United States Department of Agriculture
Foreign Agricultural Service

FACT SHEET

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U.S.-Chile Free Trade Agreement

On Jan. 1, 2004, the United States began implementing the U.S.-Chile Free Trade Agreement (FTA), the first comprehensive trade agreement with a South American country. After 2 years, total bilateral trade had grown 80 percent, benefiting both countries. Many agricultural products received tariff free access upon implementation. Three-quarters of U.S. agriculture goods exported to Chile will be duty free by 2008 and full agricultural liberalization will occur by 2016.

Background

The origins of an agreement with Chile began with the October 1990 signing of the U.S.-Chile Trade and Investment Framework. In 1994, the United States announced interest in extending the North American Free Trade Agreement (NAFTA) to include Chile. Negotiations with Chile were initiated in December 2000 and finalized 2 years later. After a review by the President, private sector advisory committees, Congress, and the U.S. International Trade Commission, the U.S.-Chile Free Trade Agreement was signed on June 6, 2003.

Benefits to U.S. Agriculture

In 2002, two-way trade in agricultural and food products between the United States and Chile totaled nearly $1.3 billion. As of December 2005, total bilateral trade in these products had grown to $1.6 billion. The FTA provisions for agricultural products include: tariff elimination, tariff-rate quotas, agricultural safeguards and other provisions to protect the integrity of the FTA and third country actions.

Tariffs: Chile eliminated tariffs immediately on pork and pork products, beef offal, durum wheat, barley, barley malt, sorghum, soybeans and soybean meal, pasta, breakfast cereals, cereal preparations, and sunflower seeds. Access for beef on both sides will be liberalized over 4 years, beginning with a 1,000-metric-ton quota, a 10-percent annual growth factor, and a linear phase-out of the out-of-quota tariff rate. Access for poultry on both sides will be completely liberalized over 10 years. This began in year 2 with an 8,000-metric-ton tariff-rate quota, a 5-percent annual growth factor, and a linear phase-out of the out-of-quota tariff rate. Chile's duty on many dairy products, including skim milk powder, whey, and cheeses, will be eliminated in 4 years; duties on other dairy products will be eliminated in 8 years. Tariffs on U.S. and Chilean wines are being progressively harmonized down to the lowest wine tariff rate and will be eliminated by 2016.

Safeguards: The U.S. agricultural safeguard provision applies to imports of certain Chilean products, including many canned fruits, frozen concentrated orange juice, tomato products, and avocados. U.S. Customs and Border Protection tracks imports of these items. When the import value of the commodity falls below the trigger price, the safeguard provision goes into effect and a portion or all of the Most Favored Nation (MFN) rate may be applied. Safeguard provisions may be imposed only during the first 12 years of the Agreement.

***Chilean Price Bands*:** Chile committed to eliminate its price band mechanism as it relates to the United States on wheat, wheat flour, and sugar and sugar containing products over a 12-year transition period. The FTA sets out a non-linear tariff reduction schedule based on Chile's bound rate of 31.5 percent and additional commitments to ensure U.S. exporters receive no less favorable treatment than any other suppliers, including Chile's other FTA partners.

Export Subsidies: The FTA eliminates the use of export subsidies on U.S.-Chilean farm trade, but preserves the right to respond to the use of export subsidies by third countries to displace U.S. products in the Chilean market or vice-versa.

Rules of Origin: The FTA employs product-specific rules of origin similar to those contained in the NAFTA.

Sanitary and Phytosanitary Measures*:* Both sides committed to continue to work on resolving important sanitary and phytosanitary issues affecting market access.

Implementation

The Free Trade Commission established under the Agreement meets annually to supervise its implementation through various committees and working groups.

The Committee on Trade in Goods oversees issues regarding rules of origin, customs administration and tariff acceleration, but also manages issues under the Working Group on Agricultural Trade. This group, in conjunction with the other committees, reviews the operation of agricultural programs and technical issues that affect agricultural trade.

The Sanitary and Phytosanitary (SPS) Committee established to enhance implementation of the WTO SPS Agreement provides a forum to review progress of SPS matters arising from regulatory activities.