

# The Office of the United States Trade Representative

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## United States and Chile Sign Historic FreeTrade Agreement

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MIAMI - The United States and Chile today signed an historic and cutting-edge Free Trade Agreement (FTA) that when fully implemented eliminates bilateral tariffs, lowers trade barriers, promotes economic integration and expands opportunities for the peoples of both countries. U.S. Trade Representative Robert B. Zoellick signed on behalf of the United States, and Chilean Foreign Minister Soledad Alvear signed for Chile, at the Vizcaya Museum and Gardens in Miami. The U.S.- Chile FTA is the first free trade agreement between the United States and a South American country.

"This is an historic agreement that sets a high benchmark for future FTAs. I'm honored to represent President Bush, whose leadership and convictions have helped to restore American trade and economic leadership," said Zoellick. "This state of the art agreement slashes tariffs and quotas, reduces barriers for services, protects leading-edge intellectual property, keeps pace with new technologies and new ways of doing business, ensures regulatory transparency, and promotes labor and environmental protections."

"American farmers, workers, consumers and businesses will benefit from improved access to the Chilean market, and this FTA will provide momentum to the ongoing negotiations in the Free Trade Area of the Americas and the global trade talks," said Zoellick. "I want to thank Minister Alvear for her leadership in completing this FTA. I also want to recognize Governor Jeb Bush and the people of Miami and Florida for their commitment to trade and their hospitality today."

Florida Governor Jeb Bush provided welcoming remarks at the ceremony, and was joined by local elected leaders from the City of Miami and Miami-Dade County.

The U.S.-Chile FTA will increase U.S. market access for goods and services and provide strong protections for U.S. investors in Chile. American workers, consumers, businesses, 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.

Zoellick noted that he was especially proud to be signing the Chile FTA, because it has been a focus of his throughout his tenure. Zoellick's first overseas trip as USTR was to Chile, in April 2001, where he gave a speech before the Chilean-American Chamber of Commerce in Santiago.

Some of the key opportunities the FTA provides for are:

***New Opportunities for U.S. Workers and Manufacturers*** - More than 85 percent 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. 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.

***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 in the region.

***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*** - Provides for 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 governments commit to 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.

Two-way trade in goods (exports plus imports) between the United States and Chile totaled \$6.4 billion in 2002. Two-way trade in services in 2001 (latest year available) amounted to \$2.2 billion. Since 1994, U.S. goods trade with Chile has expanded by 39% (to 2002) and services trade by 37% (to 2001).

Upon Congressional approval of this Free Trade Agreement, 85 percent of industrial products will be traded without duties. In less than four years, 75 percent of farm production will also be freely traded. After just ten years, all trade in non-agricultural goods will take place without tariffs or quotas; for agriculture, the phase out will take just 12 years.

### **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. During the final round held in December 2002, over 90 Chilean and 140 U.S. negotiators representing 19 U.S. agencies worked for nine straight days to complete the agreement.

Technical work on the text continued up through the week of signing with legal teams from both countries reviewing and clarifying the text. After signing the agreement the next step is for the President to submit to Congress a description of the changes to existing U.S. law that would be

required to bring the United States into compliance with its obligations under the agreement, within sixty days after the agreement is signed. After the agreement is signed, the International Trade Commission (ITC) will report to the President and to Congress on the impact the agreement will have on U.S. industrial sectors and the economy as a whole.

After working with the Congress to draft implementing legislation, the President will submit the agreement to Congress for approval, along with an implementing bill, a description of administrative changes needed to carry out the agreement, and other supporting documentation. Once submitted, the House and Senate will review the implementing package and vote under an expedited timetable.

The United States currently has four free trade partners: Canada and Mexico (within NAFTA); Israel; and, Jordan. An FTA with Singapore was recently signed, and along with the Chile FTA must also be approved by Congress before it can take effect.

The United States has begun FTA negotiations with Morocco; five nations in Central America (CAFTA, which includes Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua); five nations in the Southern African Customs Union (Botswana, Lesotho, Namibia, South Africa and Swaziland); and Australia.

A center for regional trade, Miami is hosting the Free Trade Area of the Americas Ministerial in November 21-23, 2003. Miami was the site of the 1994 Summit of the Americas, where the idea of the US-Chile FTA was first discussed.