ELANBiz Fact Sheet: EU-Chile Association Agreement

What role does the EU-Chile Association Agreement (AA) have for European companies?

According to IMF\(^1\) estimates for 2015, Chile is the sixth largest economy in Latin America in terms of nominal GDP and has the highest per capita income in the region. The World Bank has classified the Chile as a high-income country.

Chile is open to the world, both in terms of foreign trade (65% of GDP) and foreign direct investment (FDI) - US$23,302 million in 2014 according to UNCTAD. The EU is one of its three top trading partners and it is the biggest foreign investor in the country.

Chile boasts noteworthy rankings in competitiveness, economic freedom, and financial development making it the strongest economy in Latin America. This is further confirmed by Chile’s debt rating, the best in the region, and the ratings of Standard & Poor's (AA-) Moody's (Aa3) and Fitch (A), among others.

When the EU-Chile AA came into force in 2003, the annual growth of trade between the two partners exceeded 11%. Chilean exports to the EU rose 8%, while imports grew by 15% annually. Moreover, the EU is the main investor in Chile reaching 32% of FDI in Chile.

The AA created an institutional structure that favoured the development of trade and investment.

What products have benefitted from the Agreement?

The Agreement provided for the progressive liberalisation of trade in goods over a maximum transitional period of ten years.\(^2\) Thus, by 2013, 100% of manufactured goods entered tariff free along with 81% of agricultural products and 91% of fisheries.

---

\(^1\) FMI: *World Economic Outlook Database 2015.*

\(^2\) Notwithstanding, there is an asymmetry in the respective periods as for Chile it is 0, 5, 7 and 10 years while for the EU it is 0, 3, 4, 7 and 10 years.
Overall, the AA liberalises 97% of all trade between the parties, with a good portion of the goods already entering tariff free from the get go.

**What tariffs are applied to European products?**

There are 7,801 products originating in the EU that enter tariff free into Chile, i.e., 98.7% of EU exports to the country. Thus, in terms of value, this represents 99.7% of total EU exports to Chile entering tariff free.

Upon the entry into force of the Agreement on 1 February 2003, about 91% of European exports to Chile entered duty free. The remaining European products were liberalised over set periods (3, 4, 7, 10), while adequately safeguarding Chile’s sensitive products - both agricultural and industrial.

In January 2013, the largest liberalisation took place as the AA completed its 10-year period. Both parties liberalised the remaining products as stipulated in respective tariff elimination schedules.

Chile grants tariff quotas for the following EU products: cheese (including ricotta/cottage cheese), olive oil, hake, smoked salmon, and tuna.

The current tariff rates are available on the website of Chile’s National Customs Service[^3].

**What is “Rules of Origin” and what are the requirements that European products need to comply with in order to benefit from the AA?**

The objective of Rules of Origin (RoO) is to establish where a product is produced in order to determine whether it can benefit from the tariff preferences set out in the EU-Chile Association Agreement. RoO considered in the Agreement are based on two fundamental principles in order to ascertain the "originating status": a product has originating status if it is either "wholly obtained" or, in the case of using non-originating inputs, it has been sufficiently worked or processed in one of the parties (i.e., Chile or the EU). European exporters must prove the origin of the products using the movement certificate that applies in the case of the Agreement with Chile called the EUR.1.

**What does the Agreement foresee with regards to standardisation, conformity assessment procedures and labelling?**

A Special Committee on Standards, Technical Regulations, and Conformity Assessment Procedures is established in the framework of the AA. The Committee is

composed of representatives of both Parties and is respectively co-chaired by a Government authority. It meets once per year, unless otherwise agreed upon between both Parties.

The Committee may address any matter related to the effective functioning of this section. In particular, it shall have the following responsibilities and functions:

a) Monitoring and reviewing the implementation and administration of the provisions set out in the Agreement;

b) Providing a forum for discussion and exchanging information on any relevant matter and in particular as it relates to the Parties' systems for technical regulations, standards and conformity assessment procedures, as well as developments in related international organisations;

c) Providing a forum for consultation and prompt resolution of issues that act or can act as unnecessary barriers to trade;

d) Encouraging, promoting and otherwise facilitating cooperation between the Parties' organisations, public and/or private, for metrology, standardisation, testing, certification, inspection and accreditation; and

e) Exploring any means aimed at improving access to the Parties' respective markets.

Since the entry into force of the AA in 2003, the Committee has met regularly reaching 13 meetings last 2015. It systematically addresses matters related to the establishment of technical standards and regulations with impact on bilateral trade, and the exchange of information and technical regulations that have an impact on third parties. Among the issues raised by the EU are the Chilean regulations for: electrical appliances, diesel engine emissions, cosmetics, shoes, and new regulations for the labelling of textile products.

**What does the Agreement foresee regarding Sanitary and Phyto-Sanitary Measures?**

To address all Sanitary and Phyto-Sanitary (SPS) measures, the Agreement created a special committee on the matter called the Joint Management Committee on SPS matters that convenes once per year reaching 13 as of XX 2015. The Committee has the following functions:

a) To monitor the implementation of AA and examine all matters which may arise in relation to its implementation;

b) To review all the SPS contents of the AA, notably in the light of progress made under the consultations and procedures provided for under the Agreement;

c) To make recommendations for modification of the AA;
d) To establish, as deemed fit, the creation of technical working groups responsible for handling and defining the scientific and technical issues arising from the implementation of the AA.

Resolutions on three main areas have been adopted under the framework of the AA: i) Recognition of health status of animal and plant species to enable trade; ii) Recognition and enablement of establishments and facilities to export animals and products of animal origin in line with sanitary protocols; iii) Establishment of standards and regulations in matters of food safety, including provisions on traceability.

How does the Agreement benefit investments and services exports?

As with trade in goods, the AA aims at progressive and reciprocal liberalisation of trade in services. Conditions for access to the respective markets have been incorporated in the Schedules of Specific Commitments on Services.

The Agreement establishes disciplines to promote trade such as national treatment, national regulations, mutual recognition, and transparency.

Specific rules were adopted for the telecommunications sector, international shipping, and financial services. Regarding financial services it is governed by comprehensive rules covered in a specific chapter of the Agreement. However, the audio-visual sector, national maritime sabotage and air transport (except for some specific services) have been completely exempted from AA.

The AAforesees the liberalisation of investment through the principles of national treatment and non-discrimination for establishment and the liberalisation of current payments and capital movements. The AA also includes a chapter on public procurement providing for reciprocal opening of public markets.

The EU is the largest foreign direct investor in Chile with 32% in XX. The AA strengthens legal certainty regarding the conditions of access and establishment of FDI in Chile. This should result not only in increased flows of European capital into the country, but also in turning Chile into an investment platform for third markets, especially those in the region with which it has a trade agreements: Canada, Central America, the Andean Community, Mercosur, and Mexico.

What opportunities exist regarding Government Procurement?

The aim of the AA regarding public procurement is to attain a real and reciprocal opening of respective markets in a transparent and non-discriminatory manner. The Agreement seeks to ensure significant business opportunities for the suppliers of both Parties. Chilean producers and exporters are guaranteed a non-discriminatory participation in procurement procedures of the EU's Member States and vice versa.
The AA covers procurement processes of goods and services and concessions for public works carried out by the public entities covered by the Agreement. This includes central and sub-central government entities, incorporating the municipalities, as well as certain kinds of companies under the conditions set out therein.

Useful Links

- **EU-Chile Association Agreement:** [http://www.direcon.gob.cl/detalle-de-acuerdos/?idacuerdo=6286](http://www.direcon.gob.cl/detalle-de-acuerdos/?idacuerdo=6286)

- **Studies of the EU-Chile Association Agreement:**

- **Standards and specifications related to the EU-Chile AA:** [http://normativa.aduana.cl/acuerdo-de-asociacion-chile-union-europea/aduana/2014-02-17/130541.html#](http://normativa.aduana.cl/acuerdo-de-asociacion-chile-union-europea/aduana/2014-02-17/130541.html#)

- **Delegation of the European Union to Chile:** [http://e eas.europa.eu/delegations/chile/eu_chile/political_relations/agreements/index_es.htm](http://e eas.europa.eu/delegations/chile/eu_chile/political_relations/agreements/index_es.htm)

**DISCLAIMER**

“The positions expressed are those of the authors and do not necessarily reflect the official opinion of the European Union. Neither the European Union nor any person acting on behalf of the European Union is responsible for the use which might be made of this information. Neither the European Union nor the ElanBiz consortium members are responsible or may be held accountable for any loss suffered as a result of reliance upon the content of this Fact Sheet.”