier-free business environment. Service sectors that will benefit include consulting engineering, and mining, forestry and environmental enhancement services.

Canada will also automatically benefit from any future liberalization by Chile related to trade in services.

Retention of NAFTA-level protection, including a very broad carve-out covering social services, including health services.

Trade Remedies

The agreement gradually phases out the use of anti-dumping measures between the parties over a six-year period. This will ensure that market access commitments gained by Canada are not interrupted by the imposition of anti-dumping actions by Chile. As a potential NAFTA member, a mutual exemption from the application of anti-dumping duties in this free trade agreement (FTA) is consistent with the Canadian government's long-standing objective to reform and eventually eliminate the use of anti-dumping duties within the NAFTA. The right of each party to take countervailing duty action against subsidized imports and to utilize safeguard measures is not affected.

Other Benefits

The Auto Pact remains unaffected.

Cultural industries are exempted.

Over-quota tariffs for dairy, poultry and eggs are preserved.

Improved temporary entry provisions that provide for expedited entry for Canadian investors, business visitors, inter-company transferees and other business professionals.

An effective and timely procedure for the settlement of disputes that is not subject to appeal.

An agreement on competition policy modelled on the NAFTA.

Side agreements on environment and labour that complement the FTA, reflecting the priority the two countries place on enhanced co-operation and effective enforcement in these areas.

These side agreements provide a unique opportunity for Canada to participate actively in the further modernization of Chile's labour and environmental laws and practices, as Chile does not have such agreements with any other country.